

APPROVED BY
Public Company ORLEN Lietuva
General Director's Order

No. of , 2010
TV1(1.2-1)-146 13 August

MATERIALS COORDINATION RULES OF PUBLIC COMPANY ORLEN LIETUVA

1. PURPOSE SCOPE OF APPLICATION

- 1.1. The purpose of the *Materials Coordination Rules* of Public Company ORLEN Lietuva (hereinafter the Rules) is to regulate materials procurement initiatives, delivery of materials to construction/installation sites as well as their write-off and return and to set personal responsibility of relevant employees.
- 1.2. These Rules shall be applicable to investment projects where Public Company ORLEN Lietuva (hereinafter the Company) uses its own materials for the construction/installation works performed by its employees under the director control of Director of Investment.
- 1.3. These rules shall also apply to contractors on the basis of contracts made with the Company.
- 1.4. The Rules shall be applied along with the effective *Regulations on the Procurement of Goods and Services, Procedure of Tangible Assets Storage and Draw from Stock for Usage* and other regulatory documents of the Company.

2. OBJECTIVES

- 2.1. These rules encompass the following major objectives:
- 2.2. Regulate the entire coordination process, i.e. procurement initiation, delivery, issue, write-off and return of materials;
- 2.3. Regulate the materials coordination process between the Company and its contractors.
- 2.4. Ensure rational use of the Company's resources.

3. DEFINITIONS

Project Manager – an employee of the Company who, pursuant to the established procedure, is appointed to manage a project as well as to control the process of project implementation, also to plan and administer project resources as per approved scope, budget and schedule of the project.

Direct customer – a project manager or an authorized engineer who, in performing his/her duties, initiates procurement of the required materials (goods) and fills out purchase requisitions.

Contractor – a person providing services to the Company based on a contract.

Materials Coordinator – an employee of the Company responsible for registering and tracking purchase requisitions, checking in the ORACLE system for similar (analogous) commodities

available in warehouses of the Company, drafting specification modifications for materials, taking part in materials write-offs. Material coordinating can be done by a work coordinator, project engineer or any other authorized employee.

Contractor Materials Coordinator – a contractor employee responsible for ordering and accepting materials, their write-off and return to the warehouse of the Company.

Work Supervisor – Company’s employee, as specified in the work release or any other similar document, with major job functions being supervision of works performed based on work release, activity coordination among employees of the Company and the Contractor, dissemination of information on works done.

Oracle System – an integrated accounting and business management system Oracle e-Business Suite used in the Company.

Materials – things, raw materials (except feedstock used in the production of petroleum products) used for the purpose of provision of services or performance of work including but not limited to construction, chemical, organic materials, spare parts, etc. (except for the means of work).

Requisition – a standard document of the Company (Internal Requisition for goods or Purchase Requisition for services) available in the Oracle system which is completed when any goods or services are required.

Materials specification is a design document or its part containing technical requirements for the materials (goods) to be used for construction and/or any other project.

4. MATERIAL PROCUREMENT INITIATIVES

- 4.1. A direct customer provides the Materials Coordinator with materials specifications. Where required stocks of construction/installation materials are not indicated in the materials specification, direct customer must give, by email, to the Materials Coordinator a percentage of required stocks in relation to the volumes of materials provided in the specification; stocks to be given in appropriate units of measure/sets. Direct customer must ensure that all required materials specifications (including delivery terms) are presented to the Materials Coordinator.
- 4.2. Material specification must contain at least the following details: (a) technical description; (b) required volumes; (c) design requirements for materials; (d) drawing number and revision No.; (e) other information required for internal requisitions under respective work and service procurement procedures effective in the Company.
- 4.3. Materials Coordinator must verify the accuracy of information and check delivery terms provided in materials specifications.

- 4.4. Before completing the internal requisition, Materials Coordinator must use the Oracle system to check up stocks available in the Company. To the extent permitted by technical specifications, preference should be given to materials available in the warehouses of the Company and once approved by the direct customer Materials Coordinator shall make modifications to specifications (hereinafter alternative specifications). Alternative specifications are submitted to the direct customer for final agreement. Alternative specification can be agreed upon (coordinated) by electronic notification. Notifications must have full name and position of the person involved in the coordination process. Alternatives can be approved by making relevant entries (with signatures) in materials specifications with a full name, job title and date indicated therein. Direct customer must ensure that alternative specifications are approved, transferred over to the Materials Coordinator and kept safe until next release of the specification (issue of new design documents).
- 4.5. Once the instructions set out in Articles 4.3 and 4.4 have been followed, Materials Coordinator must complete an internal requisition for the purchase of materials and reserve them for later use based on the project number as well as transfer it to the direct customer for approval in the system. Direct customer gives instructions to the Materials Coordinator on the form and quantity of requisitions. Materials Coordinator must develop a list with information on drawings and specifications (number and edition) on which internal requisitions have been grounded. Such list shall be stored until the final completion of the project. The list can be issued and kept in an electronic form or as a printed document.
- 4.6. Person who has initiated the issue of an internal requisition must put down in the requisition all information as required in the procurement procedures applicable to goods and services.
- 4.7. For more effective work organization by work coordinators, project plans by project managers must include scheduling/planning of works if such require any material coordination actions. Plans shall be handed over to technical manager of the Construction Supervision Group for developing a task schedule/plan and setting priorities for work coordinators.

5. MATERIAL CARDS

- 5.1. Upon the contract signed, the Contractor shall for each work release appoint an employee responsible for ordering, receipt, return to warehouse and writing off of the Company's materials (the Contractor's Materials Coordinator). The Contractor's letter regarding appointment of the responsible person (see Attachment 1 for the specimen) addressed for the attention of the indicated in the work release Work Supervisor and Contract Administrator shall be sent to the Company's Correspondence Office. The Work Supervisor shall present such letters to Accounting Administrator of Warehouse Section, and copies thereof – to respective Materials Coordinators.
- 5.2. Accounting Administrator of Warehouse Section shall present the information on the Contractor's Materials Coordinator to the responsible employee of Procurement Department. The responsible employee of Procurement Department shall, within Oracle system, create for the Contractor's Materials Coordinator a material card. Accounting Administrator of Warehouse Section shall make records on materials delivered to the work site and transferred over to the Contractor in the card.
- 5.3. The Contractor's Materials Coordinator's material card with materials (those transferred over to the Contractor under waybills) recorded in it is meant for the Company's in-house accounting of materials. The Contractor shall bear the responsibility for the materials transferred over to it under waybills in accordance with the procedure established in the contract.

6. MATERIAL DELIVERY TO WORK SITE

- 6.1. A Required Materials/Equipment Sheet (Form R1 established in Attachment 2) filled in by the Contractor's Materials Coordinator and approved by the Company's Work Supervisor indicated in the respective work release shall be submitted to the Company's Materials Coordinator by no later than 2 business days prior to the start of work.
- 6.2. Upon receipt of the approved Form R1, the Materials Coordinator shall verify its conformity with the Contractor's scopes of work under the respective contract and, based on relevant internal requisitions, prepare an electronic letter regarding taking out of materials (see Attachment 8 for the established form) and send the letter over to Accounting Administrator, Storekeepers of Warehouse Section, other associated employees.
- 6.3. Sharing of responsibilities: Work Supervisors shall make sure the Contractor is provided by the Company with all the required drawings, diagrams or any other documentation necessary for execution of the to-be-performed work; the Materials Coordinator shall be responsible for preparation of an order for material withdrawal, as well as for conformity of the withdrawal notification with the approved sheet (Form R1).

7. RETURN AND WRITING-OFF OF MATERIALS

- 7.1. At least once per calendar week, upon works performed and the respective amount of materials used, the Contractor shall submit to the Materials Coordinator a Consumed Materials Sheet (Form R5 established in Attachment 6) filled in by the Contractor's Materials Coordinator and approved by the Company's Work Supervisor indicated in the respective work release.
- 7.2. Upon receipt of the filled-in Form R5, the Materials Coordinator shall, within the period of three business days, prepare a Materials Write-Off Statement (Form M2) using the computer program 'Work Orders', and transfer the Statement over for the Project Manager's approval within the system.
- 7.3. Upon receipt of the approved Form M2, Accounting Administrator of Warehouse Section shall prepare a Consumed Materials Write-Off Statement (Form M3) within Oracle system, and submit a printed copy of the Statement for the Project Manager's approval
- 7.4. At least once per calendar week, upon works performed and the respective amount of low-value inventory used, the Contractor shall submit to the Materials Coordinator a Consumed Low-Value Inventory Sheet (Form R2 established in Attachment 3) filled in by the Contractor and approved by the Company's Work Supervisor indicated in the respective work release.
- 7.5. Upon receipt of the filled-in Form R2 from the Contractor, the Materials Coordinator shall, within the period of three business days, prepare a Memorandum (see Attachment 9 for the established form) to be signed by the Project Manager.
- 7.6. The Materials Coordinator shall present the approved Form R2 and the Memorandum by the respective Project Manager to Accounting Administrator of Warehouse Section within the period of one business day.
- 7.7. Upon receipt of the approved Form R2 and the Memorandum, Accounting Administrator of Warehouse Section shall prepare a Consumed Materials Write-Off Statement (Form M4) within Oracle system, and submit a printed copy of the Statement for the Project Manager's approval.

- 7.8. Upon the assigned work performed, the non-consumed materials handed over to the Contractor under waybills shall, together with certificates and technical passports, be returned back to Warehouse Section in accordance with the procedure effective at the Company (see Attachment 10 for the Memo). In the latter case, a Non-Consumed Material Return Sheet (Form R4 established in Attachment 5) filled in by the Contractor's Materials Coordinator shall be submitted to the Materials Coordinator. Before transferring materials over to a warehouse, the Materials Coordinator shall inspect the quantity of materials specified in the employee's card created for the Contractor's Materials Coordinator and get R4 coordinated. The Work Supervisor shall approve the coordinated by the Materials Coordinator Form R4. The Contractor's Materials Coordinator shall present the approved Form R4 to a Storekeeper of Warehouse Section at the moment of transfer of returned-for-storage materials. The Storekeeper shall accept the materials according to the established procedure and transfer the signed Form R4 over to Accounting Administrator of Warehouse Section. Accounting Administrator shall register the Form according to the procedure effective at Warehouse Section and fax it over to the Materials Coordinator. Upon receipt of R4, the Materials Coordinator shall, within the period of one business day, fill in an internal requisition for return of materials from Warehouse R00 of Warehouse Section to any other respective warehouse of Warehouse Section.
- 7.9. In case of loss of or damage to materials, a Lost or Damaged Materials Sheet (Form R3 established in Attachment 4) filled in by the Contractor's Materials Coordinator and approved by the Company's Work Supervisor indicated in the respective work release shall be presented to the Work Supervisor. Upon receipt of the approved Form R3 from the Contractor, the Materials Coordinator shall prepare a Memorandum (see Attachment 11 for the established form) to be signed by the Project Manager. The Materials Coordinator shall present the signed Memorandum together with Form R3 to Accounting Administrator of Warehouse Section and to the respective Contract Administrator for further actions to be taken in accordance with the procedure effective at the Company.
- 7.10. In case of an incorrect material write-off, a Written-Off but Non-Consumed Materials Return Sheet (Form R6 established in Attachment 7) filled in by the Contractor's Materials Coordinator and approved by the Company's Work Supervisor indicated in the respective work release shall be presented to the Materials Coordinator. Upon receipt of Form R6 from the Contractor the Materials Coordinator shall prepare a Memorandum (see Attachment 12 for the established form) and submit it for the Project Manager's approval. The Materials Coordinator shall present the approved Memorandum together with Form R6 to Accounting Administrator of Warehouse Section for further actions to be taken in accordance with the procedure effective at the Company.

8. MATERIAL CONTROL

- 8.1. The Materials Coordinator shall keep control over the terms of execution of internal purchase requisitions.
- 8.2. The Materials Coordinator shall, on a regular basis, prepare a report on internal requisitions within Oracle system, and present the report to the respective Project Manager.
- 8.3. Upon completion of the works specified in the respective contract or work release, the Materials Coordinator shall prepare a Report on Materials Issued to Contractor (see Attachment 13 for the established form). The Report on Materials Issued to Contractor shall be signed by the Materials Coordinator and the Contractor's Materials Coordinator, as well as approved by the Work Supervisor. The Report shall be submitted to the respective Project Manager.

- 8.4. The Project Manager shall be entitled to, in accordance with the procedure effective at the Company, approve work orders and endorse invoices for final payment only upon receipt of the Report on Materials Issued to Contractor signed by the Work Supervisor and Materials Coordinator.
- 8.5. Upon completion of the works specified in the respective contract or work release or project, the Materials Coordinator shall within Oracle system cancel the reservation of materials at Warehouse Section warehouses and finalize the execution of associated internal requisitions within Oracle system. The Materials Coordinator shall be responsible for due and timely cancellation of reservations for materials non-required for performance of works.

9. FINAL PROVISIONS

- 9.1. The Rules shall be revised by Technical Manager of Construction Technical Supervision Group in the 1st quarter of each calendar year.
- 9.2. Technical Manager of Construction Technical Supervision Group shall present to Contract Administrators, Project Managers proposals regarding inclusion of the present Rules' provisions applicable to contractors and providers of other related services into the terms and conditions of respective contracts concluded by the Company.

10. ATTACHMENTS

- Attachment 1. Sample document for the appointment of a responsible person;
 - Attachment 2. Required Materials / Equipment Sheet (Form R1);
 - Attachment 3. Consumed Low-Value Inventory Sheet (Form R2);
 - Attachment 4. Lost or Damaged Materials Sheet (Form R3);
 - Attachment 5. Non-Consumed Materials Return Sheet (Form R4);
 - Attachment 6 Consumed Materials Sheet (Form R5);
 - Attachment 7. Written-Off but Non-Consumed Materials Return Sheet (Form R6);
 - Attachment 8. Specimen of electronic letter regarding taking out of materials;
 - Attachment 9. Specimen of Memorandum regarding writing off of consumed low-value inventory;
 - Attachment 10. Memo regarding return of non-consumed tangible assets back to warehouses of Warehouse Section of Public Company ORLEN Lietuva;
 - Attachment 11. Specimen of notification of lost (damaged) materials;
 - Attachment 12. Specimen of Memorandum regarding return of written off but non-consumed materials;
 - Attachment 13. Report on Materials Issued to Contractor.
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