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SUPPLIERS



Piotr Kociucki

Trade Director at ONDE

and services possible, and involving local enterprises in the project. All these activities contribute to the final outcome of our investments

Piotr Kociucki,
Trade Director at ONDE



KEY FACTS AND INDICES FOR 2021

- **160** – the number of key suppliers with whom we cooperated in 2021
- We cooperated with **1907** companies in total, supplying us with materials and other components.
- We execute one of the largest deliveries of PV modules among RES contractors in Poland – we ordered **440** marine freight containers in total



Starting any project with an assumption that the entire infrastructure will grow spontaneously appears to be as misleading as a belief that Apollo 13 returned to the Earth from the Moon itself. Our strategic approach to relations with business partners is a basis for development of long-term value of our Company. At ONDE, we put a great emphasis on selection of appropriate components for the executed project, cooperation with best suppliers of goods

Our high position and renown in the RES and the road and engineering sectors in Poland obliges us to perform all contracts at the highest level. We do not allow for compromises - also in terms of raw materials, materials and other components used by us. Therefore, we rely mainly on large and renowned suppliers, which can meet our requirements in terms of the volume and quality of delivered items (GRI 102-9).

In 2021, the ONDE Group cooperated with 1907 suppliers in total (both manufacturers and distributors), of which 160 were our key suppliers, executing very large deliveries for us. At ONDE, we also use local suppliers (i.e., those related near areas of our operations), e.g. when purchasing concrete which is not transported over large distances due to its characteristics.

The majority of our suppliers are companies operating in Poland (including representatives of European corporations). Apart from PV modules, as we discuss below in more detail, we purchase directly abroad only some of the components, usually, because they are not available from domestic distributors.

In 2021, payments made by us to suppliers amounted to ca. PLN 410 million (the value established on a basis of invoices registered in the accounting system). For large contracts, we negotiate individual payment terms and conditions.

Changes in the supply chain (GRI 102-10)

In 2021, one important change occurred in the ONDE Group supply chain, in form of expanding sources of deliveries to foreign markets, precisely, China.

This change in the supply chain was caused by expansion of the Group activities in the area of photovoltaic farms (modules), i.e., moving from being only a general contractor to the role of an investor executing projects for its own needs. At the same time, a need to ensure supply of PV modules required to execute some investments for external investors emerged, although for the majority of projects currently executed by us, PV components are supplied by investors ordering construction of RES farms. As the stability of the supply chain for crucial components and cost optimising of orders are important factors for us, as of a day of publishing this Report we are executing one of the largest deliveries of modules among RES contractors in Poland, spread over the period from 4th quarter of 2021 to 2nd quarter of 2022. This order concerns 440 marine freight containers with modules of a power of ca. 140 MWp. This large volume ensures for us not only a comfort of performance of ordered works, but also secures construction of farms for own use and a stable price of an important component.

Discussing the future, it is worth noting that the further increase of the photovoltaic market, observed in recent years and foreseen for the future, generates an increased demand for PV components, and this is a positive trend from the Group point of view. It results in the increase in the scale of operations of the existing suppliers of photovoltaic components, and start of production by new entities, and this

contributes to availability of components, their prices, and possibilities for diversification of sources of supply.

As ONDE faced a need to purchase directly from China, we expanded our contacts with manufactures in that country and developed new competencies of our team employed at the Trade Department, concerning trading with China.

5.6.1 Supplier selection and assessment criteria

The ONDE Group does not have a formal purchase policy in form of a separate document (including additional appendices to it, like supplier assessment sheets), but it has strictly defined supplier selection rules. In 2021, there were no significant changes in them - we have been using the current model successfully for several years, with some minor adjustments.

In the ONDE Group, we consider the following criteria in selection of suppliers:

- **quality system criterion** - assessment of the quality system in force at the supplier or components of the quality system, e.g. internal control, licenses and certificates held (including recognition of classification associations);
- **market assessment criterion** - this criterion concerns the market position of the supplier, the technical level of offered deliveries or services, significance for the company;
- **commercial criterion** - this criterion concerns commercial factors, prices of deliveries or services offered, delivery dates, payment methods and terms, options for deferring payments, according to information included in the negotiations report;





- **criterion of deliveries or services quality** – the suppliers are assessed on a basis of executed deliveries or services (or provided samples), evaluation of cooperation, and of complaints and their handling.

Our strict approach to quality is confirmed by the fact that we always require our suppliers to grant a 5-years guarantee for supplied components, counted as of the end of the investment project. This is a prerequisite for including a given supplier among strategic/crucial partners of the ONDE Group.

When selecting suppliers, we also pay a significant attention to location of their production plants or warehouses, from which the orders are delivered to us. Due to their large volume, the logistics and costs of transport are a very important factor considered when making decisions.

As of a day of publication of this Report, we did not took ESG (Environmental, Social and Governance) criteria into account during selection of suppliers, but we have undertaken works to implement a system for verification of our suppliers also in terms of these aspects.

Our **methods of supplier** assessment include:

- analyses of offers, information and advertising materials;
- evaluation of material samples;
- delivery inspections;
- supplier audits;
- analyses of previous cooperation;
- other activities assumed for a given supplier.

The detailed selection methods and criteria are established individually for each contract, depending on expectations of our customer (investor) ordering execution of the RES project from us, employer (in

the case of public entities) or our own, when the investment project is executed for our own needs.

The essential aspect of the supplier selection process is a balance between the requirements and the interests of involved parties, and a fair allocation of risks, hazards, and responsibilities.

5.6.2 Purchase process organisation

At the ONDE Group, the ONDE S.A. Trade Department plays a crucial role in purchases and cooperation with suppliers. It is responsible for commercial and logistic services for the Group, including finding suppliers of materials and services/subcontractors, planning and execution of purchases, obtaining offers from suppliers, or collecting information about quality of suppliers' materials and works. At the same time, due to the business model adopted, the purchase process in the ONDE Group is not fully centralised and it is organised as follows:

- Mass/large scale purchases are executed solely by the ONDE S.A. Trade Department - these are mainly purchases performed for execution of RES projects and of raw materials used by bitumen mass manufacturers in their production.
- Additional purchases associated with current needs resulting from execution of projects belong to responsibilities of construction site/contract managers.
- The remaining purchases not associated with main operating activities (e.g. for office needs) are performed directly by other appointed organisational units.

We consider this purchasing flexibility (contrary to those performed only centrally) as one of our competitive advantages, visible during contract performance.

