

 LIETUVOS GELEŽINKELIAI	AB Lietuvos geležinkeliai Procurement
Procurement Policy	No. P/FN4/LTG/1 Version 01

PROCUREMENT POLICY

	AB Lietuvos geležinkeliai Procurement
Procurement Policy	No. P/FN4/LTG/1 Version 01

1. Purpose and scope of the policy

- 1.1. The purpose of the Procurement Policy of AB Lietuvos geležinkeliai AB (Policy) is to define the main principles and objectives of the management of procurement activities and to ensure that procurement is carried out in accordance with high quality standards, promoting competition, innovation, sustainability and cost-effectiveness, and that stocks are managed in accordance with the best inventory management practices and methods.
- 1.2. The Policy applies to all companies in the LTG Group of companies (LTG Group) and to all employees involved in procurement procedures. The heads of LTG Group companies are responsible for ensuring that the guidelines and principles set out in the Policy are adhered to in the Procurement process.
- 1.3. For commercial procurement not subject to public procurement regulation, the provisions of the Policy relating to the specifics of public procurement shall be binding to the extent that they are consistent with good business practice and with the provisions set out in the LTG Group companies' legal acts on Commercial Procurement.
- 1.4. In respect of an LTG Group company acting as a public railway infrastructure manager, the provisions of this Policy shall apply and be applicable to the extent that they do not conflict with the legal requirements of impartiality in the management of the public railway infrastructure manager, of financial transparency, of the allocation of public railway infrastructure capacity and of the calculation and payment of the minimum access package fee.
- 1.5. LTG Group companies acting as contracting authorities or contracting entities carry out procurement and perform contracts in compliance with the requirements of the legal acts of the Republic of Lithuania, European Union directives and international agreements governing the conclusion and performance of public contracts.

2. Definitions

- 2.1. For the purposes of this Policy, the following terms and abbreviations are used.

Term / Abbreviation	Definition / Explanation
KC	LTG Centre of Excellence
Commercial Procurement	Procurement of goods, services or works by an LTG Group company, the purpose of which is to conclude a sales contract and which is not governed by the PPL / PL or foreign legal acts on public procurement.
LTG	AB Lietuvos geležinkeliai
LTG Group	Group of undertakings consisting of LTG and entities directly or indirectly controlled by it
Procurement	Public Procurement and Commercial Procurement
KC Procurement or Procurement function	Procurement function of the LTG Centre of Excellence
PL	Republic of Lithuania Law on Procurement by Contracting Authorities Operating in the Water, Energy, Transport or Postal Services Sectors
Public Procurement	Procurement of goods, services or works carried out by a contracting authority/entity and governed by the PPL/PL, the purpose of which is to conclude a public contract.
PPL	Republic of Lithuania Law on Public Procurement

	AB Lietuvos geležinkeliai Procurement
Procurement Policy	No. P/FN4/LTG/1 Version 01

3. Basic principles and purposes of procurement

- 3.1. The main purpose of LTG Group's Procurement activities is to ensure that procurement is carried out efficiently, under competitive conditions, with the aim of obtaining the best market deal, contracts are executed on the terms and conditions set out in the contracts, and stocks are managed in accordance with best market practice.
- 3.2. The Procurement function contributes directly to the LTG's strategic directions through sustainable procurement, efficient organisation, digitised and efficient processes, procurement of strategic projects, contribution to the FREE Rail programme and sanctions control and national security interests.
- 3.3. The LTG Group's Procurement activities are organised around the following main Procurement directions, which underpin the Procurement activities and aim to contribute to the implementation of the LTG's Strategic Directions:

Direction of Procurement	Description
Rational use of funds	Procurement aims to ensure competition and get the best deal on the market by assessing the total cost of ownership during the life cycle, promoting negotiations with suppliers, and optimising inventory levels and the warehouse network.
Efficient operation	It strives for operational excellence and continuous improvement, digitised, efficient and clear processes, innovative and user-friendly technological tools, solutions and methods. Performance indicators are monitored and data-based decisions are made.
Quality result	The aim is to ensure that the goods, services and works needed by LTG Group companies are procured on time, i.e. that contracts are awarded and executed to a high standard and within the deadlines set. Particular attention is paid to the execution of strategically important procurements, attracting suppliers for LTG Group companies' projects, managing the most important procurement categories, and ensuring just-in-time contracting and delivery of goods, flexibly adapting to the organisation's evolving needs. It contributes to the implementation of the FREE Rail programme and sanctions control and national security interests, encouraging suppliers to cooperate and choose their partners responsibly.
Engagement	Procurement is handled by a professional, certified, cohesive and collaborative team, with competent and committed staff who share LTG's values and work together to create a friendly working environment.

- 3.4. Procurement activities aim to comply with the principles set out in the PPL and the PL, as well as those set out below:

Principle	Description
Professionalism	<ul style="list-style-type: none"> • Procurement staff are held to the highest standards of professionalism and professional ethics, knowledge of legal requirements, objectivity, impartiality, efficiency, responsibility, confidentiality and professionalism. • The Procurement process involves LTG Group staff with the necessary knowledge and experience in a particular field to

	AB Lietuvos geležinkeliai Procurement
Procurement Policy	No. P/FN4/LTG/1 Version 01

Principle	Description
	<p>advise on issues related to the subject of the procurement or other matters requiring specific knowledge or expertise.</p> <ul style="list-style-type: none"> • Staff involved in Procurement processes are accountable for the decisions they take and justify and explain them where necessary. Staff must carry out their professional duties competently and, if they lack sufficient skills or knowledge, inform the person who appointed them. • Staff responsible for procurement planning, execution and control are provided with continuous professional development to ensure that they are equipped to perform their functions properly and to safeguard the interests of the LTG Group.
Transparency, impartiality, zero tolerance of corruption	<ul style="list-style-type: none"> • Procurement shall be carried out in a transparent, fair and objective manner, without prejudice, ensuring compliance with the principles of equal opportunities for all suppliers, non-discrimination, proportionality and transparency. • The procurement process is based on ethical behaviour, strengthening of anti-corruption measures and the LTG Group's Corruption Resistance Policy. • The staff initiating and executing procurement are subject to the Disengagement from Decision-Making or Functions process, which ensures that conflicts of interest are properly managed and avoided, that the principles of impartiality, transparency and openness of decisions are implemented, that a corruption-free environment is created, and that a procedure for staff to recuse or remove themselves from decision-making in case of a conflict of interest is established. • Persons participating in procurement shall submit a declaration of private interests to the Chief Official Ethics Commission in accordance with the procedure and by the means laid down by the law. • Staff involved in procurement processes act independently of suppliers and others and make decisions in accordance with the requirements of procurement and other legislation, avoiding prejudice and not taking advantage of another person's mistakes or ignorance. • Staff members involved in procurement processes shall not carry out unauthorised orders or instructions and shall immediately report such orders or instructions to the person who appointed them and, in the event of unauthorised instructions from the person who appointed them, to that person's superior and to the relevant prevention unit. • Information on procurement and contracts awarded is made public in accordance with the requirements laid down in the PPL and the PL, while safeguarding the commercial interests of undertakings.
National security	<ul style="list-style-type: none"> • In order not to finance hostile states and to eliminate threats to the national security interests of the Republic of Lithuania, a strict policy is in place not to purchase from companies operating in aggressor countries or otherwise linked to aggressor countries.

	AB Lietuvos geležinkeliai Procurement
Procurement Policy	No. P/FN4/LTG/1 Version 01

Principle	Description
	<ul style="list-style-type: none"> The LTG Group's Sanctions Implementation and Control Policy is followed. Suppliers are invited to cooperate in contributing to the objective of national security and the non-proliferation of hostile states and to choose their partners responsibly.
Equality and non-discrimination	<ul style="list-style-type: none"> The aim is to take the same decisions in the same factual situations. Suppliers shall not be discriminated against, and shall be selected on the basis of their experience and knowledge of the products on the market, the performance of their commitments, etc.
Proportionality	<ul style="list-style-type: none"> The requirements for suppliers shall be proportionate to the subject and scope of the Contract and shall be based on the necessity and proportionality of the quality requirements for the product or the supplier's qualifications. The assessment is not only of the proportionality and legal compliance of the intended qualification requirements, but also of the market situation and the number of potential suppliers on the market who would meet the criteria and potentially participate in the procurement. The definition and application of procurement procedures shall maintain an optimal balance between the use of resources (financial, time, human, etc.) and the result to be achieved by applying these procedures, in so far as this choice is possible and in accordance with the law.
Sustainability and circular economy	<ul style="list-style-type: none"> Procurement is sustainable and green, ensuring compliance at all stages of the supply chain, selecting reliable and socially responsible suppliers, ensuring proper contract and supplier management, and efficient inventory management. It is ensured that contracts comply with environmental, social and labour law obligations, promote the supply of innovative products, and minimise adverse impacts on climate change, environmental pollution, waste generation, the use of natural resources, the state of ecosystems and their services, and/or other adverse environmental impacts. Procurement is based on circularity principles, including the durability of the product or material and its suitability for reuse, repair, disassembly, remake, refurbishment, recycling of its waste, recycling back into circulation, or optimisation of use through other circular business models. Suppliers are encouraged to apply circular business practices to the services or goods they provide, for example to help maintain or increase the value of their products, to extend life cycles, to achieve greater efficiency, and to follow the principles of the Waste Hierarchy.

4. Procurement business model and level of centralisation

4.1. The management of the Procurement function is centralised, standardised and partially centralised. The management of the Procurement function includes:

 	AB Lietuvos geležinkeliai Procurement
Procurement Policy	No. P/FN4/LTG/1 Version 01

- 4.1.1. organising Procurement activities in accordance with the main Procurement guidelines and principles set out in this Policy;
- 4.1.2. implementing uniform practices in procurement planning and execution, inventory management and legislative application, regulation, standardisation and continuous improvement of Procurement processes;
- 4.1.3. continuously optimising Procurement processes, streamlining them as far as possible by moving them into the electronic domain, with a view to automating and robotising standardised steps;
- 4.1.4. building Procurement expertise, developing staff competences,
- 4.1.5. implementing effective internal Procurement controls and measures;
- 4.1.6. identifying Procurement risks and identifying and applying measures to manage them;
- 4.1.7. preparing and submitting Procurement activity reports;
- 4.1.8. representing the Procurement area before various authorities.
- 4.2. The identification, planning and centralisation of procurement needs for internal services provided centrally within the LTG Group is determined by the functions providing these services (HR, Accounting, Legal, Asset Management, Service & Process Management, IT, Security, Corporate Communications, etc.).
- 4.3. The procurement procedures within the LTG Group are carried out centrally within the Procurement function of the KC, except in the following cases where the procurement is carried out by the LTG Group company initiating the procurement:
 - 4.3.1. Procurement in which KC is interested and participates as a supplier;
 - 4.3.2. Procurement procedures carried out by another authorised organisation under separate written agreements and/or commitments;
 - 4.3.3. In other exceptional cases, in agreement with the LTG Law and Governance's Director.
- 4.4. The LTG Group companies provide the KC with all the necessary powers to organise procurement activities and to carry out public procurement.
- 4.5. Commercial Procurement in the LTG Group is decentralised, following uniform principles and approved internal regulations governing the Commercial Procurement process.
- 4.6. Order and inventory management in the LTG Group is decentralised, in accordance with the approved internal regulations governing the Order and Inventory Management processes.

5. Principles of internal control

- 5.1. The following actions are taken to ensure the proper functioning of Procurement, to identify potential errors or irregularities in the Procurement process and to prevent them in the future:
 - 5.1.1. Decisions to award a Contract shall be made in accordance with the "four eyes" principle, i.e. at least two employees of the LTG Group shall be involved in the process of selecting a supplier (awarding a contract) or in the selected individual phases of the process, except for reservations specified in internal legal acts;
 - 5.1.2. The Procurement function of the KC continuously monitors procurement legislation and amendments thereto and periodically reviews and initiates necessary amendments to the LTG Group's internal legal acts to ensure that Procurement procedures comply with the requirements of mandatory legislation;
- 5.2. Unified Procurement process indicators and Procurement performance reporting are established, monitored and analysed in order to properly shape procurement practices and measure the achievement of objectives.
- 5.3. In order to ensure proportionate contribution and accountability for the results of Procurement, it is established that the responsibility for achieving the Procurement process indicators rests with both the Procurement function of the KC and the company and/or unit that initiated the Procurement in relation to its contribution(s) to the Procurement process.

 LIETUVOS GELEŽINKELIAI	AB Lietuvos geležinkeliai Procurement
Procurement Policy	No. P/FN4/LTG/1 Version 01

The contribution of each party involved in the process to the overall result is also measured against pre-agreed indicators.

- 5.4. Procurement operational risks are managed in accordance with the LTG Risk Management Policy.
- 5.5. Internal audits of Procurement are carried out periodically by LTG Group Internal Audit.

6. Final provisions

- 6.1. The Policy and its amendments are approved by the LTG Board.
 - 6.2. The revision and updating of the Policy shall be initiated and coordinated by the Procurement Manager of the KC.
 - 6.3. The Policy shall be reviewed at least once a year in the event of major changes in the LTG's long-term strategy and/or the development model of the Procurement activity, changes in the LTG Group's organisational management structure and functions, as well as changes in the relevant legislation of the Republic of Lithuania regulating the implementation of Procurement.
 - 6.4. The implementation of the provisions of the Policy is detailed in the LTG Group's internal regulations governing Procurement activities.
 - 6.5. The Policy applies to the extent that it does not conflict with applicable law.
 - 6.6. The Policy is published on the websites of the LTG Group companies.
-