



# Procurement Policy of ORLEN Group

(hereinafter also referred to as: "Policy")

## **Mission and Vision**

The mission of the Procurement Area is to support the implementation of the strategy of ORLEN Group through procurement category management, building a modern management culture and operational excellence as well as concern for the sustainability of the supply chain.

The vision of the Procurement Area is to become the best procurement organization in Central and Eastern Europe.

The strategic objective of the Procurement Area is to add value and maximize benefits, to focus on objectives that allow for the achievement of business satisfaction, to manage risks and timeliness, ensuring the continuity of business processes within the Group.

The strategic objectives are pursued on the basis of activities under the six pillars:

- Mapping of processes,
- Implementation of the Categories Management model,
- Qualification and evaluation of suppliers,
- Purchasing management in the Group,
- Development of IT systems and tools to support procurement processes,
- Improvement of competences.

ORLEN Group carries out procurement efficiently, in accordance with the highest international procurement standards, as evidenced by the award - CIPS corporate certificate for PKN ORLEN S.A. Its customer focus and concern for operational excellence strengthens the role of ORLEN Group as a reliable, credible and trustworthy partner.

## **Purpose and scope of the Procurement Policy**

The purpose of Procurement Policy of ORLEN Group is to establish the basic principles and the division of responsibilities in conducting procurement processes for ORLEN Group.

The Procurement Policy applies to PKN ORLEN S.A. and to the companies belonging to ORLEN Group which adopted the Policy.

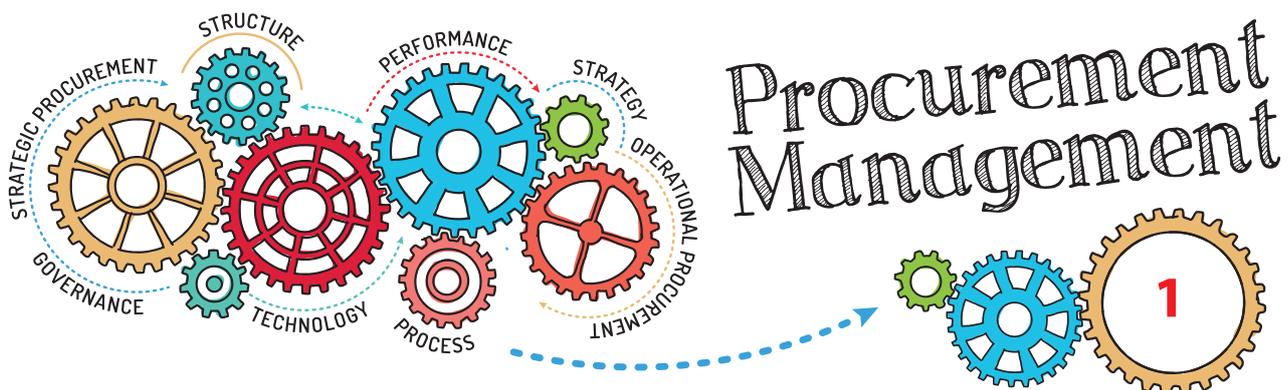
Any exceptions to the Policy require consultation and approval of the Chief Procurement Officer of PKN ORLEN S.A.

The Policy is subject to revision and requires the approval of the Company Strategy Committee

## **Supervision**

Segment management of the Procurement Area operates in ORLEN Group. The Procurement Area in PKN ORLEN S.A. and the companies belonging to ORLEN Group uphold the interests of ORLEN Group through the strategic objectives defined by PKN ORLEN S.A.

Segment management and supervision by the representatives of PKN ORLEN S.A. in Supervision Boards of ORLEN Group Companies is to ensure consistency and synergy of procurement processes, maximize benefits and minimize risks in the supply chain and to meet business needs for growth and competitiveness of ORLEN Group.



The Chief Procurement Officer of PKN ORLEN S.A. is authorized to manage the Procurement Area in the implementation of strategic objectives of the Procurement Area of ORLEN Group, in institutional distinction of ORLEN Group companies.

At the same time, the persons managing the other Segments and Areas of a Company of ORLEN Group actively cooperate with the Chief Procurement Officer of PKN ORLEN S.A. for the implementation of the provisions set out in the Procurement Policy.

As part of the implementation of the Procurement Policy, the Chief Procurement Officer of PKN ORLEN S.A. is granted authorization to carry out the following tasks:

- Monitoring of the implementation of the Procurement Policy of ORLEN Group,
- Cost optimization and execution of procurement in ORLEN Group, with the exception of the categories set out in Appendix No. 1 to the Procurement Policy,
- Implementation of strategies of procurement categories, taking into account the total cost of ownership, mitigation of risk and maximization of the added value for ORLEN Group,
- Inventory optimization in ORLEN Group in terms of material supply, through active participation in process mapping, procurement planning conducted with Business Partners and standardization of technical specifications of stocks,
- Monitoring the effectiveness of the organizational model focusing mainly on the implementation of ORLEN Group priorities and optimization of the Procurement Area in ORLEN Group,
- Setting of the processes and IT technology standards to ensure the operational effectiveness of other business processes within ORLEN Group.

The Procurement Area of ORLEN Group performs the following actions as part of the procurement process:

- Qualification and selection of suppliers, their evaluation and supplier relationship management,
- Conducting purchasing negotiations,
- Incurring liabilities and entering into contracts with suppliers,
- Financial settlement of concluded contracts.

The Chief Procurement Officer of PKN ORLEN S.A. sets the standards applicable in ORLEN Group, regulating the key elements of the procurement processes, in particular

- Procurement Category Strategies implementation,
- Qualification and evaluation of suppliers,
- Register, execution and settlement of purchasing orders and contracts,
- Applied IT systems and purchasing tools,
- Reporting and exchange of procurement data between the companies in ORLEN Group.
- Building procurement competencies in ORLEN Group.

Implementation and modification of internal regulations regarding procurement processes in the companies of ORLEN Group requires consultation and approval of the Chief Procurement Officer of PKN ORLEN S.A.

The Procurement Area may delegate authority to make and/or carry out purchases to other Business Units within a specified amount limit and/or available framework agreements.

### ***Division of responsibilities***

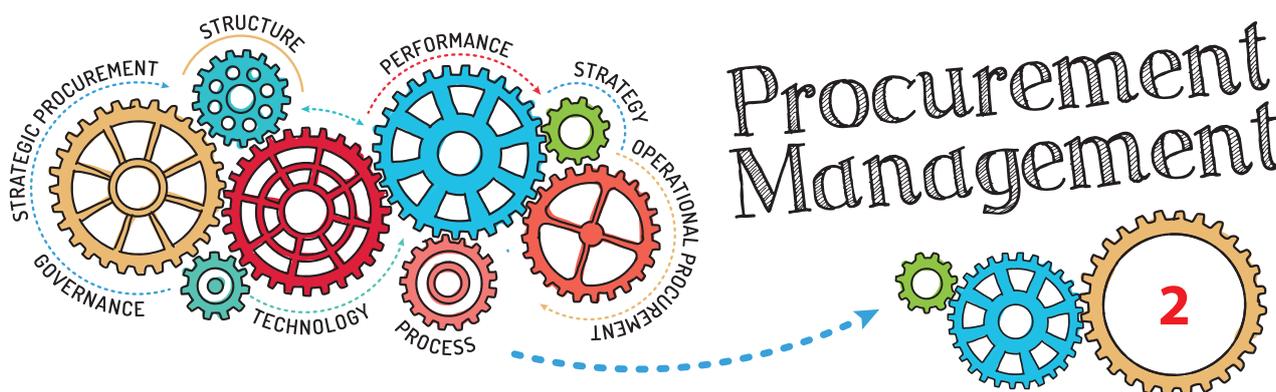
The common practice in the Procurement Area of ORLEN Group consists in a clear division of roles and responsibilities of all participants of procurement processes.

The standard is the separation of responsibilities between (1) the persons ordering the purchase - also responsible for acceptance and receipt of ordered goods and services, (2) the persons selecting the suppliers and contractual agreements, and (3) the persons responsible for the proper settlement of orders and making payments.

The detailed rules for procurement processes and the division of roles and responsibilities are defined in separate internal regulations relating to procurement processes in PKN ORLEN S.A. and in companies of ORLEN Group.

### ***Category Management and Supplier Management***

ORLEN Group follows the international standards and best practices of effective procurement management, including the implementation of Category Management model within ORLEN Group.



Category management is the best tool to increase the added value of procurement in the organization and to take full advantage of synergies within ORLEN Group. It allows to manage the key suppliers from the level of ORLEN Group in an efficient and organized way. Companies of ORLEN Group realize the benefits of Category Management, through participation in the development of category strategies at the level of ORLEN Group and through their implementation.

The purpose of the Procurement Area is to create and develop long-term, mutually beneficial and ethical relationships with suppliers, bearing in mind the best interests of ORLEN Group. ORLEN Group uses the services of carefully selected suppliers. As part of the continuous improvement of procurement processes, ORLEN Group develops and standardizes the processes associated with the selection of suppliers. The qualification, selection and periodic evaluation of suppliers allows to minimize the financial, process and reputation risk and to maximize the quality in cooperation with suppliers. This translates into operational excellence and enhancement of competitive advantage of ORLEN Group.

Category management allows to translate the directions of development set in the Strategy of ORLEN Group into operating activities in the field of procurement. Thanks to the cooperation between the Procurement Area and Business Partners Areas, it is possible to properly define the business needs and translate them into effective procurement solutions implemented in the framework of the strategy of procurement categories.

In the companies of ORLEN Group, the strategies of procurement categories are superior to individual purchasing processes carried out in accordance with the applicable purchasing regulations. In particular, the strategy of categories may determine the suppliers invited to individual tenders or directly indicate splitting of orders among the selected suppliers under the strategy of supplier categories.

The procurement categories management model in ORLEN Group taking into account the process of building, acceptance and implementation of the strategy of categories, the scope of responsibilities, division of roles and responsibilities will be implemented by separate regulation and communicated to the Companies of ORLEN Group.

The Category Management model in ORLEN Group will be implemented by separate regulation and communicated to the Companies of ORLEN Group. The document will define the process of building, acceptance and implementation of the strategies for selected categories, the scope of responsibilities, division of roles and responsibilities

## **Procurement process**

The key elements of the procurement process applicable in ORLEN Group are as follows:

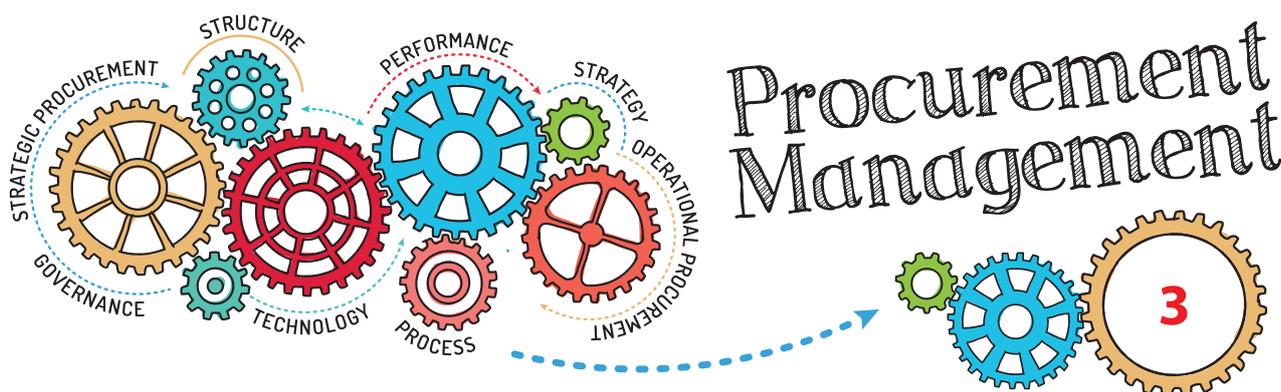
- Strategy of procurement categories,
- Purchasing planning,
- Purchase requisition,
- Selection of the type of proceeding of the procurement process,
- Conduction of procurement processes and negotiations with suppliers,
- Supplier selection,
- Conclusion of the contract / placing the purchase order,
- Payment and invoice settlement,
- Supplier evaluation

Procurement processes are carried out with the use of IT tools.

Contracting procurement liabilities proceeds in accordance with the principles of mandate to conclude contracts on behalf of PKN ORLEN S.A. and companies of ORLEN Group and the appropriate procurement procedures.

The process of settlement of orders and contracts consists of the following successive stages

- Purchase requisition,
- Supplier selection and contracting / triggering the delivery of goods and/or service,
- Receipt of order,
- Settlement.



Each stage of the process should be properly documented and recorded as part of registers in dedicated IT tools. The recommended IT system in ORLEN Group is SAP MM / SRM, and other systems are allowed if they meet all of the following requirements:

- The IT system provides for the division of roles and rights, register of individual documents within a specified range of data and system linking of individual objects (Purchase requisition, Contract, Order, GRN, Invoice)
- The IT system provides certain mechanisms to control the limits of individual objects (e.g. Order vs. Contract, GRN vs. Order),
- The IT system provides automatic export of data to the data warehouse of PKN ORLEN S.A. for reporting, execution and settlement of liabilities.

### **Supplier Code of Conduct**

Each supplier cooperating with ORLEN Group is obliged to respect the rules described in the "Supplier Code of Conduct" ([link: http://www.orlen.pl/EN/CSR/Pages/PKN-ORLEN-Supplier-Code-of-Conduct.aspx](http://www.orlen.pl/EN/CSR/Pages/PKN-ORLEN-Supplier-Code-of-Conduct.aspx)) showing the respect of social, environmental, ethical standards and corporate governance. The assessment of conformity of the Supplier's activities with the principles of the Supplier Code of Conduct is an integral part of the supplier selection and evaluation process in ORLEN Group.

### **Responsible business and compliance with the law**

In business relations, the Procurement Area of ORLEN Group acts in accordance with the applicable norms and standards of professional business conduct.

In the procurement processes, employees of the Procurement Area follow the principles contained in the document "The core values and standards of conduct of PKN ORLEN S.A."

([link: http://www.orlen.pl/EN/CSR/Pages/The-core-values-and-standards-of-conduct-of-PKN-ORLEN.aspx](http://www.orlen.pl/EN/CSR/Pages/The-core-values-and-standards-of-conduct-of-PKN-ORLEN.aspx)).

Purchases are executed in accordance with the ethical principles and norms of the applicable law, while maintaining the transparency of the process and professionalism. Also, the principles of confidentiality and equal access to information are respected. Acting responsibly, ORLEN Group mitigates risks in the supply chain, while minimizing the negative impact on the surroundings and the natural environment.

All cases of violation of ethical principles and abuse should be reported in accordance with the instructions contained in the document "The core values and standards of conduct of PKN ORLEN S.A." The company guarantees security and confidentiality to reporting persons (to both employees of ORLEN Group and third parties).

### **Amendment No. 1 Exceptions to Procurement Policy**

List of procurement categories excluded from the scope of responsibility of the Procurement Area:

- Crude oil,
- Gas,
- Energy media that are not electric energy,
- Electric energy,
- Ready-made fuels,
- Other products intended for immediate resale, with the exception of procurement made on the basis of arrangements with the area of sales, goods and non-fuel services,
- Real estate,
- Financial services,
- Capital investment,
- and other not covered by the procurement procedures, such as taxes and official fees.

