

GOOD PROCUREMENT PRACTICES

PGE Dystrybucja S.A.

I. PRINCIPLES FOR CONDUCTING PROCUREMENT PROCEDURES

- 1.1 Partnership
- 1.2 Fair competition
- 1.3 Transparency
- 1.4 Information security

ALL PERSONS directly or indirectly involved in the Procurement Procedure are obliged to comply with generally applicable laws, the rules resulting from the PGE Dystrybucja S.A. Code of conduct for Business Partners, the PGE Dystrybucja S.A. Good Procurement Practices, the PGE Dystrybucja S.A. Anti-Corruption Procedure and other internal procurement regulations in force in the PGE Dystrybucja S.A.

EVERY person who initiates, participates in, conducts or supervises the Procurement Procedure:

- a. is always guided by the principles of ethics and the good of the PGE Dystrybucja S.A.,
- b. represents the interests of the PGE Dystrybucja S.A. and takes care of the good name of the PGE Dystrybucja S.A.,
- c. is honest, dutiful, scrupulous, open to knowledge from various areas,
- d. maintains impartiality towards Contractors and avoids situations that may violate the impartiality principle,
- e. does not surrender to influence or pressure,
- f. avoids conflicts of interest,
- g. observes the rules of interaction and communication with parties involved in the Procurement Procedure,
- h. actively supports the Procurement Procedure,
- i. updates their knowledge of the market, best procurement practices and changes in the law on an ongoing basis,
- j. protects information that could hinder competition,
- k. observes the "no gifts" principle.

In addition to the above duties, the Procurement Unit EMPLOYEE and the Procurement Coordinator:

- a. upholds the transparency of the Procurement Procedure,
- b. actively leads the Procurement Procedure – is not limited to formal actions, but is actively involved in cooperation on a partnership basis with the Internal Customer and Contractors,
- c. promotes ethical attitudes, behaviours and standards, disseminates knowledge about procurement regulations and good procurement practices.

Irrespective of the above, we also set additional requirements for the MANAGEMENT TEAM (Members of the Management Board, Directors, Managers), whose duties include the following:

- a. to ensure compliance with the ethical principles and good procurement practices,
- b. to guard the transparency of the Procurement Procedure,

- c. to take objective decisions, being guided by the interest of the PGE Dystrybucja S.A.,
- d. to promote ethical attitudes, behaviours and standards in procurement teams and among colleagues from outside the procurement area (Internal Customers) and among Contractors,
- e. to create and protect an atmosphere conducive to taking objective decisions and to ensure transparency of the Procurement Procedure,
- f. to engage in the implementation of the Anti-Corruption Procedure adopted in the PGE Dystrybucja S.A.,
- g. to comply with the provisions of the Anti-Corruption Procedure of the PGE Dystrybucja S.A.

Remember! Ignorance of the PGE Dystrybucja S.A. Code of conduct for Business Partners, the PGE Dystrybucja S.A. Good Procurement Practices, the PGE Dystrybucja S.A. Anti-Corruption Procedure may not constitute an excuse for behaviour inconsistent with these documents.

II. SOCIALLY RESPONSIBLE PROCUREMENT IN THE PGE CAPITAL GROUP

When conducting the Procurement Procedure, we strive to achieve maximum measurable benefits for the PGE Dystrybucja S.A. However, we do not forget about our values defined in the PGE Dystrybucja S.A. Code of conduct for Business Partners, i.e. Partnership, Development and Responsibility. Thus, we move towards the broadest possible involvement in social and environmental issues, also in the area of the Procurement Procedure. We focus on the following:

2.1 Occupational health and safety:

- a. we set high requirements for Contractors and subcontractors in terms of occupational health and safety standards,
- b. we promote solutions and products that support the highest occupational health and safety standards and meet all applicable safety requirements;

2.2 Social commitment:

- a. we aim for the widest possible involvement in social issues,
- b. conducting the Procurement Procedure, we support the labour market, small and medium-size entrepreneurs, market and local community development as well as mobilisation of socially excluded and disabled people.

2.3 Innovation, development:

- a. wherever we see potential for development within the procured technologies, we organise technical dialogues with potential Contractors in order to strengthen our awareness and broaden our horizons by searching for optimal solutions. Consequently, as our requirements increase, we promote Contractors offering the most technologically advanced and innovative solutions,
- b. in procurement documentation, besides economic criteria for evaluation of tenders, we include additional criteria promoting the innovativeness of applied technologies.

2.4 Environmental protection:

- a. we promote environmentally friendly technical and organisational solutions,
- b. we require that our Contractors conduct their business activities in compliance with the highest standards in the area of environmental protection, in particular those minimising negative impact on the environment, ensure the rational and economical use of natural resources, conduct proper waste management activities, take actions aimed at shaping the environmental awareness of employees and subcontractors.

Practical guidelines:

- formulating the principles for evaluation of tenders, promote innovative solutions, including those streamlining internal processes through their automation, as well as solutions limiting the negative impact on the environment, e.g. through the reduction of paper consumption, water consumption and greenhouse gas emissions, as well as pro-ecological waste management
- demand that supplied products possess marketing authorisations for the Polish and European markets
- during the Procurement Procedure inform Contractors of the necessity to become acquainted and comply with the PGE Dystrybucja S.A. Code of conduct for Business Partners and the PGE Dystrybucja S.A. Good Procurement Practices
- oblige Contractors and subcontractors to comply with the regulations concerning information security, environmental protection, occupational health and safety, as well as to take actions aimed at reducing the nuisance caused by construction works to local communities

III. PARTNERSHIP

- 3.1 In internal relations within the PGE Dystrybucja S.A.:
- a. we share our knowledge, experience and good practices,
 - b. we support Internal Customers throughout the entire Procurement Procedure and at the contract performance stage.
- 3.2 In external relations:
- a. we define the conditions of participation in the Procurement Procedure adequately to the subject matter of the contract,
 - b. we apply objective criteria to tender evaluation,
 - c. we apply proportionate contractual provisions, in particular contractual penalties adequate to existing risks,
 - d. in negotiations, we aim at a win-win situation for both parties.

Practical guidelines:

- organise meetings of tender committees/working teams in order to work out the parameters of the Procurement Procedure/description of the subject matter of a contract that are optimal for the Purchaser
- as part of cooperation among the PGE Dystrybucja S.A. Units, share the developed document templates, good practices and information concerning Contractors
- support Contractors in their interpretations of the of internal procedures of the PGE Dystrybucja S.A.
- conduct negotiations on a partnership basis

IV. FAIR COMPETITION

The principle of fair competition is implemented in particular through equal treatment of Contractors:

- a. protecting fair competition,
- b. providing Contractors with an opportunity to compete for contracts on equal terms,
- c. providing Contractors with equal access to information,
- d. applying objective tender evaluation criteria and conditions of participation in the Procurement Procedure,
- e. applying non-discriminatory provisions in procurement documentation.

Practical guidelines:

- define criteria and conditions of participation in the Procurement Procedure objectively and adequately to the subject matter of a contract
- evaluate the competences and experience of Contractors and their personnel in order to select the best ones
- evaluate the quality, innovation, usefulness and maturity of offered solutions/products
- ensure equal access to information for Contractors by providing the same data on equal terms

V. TRANSPARENCY

Transparency of the Procurement Procedure is achieved by:

- a. establishing the Procurement Procedure in force in the PGE Dystrybucja S.A. and making it available to Contractors,
- b. applying the principles of transparency, fair competition, impartiality and objectivity,
- c. avoiding any conflict of interest, and if a conflict of interest occurs, notifying competent persons thereof, in accordance with the regulations in force in the PGE Dystrybucja S.A.,
- d. applying the rule that only appointed persons are authorised to contact Contractors in the course of the Procurement Procedure,
- e. establishing the rights and obligations of contractual parties in a clear and transparent way.

Practical guidelines:

- strictly comply with the obligation to exclude yourself from the tender committee in the event of a conflict of interest or doubts as to your impartiality

Remember! It is your duty to carefully analyse the possibility of a conflict of interest and to disclose it if it occurs. Always ask yourself whether your participation in the Procurement Procedure constitutes a conflict of interest. If you are not sure whether you are subject to exclusion, consult an employee or the manager of the Procurement Unit/Procurement Centre, or the director of the Procurement Department/Office. Failure to exclude yourself from the tender committee despite the existence of a conflict of interest will result in liability.

- adhere to the rule that all contacts with Contractors within the framework of the Procurement Procedure take place under the supervision of Procurement Unit employees. Exceptionally, it is permissible for technical meetings such as site visits to be conducted by technical personnel, after prior arrangements with an employee of the Procurement Unit.

VI. INFORMATION SECURITY

Information protection and security is ensured both before the commencement and during the course of the Procurement Procedure by:

- a. protecting the business secrets of both the PGE Dystrybucja S.A. and Contractors,
- b. protecting personal data,
- c. maintaining the confidentiality of all information pertaining to the Procurement Procedure whose disclosure could distort competition and cause any Contractor to obtain an advantageous position vis-à-vis other Contractors,
- d. strictly defining and complying with the rules of communication with Contractors for each Procurement Procedure,
- e. providing Contractors only with information necessary for the correct preparation of a tender.

Practical guidelines:

- do not discuss important business matters with friends or family members
- do not disclose any information related to your work (e.g. business secrets, information that may have a negative impact on the competitiveness of the market or raise any moral/ethical concerns) on the internet

Remember! Do not use private email for business purposes and do not use work email for private purposes

- protect information, including that stored on mobile devices (phones, laptops) or information carriers such as pendrives, CD/DVD
- secure files containing sensitive information such as Contractors' business secrets in line with the regulations in force in the PGE Dystrybucja S.A.

VII. "NO GIFTS" PRINCIPLE

- 7.1 In the PGE Dystrybucja S.A., employees of the Procurement Units, Procurement Coordinators follow the "no gifts" principle. It is prohibited to accept any business gifts from Contractors.
- According to the PGE Dystrybucja S.A. Anti-Corruption Procedure, business gifts are presents whose giving or receiving has no impact on the performance of tasks or the making of decisions, and as such, does not result in an obligation to reciprocate. Business gifts include material objects, benefits, invitations to events, external meetings and catering services.
- 7.2 The "no gifts" principle must be observed by
- a. managers and employees who supervise or are directly involved in the selection of suppliers, consultants or service providers,
 - b. all persons directly involved in or having influence on the Procurement Procedure,
 - c. members of tender committees,
 - d. persons preparing the Procurement Procedure and making decisions therein, in particular persons responsible for a description of the subject of a contract, estimation of the contract value, as well as selection of Contractors participating in the Procurement Procedure,
 - e. persons who participate in the work of tender committees in the capacity of advisers or experts, and who have an impact on the content of procurement documentation, as well as those who make decisions during the course of the Procurement Procedure, supervise the performance of procurement contracts, in particular carry out acceptance inspections, account for contracts and issue references.
- 7.3 Employees covered by the "no gifts" principle should comply with the provisions of the PGE Dystrybucja S.A. Anti-Corruption Procedure regarding their participation in meetings with present or future Contractors.
- 7.4 The "no gifts" rule does not apply to received and given gadgets with a company logo, such as pens, calendars, mugs or other small items with a value of up to PLN 50.00, provided that such gadgets are not intended to influence the making of decisions.

Practical guidelines:

- observe the principles defined in the PGE Dystrybucja S.A. Anti-Corruption Procedure
- do not use your position or role in the Procurement Procedure for personal or material gain
- in the event of receiving a prohibited gift, report it to competent persons in accordance with the regulations in force in the PGE Dystrybucja S.A.

VIII. REPORTING IRREGULARITIES

- 8.1 Every employee is obliged to report any violations of regulations, abuses, unethical behaviours or situations where the ethical rules in force in the PGE Dystrybucja S.A. are not observed.
- 8.2 The purpose of such reporting may not be to achieve personal goals (revenge, mobbing, discrimination, weakening of the professional position or credibility of a colleague, etc.).

Remember! Silence or lack of reaction when you have information on non-compliance with the ethical principles constitutes a violation of the PGE Dystrybucja S.A. Code of conduct for Business Partners.

Guidelines on how to report abuses, violations of regulations, unethical behaviours

Suspected or factual violations of the applicable regulations, the PGE Dystrybucja S.A. Code of conduct for Business Partners or the PGE Dystrybucja S.A. Good Procurement Practices should be reported:

- to your immediate superiors, or
- to the compliance or audit organisational unit, or
- by email to the address uczciwybiznes@pgedystrybucja.pl, which will be forwarded to the Compliance Director.

IX. RELATIONS WITH BUSINESS PARTNERS OF THE PGE CAPITAL GROUP

- 9.1 The PGE Dystrybucja S.A. sets high ethical requirements in all areas of its operations and expects the same from its business partners, broadly understood as Contractors, subcontractors, suppliers and other entities. As Business Partners of PGE Dystrybucja S.A. we consider natural persons, legal persons or organizational entities without legal personality, operating in the public or private sector, with whom PGE Dystrybucja S.A. has any kind of business relationship (with the exception of relationships consisting in the provision of services by PGE Dystrybucja S.A. as the Distribution System Operator as part of the obligations arising from relevant legal provisions, in particular relating to the provision of distribution services and connecting end-users and prosumers to the grid).
- Given the above, Business Partners of PGE Dystrybucja S.A. include in particular contractors, subcontractors, suppliers, consultants, trade partners, agents, financial institutions, industry organizations and other entities with whom PGE Dystrybucja S.A. conducts business operations and cooperates.
- 9.2 The PGE Dystrybucja S.A. expects Contractors participating in the Procurement Procedure to behave ethically, and in particular:
- a. to comply with the applicable legal regulations and the standards of conduct for business partners of the PGE Dystrybucja S.A.,
 - b. to comply with the PGE Dystrybucja S.A. Good Procurement Practices, the PGE Dystrybucja S.A. Code of conduct for Business Partners as well as the Procurement Procedure and regulations in force in the PGE Dystrybucja S.A.,
 - c. to observe the principles of fair competition and anti-corruption,
 - d. to observe human and labour rights,
 - e. to conduct business activities in accordance with the fundamental principles set forth in the Universal Declaration of Human Rights, the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work, and the United Nations Global Compact,
 - f. to act in accordance with Polish and international standards aimed to reduce the negative impact of business on the environment,
 - g. to ensure that Contractors, their employees, partners, subcontractors and persons helping them in the course of the Procurement Procedure or the performance of a contract for the PGE Dystrybucja S.A. comply with all applicable legal regulations and the provisions of the aforementioned documents

and

- h. to ensure reliability in the preparation of tenders and documents to be submitted in the Procurement Procedure and during the course of contract performance,
- i. to be dialogue-oriented and to pursue amicable resolutions of disputes related to contract performance,
- j. NOT to enter into collusive price fixing agreements,
- k. NOT to take actions that are contrary to antitrust regulations or competition and consumer protection regulations,
- l. NOT to offer dumping prices,
- m. NOT to take actions aimed solely at cancelling the Procurement Procedure or rejecting tenders submitted by competitive Contractors,
- n. NOT to submit a tender in the event of lack of appropriate potential, experience and skills necessary to perform a contract,
- o. NOT to make false statements in the course of the Procurement Procedure and contract performance,
- p. NOT to make corruptive attempts or provide any benefits to the employees or partners of the PGE Dystrybucja S.A. in order to influence their decisions, the course of the Procurement Procedure or to obtain advantageous results.

- 9.3 ***The PGE Dystrybucja S.A. also requires that its Business Partners and their subcontractors comply with the principles described in the documents on the standards of conduct with business partners in force in the PGE Dystrybucja S.A..***