

Corporate Sourcing and Procurement

Table of Contents

1. Definitions.....	2
<u>Sourcing and Procurement Policy</u>	
2. SCM Mandate.....	5
3. Purpose/Objective and Values.....	5
4. Applicability.....	6
5. Responsibilities.....	6
6. Policy Interpretation, Exceptions and Communications Plan.....	7
<u>Sourcing and Procurement Procedure</u>	
7. Ethics	8
8. Sourcing and Procurement Methods.....	8
9. Sourcing and Procurement Procedure Flow Chart	9
10. Preferred Supplier Procedure.....	9
11. Transactions of Commercial Value less than CAD\$100,000.....	9
12. Transactions of Commercial Value more than CAD\$100,000 (and less than \$500,000)	10
13. Transactions of Commercial Value over CAD\$500,000	10
14. Competitive Sourcing	11
15. Sole Sourcing.....	11
16. Sourcing Event Evaluation	12
17. Recommendation to Award	12
18. Documentation	13
19. Master Service Agreements	13
20. Commercial Agreements	14
21. Internal Controls.....	15
22. Review.....	15
23. Appendix A Procedure and Document Requirements Matrix.....	16
24. Appendix B Example Strategy Sheet/Award Summary.....	17
25. Appendix C Example Sole Source Justification Form.....	18

1. Definitions

- 1.1. **“Affiliate”** means any Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with another Person. The term “control” (including its derivatives and similar terms) means possessing the power to direct or cause the direction of the management of policies of a Person, whether through ownership, by contract, or otherwise. Any Person shall be deemed to be an Affiliate of any specified Person if such Person owns fifty percent (50%) or more of the voting securities of the specified Person, if the specified Person owns fifty percent (50%) or more of the voting securities of such Person, or if fifty percent (50%) or more of the voting securities of the specified Person and such Person is under common control.
- 1.2. **“Approved Supplier”** means a supplier that has met all Veren’s requirements as set out through the Supplier Pre-Qualification Process.
- 1.3. **“Authorities and Spending Limits Policy”** means Veren’s Authorities and Spending Limits Policy and related Canadian Approval Authority Documents, as each may be amended or replaced by the Board of Directors from time to time, containing, among other things, the authorization limits for expenditures on Goods and/or Services.
- 1.4. **“Award Summary”** means documentation that outlines the award of a Sourcing Event, which includes but is not limited to: summary of evaluation and Negotiations, a full breakdown of evaluation criteria and respective weightings, total cost of ownership, award rationalization, savings and efficiency calculations. See appendix B for templates.
- 1.5. **“Best Total Value”** means sourcing and procurement that provides the greatest net benefit to Veren and is measured by quantifying overall cost relative to the overall value while ensuring safety, quality (fit for performance) and security of supply and performance. Best Total Value takes into account overall total cost of each requirement from a direct, indirect and quantifiable market cost viewpoint and is sourced in an ethical and transparent manner.
- 1.6. **“Bid”** means a supplier proposed price and terms that may be further negotiated before reaching a final contract award or purchase decision.
- 1.7. **“Blackout Period”** has the meaning given in section 14.3.
- 1.8. **“Business Unit”** means a segment of Veren (such as but not limited to accounting, engineering, information technology) representing a specific business function, and a definite place on the organizational chart, under the domain of a manager. Also called department, division, or a functional area.
- 1.9. **“Commercial Agreement”** has the meaning given in Section 20.1.
- 1.10. **“Commercial Value”** means the aggregate estimate of expenditures to be incurred by Veren for a Sourcing Event (per transaction) or during the term of a Commercial Agreement or as may be expended annually. A series of related transactions with the same supplier for the same or similar Goods and/or Services will be considered to be a single transaction for the purpose of determining Commercial Value.
- 1.11. **“Commitment”** means any contract or agreement that legally binds Veren to a financial obligation. A Commitment is typically evidenced by executing a Commercial Agreement in accordance with the Authorities and Spending Limits Policy.
- 1.12. **“Competitive Sourcing Event”** means a formal RFx process in which multiple suppliers, whether incumbent or new suppliers, are invited to participate.
- 1.13. **“Veren”** means Veren Inc., its subsidiaries and Affiliates.
- 1.14. **“Veren Representatives”** means employees, officers, directors, contractors and consultants of Veren.

- 1.15. **“Environment, Health & Safety”** or **“EH&S”** means the discipline that implements practical aspects of environmental protection and safety at work. This includes Veren’s environmental, health and safety policies and requirements, as modified from time to time.
- 1.16. **“Evaluation Committee”** means a cross-functional team that may be formed to evaluate Bids in relation to an RFX and will consist of appropriate members from various departments as determined by Supply Chain Management and the User Department.
- 1.17. **“Fraud”** means a willful or deliberate act with the intention of obtaining an unauthorized benefit by deception or other unethical means.
- 1.18. **“Informal Sourcing Event”** means a Sourcing Event in which communication with potential suppliers is done informally, usually via telephone calls or email.
- 1.19. **“Master Service Agreement”** or **“MSA”** has the meaning defined in Section 19.
- 1.20. **“Negotiations”** means the Supply Chain process that Management goes through to negotiate a contract with a supplier or vendor.
- 1.21. **“Goods and/or Services”** means materials, goods, equipment, consumables, services and intellectual or other intangible property licenses and rights, including software licenses, copyrights, trade secrets or patents.
- 1.22. **“Order”** means a service order or work order, for an offer to purchase, if accepted by the supplier, and a legal commitment to supply Veren with Goods and/or Services. An Order is a form of Commercial Agreement and is typically issued under the auspices of and governed by a Master Service Agreement.
- 1.23. **“Person”** means an individual, a corporation, a general or limited partnership, an association, a joint stock company, limited liability company or other company, a Governmental Authority, a trust or other entity or organization, whether or not a legal entity.
- 1.24. **“Policy”** means this Sourcing and Procurement Policy and Procedure, as amended from time to time.
- 1.25. **“Preferred Supplier”** means a supplier of Goods and/or Services designated as a preferred supplier by SCM after having been through a Sourcing Event incorporating a broad base of evaluation criteria, or an appropriately approved Sole Sourcing Event and has met all pre-qualification requirements.
- 1.26. **“Procedure”** means this Sourcing and Procurement Policy and Procedure, as amended from time to time.
- 1.27. **“Procurement”** means all activities related to the purchase of Goods and/or Services by Veren, including the negotiating, concluding and issuing a relevant Commercial Agreement with a supplier or service provider. This may also include overseeing the timely delivery of Goods and/or Services, including expediting if necessary, the quality of deliveries, enforcement of the provisions of the Commercial Agreement and the release of payments to suppliers and service providers.
- 1.28. **“Procurement Approval Committee”** or **“PAC”** has the meaning in Section 5.4.
- 1.29. **“Purchase Order”** or **“PO”** means an offer to purchase, if accepted by the supplier, and a legal commitment to supply Veren with Goods and/or Services. A PO is a form of Commercial Agreement and is typically issued as a stand-alone document and used for a one-time purchase of Goods and/or Services. A PO typically includes several standard components, including, but not limited to, a description of the Goods and/or Services required, delivery terms and date, detailed costs, invoicing instructions, as well as general terms and conditions. If Veren has concluded a Master Service Agreement with a supplier then a PO may also be issued under the auspices of such Master Service Agreement.
- 1.30. **“Request for Information”** or **“RFI”** means an invitation to suppliers to provide information about the supplier’s capabilities for the purpose of pre-qualification of suppliers, developing

strategy, gathering information useful in subsequent Negotiations and for preparing an RFP or RFQ.

- 1.31. **“Request for Proposal”** or **“RFP”** means an invitation to suppliers to submit a Bid for the supply of Goods and/or Services. RFPs may result in multiple rounds of Negotiations after the initial evaluation in an attempt to maximize the value to Veren.
- 1.32. **“Request for Quotation”** or **“RFQ”** means an invitation to suppliers to submit a Bid, usually just price, for the supply of specific Goods and/or Services. RFQs usually have minimal or no post-evaluation Negotiations.
- 1.33. **“RFx”** means a collective term to represent one or more of an RFI, RFP or RFQ.
- 1.34. **“Signing Authorities Matrix”** means the authorization matrix issued as Appendix 1 of Veren’s Canadian Approval Authority Documents under Veren’s Authorities and Spending Limit Policy that sets out the levels of financial authority for relevant Veren Representatives to approve a Commitment and execute any relevant Commercial Agreement, as amended or replaced from time to time.
- 1.35. **“Sole Source”** means a case when (i) there is only one supplier available for which the purchase of Goods and/or Services can be made or a supplier selling unique or proprietary Goods and/or Services not obtainable from any other source (e.g. a monopoly supplier) or (ii) a case where multiple suppliers may be able to provide Goods and/or Services, but a justification exists for proceeding with a single supplier without holding a Competitive Sourcing Event. See appendix C for template.
- 1.36. **“Sole Sourcing Event”** means a Sourcing Event that is limited to one pre-defined supplier, whether or not the supplier is an incumbent or is new.
- 1.37. **“Sourcing”** means all activities related to the establishment of the supplier base, including qualification, selection and negotiation of MSAs and/or Commercial Agreements. Sourcing is the activity that comes before Procurement activities.
- 1.38. **“Sourcing Event”** means, independently, an Informal Sourcing Event, a Competitive Sourcing Event, Negotiations or a Sole Sourcing Event, or collectively means all of them.
- 1.39. **“Sourcing Strategy”** means the decision factors that determine the method of Sourcing and Procurement of Goods and/or Services. These decision factors include but are not limited to: evaluating internal requirements, forecasts, market conditions, assessments of supplier base including supplier performance and characteristics of the Goods and/Services category.
- 1.40. **“Strategy/Award Summary”** means documentation that outlines the Sourcing Event that includes but is not limited to: sourcing strategy, spend analytics, category spend profile, pre-qualification requirements, vendor list, User Department requirements, opportunity, market analysis, summary of evaluations and Negotiations, total cost of ownership, award rationalization, savings and efficiency calculations. See appendix B for templates.
- 1.41. **“Strategy Sheet”** means documentation that outlines the strategy of a Sourcing Event that includes but is not limited to: Sourcing Strategy, spend analytics, category spend profile, pre-qualification requirements, supplier list, User Department requirements, opportunity and market analysis. See appendix B for template.
- 1.42. **“Supplier Pre-Qualification Process”** means the process of screening potential suppliers or vendors on the basis of factors such as insurance, risk, financial ability, capacity, reputation, work history and Environment, Health and Safety requirements.
- 1.43. **“Supplier Risk”** means the potential that a supplier will fail to deliver a commitment resulting in Veren suffering a loss.
- 1.44. **“Supply Chain Management”** or **“SCM”** means the Veren functional team who has responsibility for facilitating and supporting the execution of this Policy and Procedure.

- 1.45. **“User Department”** means the department or departments within Veren that require(s) the relevant Goods and/or Services.
- 1.46. **“Vendor Services Portal”** means the process available on Veren’s intranet site where a new supplier can be requested to be added as an Approved Supplier.

Sourcing and Procurement Policy

2. SCM Mandate

- 2.1. Veren’s SCM team collaborates with the business to secure quality Goods and/or Services in a safe, cost-effective and efficient manner. It is the SCM’s mandate to govern the Sourcing and Procurement activities with a Commercial Value over \$100,000, subject to those exclusions outlined in Section 4.3.

3. Purpose, Objective and Values

- 3.1. The purpose of this Policy is to govern the management of Veren’s expenditures on Goods and/or Services procured from third parties. The primary objective in this regard is to obtain Best Total Value to Veren from Sourcing and Procurement activities.
- 3.2. To achieve the above objective, Sourcing and Procurement of all Goods and/or Services by Veren Representatives shall be conducted in compliance with this Policy and Procedure.
- 3.3. In this regard, all Sourcing and Procurement activities are intended to align with the following values:

Equitable & Ethical	Conducted ethically and structured in a way so as to: (a) fully identify and consider any conflict or potential conflict of interest between Veren and suppliers/potential supplier; (b) treat qualified suppliers on a fair and unbiased basis; and, (c) achieve the highest standards of integrity and ensure that non-commercial considerations do not unduly influence any decisions.
Strategic Sourcing & Risk Management	Satisfying business needs by taking a proactive and planned analysis of supply markets and selecting suppliers with the objective of delivering solutions to meet pre-determined and agreed upon business needs.
Transparency & Governance	A clearly documented audit trail to ensure appropriate transparency and adherence to internal controls, ensuring that the Sourcing and Procurement activities are capable of delivering clear, justifiable, auditable and impartial decisions when awarding Goods and/or Services to suppliers.
Market Focused	Ensure a continued focus on the marketplace so that long-term relationships remain competitive and that Veren remains informed of market conditions and fluctuations.
Value Driven	An evaluation of all relevant factors in Sourcing and Procurement decision making and structuring in order to provide the Best Total Value in the Goods and/or Services purchased.
Leveraged	Ensure Veren’s Sourcing and Procurement activities are coordinated in order to maximize purchasing power to the fullest extent, when possible.
Communicated	Ensure clear communication within Veren’s Business Units of strategy, objectives, processes and methodologies pertaining to Sourcing and Procurement activities, including negotiation, risk assessment and

	management, contract development and Goods and/ or Services management.
Consistent	Make use of standardized forms (e.g. RFX, agreement templates, etc.) to ensure fair and considered treatment of all suppliers and to ensure a clear and consistent understanding of risks and obligations accepted by Veren.

3.4. The Policy must be adhered to by all Veren staff. Any violation of this Policy must be reported to the Manager, Supply Chain Management for review, which may then be escalated to an officer of Veren as applicable. Violations may constitute grounds for corrective action(s), including dismissal with cause.

4. Applicability

- 4.1. This Policy applies to all Veren Representatives. The scope of this Policy includes all Sourcing and Procurement activities performed by Veren whether for itself, or acting as an operator on behalf of a joint venture. Conduct that violates the terms of this Policy could significantly harm Veren and expose it to unintended legal, commercial and reputational risk liabilities.
- 4.2. For purposes of this Policy, Sourcing and Procurement events include but are not limited to: drilling, completions, facilities and pipeline construction, field operations, design, engineering, construction, repair, maintenance, consulting, personnel services and information services.
- 4.3. This Policy is not intended to cover the following:
 - 4.3.1. delegation of financial authority limits for contract award approvals, contract Commitments, execution and invoice approval as these matters are addressed in Veren's Authorities and Spending Limit Policy, Appendix 1 of Veren's Canadian Approval Authority Documents and the SCM Contracting Policy;
 - 4.3.2. capital asset and inventory management;
 - 4.3.3. general and administrative expenses;
 - 4.3.4. offers or contracts of employment, confidentiality agreements, joint operating, joint venture or similar agreements, governmental contracts including those with provincial, state or federal governments and/or production marketing related transactions associated with transportation, or processing;
 - 4.3.5. royalties;
 - 4.3.6. acquisition or disposition of surface leases/rights or oil and gas mineral leases, concessions, or licenses;
 - 4.3.7. acquisition of Goods and/or Services in connection with Veren's participation in joint ventures or financings in which Veren is not the lead member or otherwise does not have control over the supplier selection; and
 - 4.3.8. Commitments for professional services related to legal, tax, reserves, utilities, external audit, accounting, investment brokerage or similar services.
- 4.4. Nothing in this Policy is intended nor will be construed as restricting, limiting or otherwise affecting any applicable laws or regulations.

5. Responsibilities

5.1. Executives and Directors:

Executives and Directors, within their area of responsibility, are responsible for overseeing and implementing Sourcing and Procurement activities in accordance with this Policy.

5.2. Supply Chain Management:

Supply Chain Management has the overall responsibility for effectively acquiring and delivering Goods and/or Services including all Sourcing and Procurement activities. It is the responsibility of the Manager, Supply Chain Management to administer this Policy and ensure that supporting processes are in place to maintain this Policy. All Commitments, within the scope of this Policy with a Commercial Value greater than \$100,000, require the involvement and authorization of Supply Chain Management as set out in the Procurement Procedure.

5.3. Veren Representatives/User Departments:

Veren Representatives and User Departments are expected to comply with this Policy and related Sourcing and Procurement Procedures. Contractors and consultants of Veren must not procure Goods and/or Services on behalf of Veren unless utilizing a Preferred Supplier as directed by Supply Chain Management and/or they are granted authorization and permitted in writing to do so by the Manager, Supply Chain Management. In any case, where the assistance or advice is sought from Supply Chain Management (or where Supply Chain Management is required to be involved in accordance with this Policy and Sourcing & Procurement Procedure), such Veren Representatives and User Departments have responsibility to notify Supply Chain Management early and often in the Sourcing and Procurement process. This will ensure that the appropriate Sourcing and Procurement strategy is utilized, as outlined in the Sourcing and Procurement Procedure.

5.4. Procurement Approval Committee ("PAC"):

- 5.4.1. Veren will establish a PAC comprised of members of executive management and senior Supply Chain Management personnel when required. Members of the PAC may be comprised of CEO, CFO and COO, Senior VP, General Counsel, VP, Finance and Manager Supply Chain Management.
- 5.4.2. In its functional role: PAC will be engaged when a consensus is required to align Supply Chain Management's strategic direction with the User Department, and/or there are unforeseen issues that put Veren at risk. The PAC will:
 - (a) confirm proper authority is in place for the applicable Sourcing and Procurement event;
 - (b) approve the proposed manner and strategy of the Sourcing Event; and,
 - (c) approve any amendments to a contract, a modification or renewal of contract that results in an increase in the Estimated Value, and; approve any early termination of a contract.

6. Policy Interpretation, Exceptions and Communications Plan

- 6.1. It is expected that it will be necessary for Veren to issue interpretations of various provisions of this Policy as unanticipated facts and circumstances occur that are not specifically addressed in this Policy. SCM shall prepare such interpretations in writing, which interpretations shall require the approval of Manager, Supply Chain Management before being adopted and made effective.
- 6.2. Exceptions to this Policy may be permitted due to unforeseen circumstances. Such exceptions must be approved by the Veren Representative's leader and Manager, Supply Chain Management, but are valid only for the particular Commitment and circumstance described and do not signify an amendment to this Policy. Such exceptions will be reported promptly to the Manager, Supply Chain Management and, in any event, within forty-eight (48) hours of the exercise of a Policy exception.
- 6.3. Exceptions to this Policy may be permitted where Veren acquires new oil and gas assets and as a result, inherits new vendors, where the Senior Vice President, Finance determines in writing

that such exemption is needed in order to maintain continuity of operations. In such circumstances vendors are to be onboarded and complete the Pre-Qualification Process in order to be classified as an Approved Vendor.

- 6.4. This Policy and all approved amendments will be distributed to the Board of Directors and all Veren Representatives. This Policy shall be incorporated into the Veren Representative induction process and signed off by all Veren Representatives annually. Any subsequent updates may be communicated via email.

Sourcing and Procurement Procedure

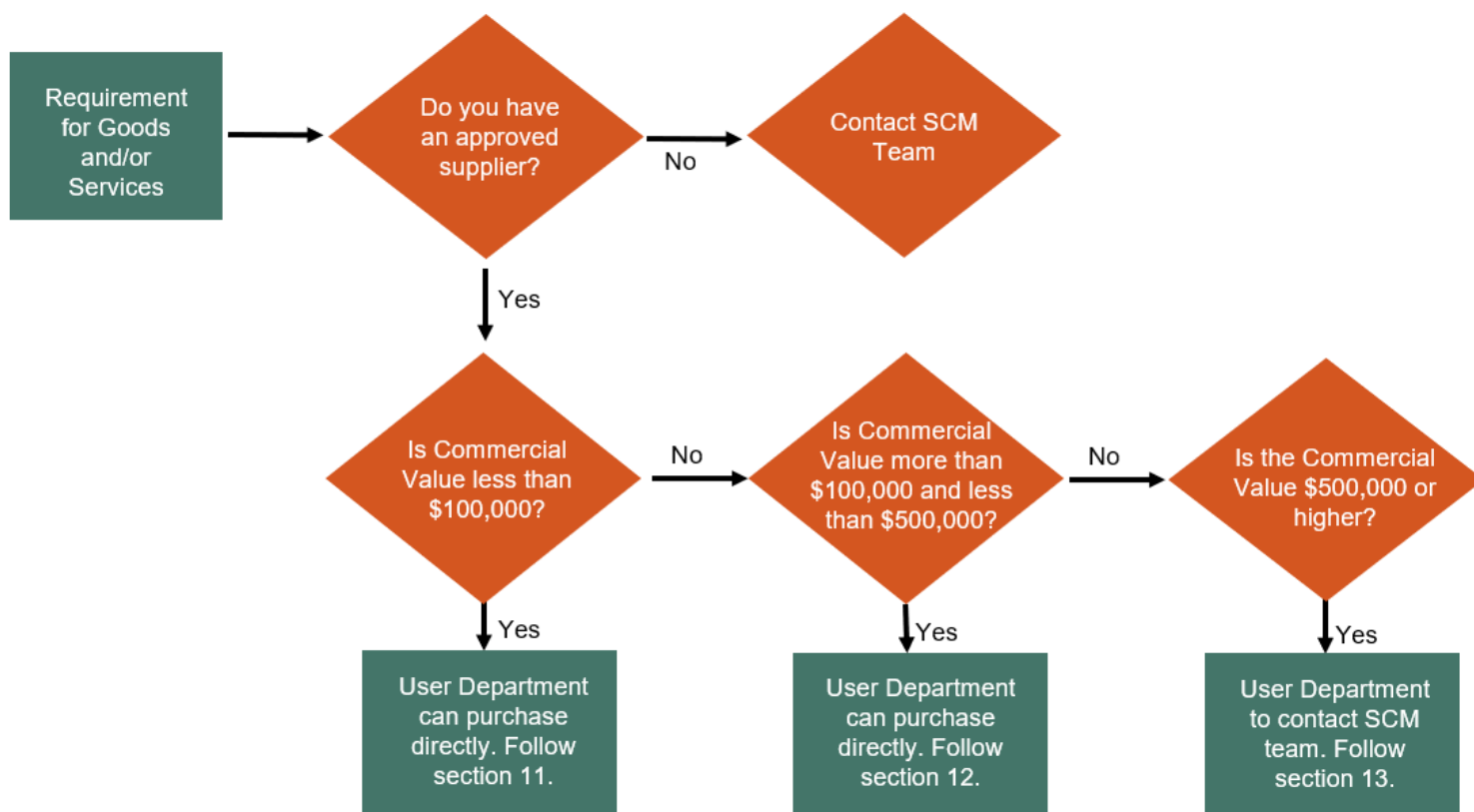
7. Ethics

- 7.1. All Sourcing and Procurement activities will be conducted in accordance with other relevant Veren policies, including Veren's Code of Business Conduct & Ethics; Business Gifts and Entertainment Policy; and Anti-Corruption and Prevention of Bribery Policy.
- 7.2. Fraud or the concealment of fraud will not be tolerated at Veren. Fraud includes but is not limited to, any of the following:
- (a) gifts in excess of industry norms or kickbacks in exchange for award of work;
 - (b) forgery or alteration of documents;
 - (c) authorizing or receiving payment for goods or services not received or performed;
 - (d) authorizing or receiving payment for time not worked;
 - (e) any claim for reimbursement of expenses that are not incurred for the benefit of Veren; or
 - (f) misrepresentation of credentials or status.
- 7.3. Sourcing and Procurement activities must not only be fair and ethical, but also must be seen to be fair and ethical. All suppliers invited to participate in a Sourcing Event must be afforded equal opportunity to compete on the same terms. No supplier will be asked to submit a quotation if it will not be given proper consideration or if another source of supply has been chosen. In this regard:
- (a) bids, quotations, pricing and specific information received from suppliers will be considered strictly confidential;
 - (b) no re-bidding should be allowed with the intention of giving a favoured supplier a "second chance"; and
 - (c) Veren Representatives associated with a Sourcing Event will not hint nor imply that they, as individuals, can prevent or influence the placement of an Order.

8. Sourcing & Procurement Methods

- 8.1. SCM utilizes a methodology to ensure sourcing is completed strategically and is driven by considerations of delivering the Best Total Value to Veren. Sourcing Events typically involve a process that achieves a balance between leveraging supply, commercial opportunities and mitigation of Veren's Supplier Risks. This will be achieved by following acceptable Sourcing and Procurement methods:
- (a) use of Preferred Suppliers;
 - (b) Informal Sourcing Events, Competitive Sourcing Events or Negotiations; and
 - (c) in limited circumstances, through Sole Sourcing.

9. The following flow chart sets forth the Sourcing and Procurement process:



10. Preferred Supplier Procedure

- 10.1. Veren may choose to enter into Commercial Agreements with a limited number of qualified Preferred Suppliers in order to minimize the cost of managing multiple suppliers, streamline Sourcing and Procurement activities and increase potential commercial and operational value.
- 10.2. The use of Preferred Suppliers provides Veren access to a defined list of Goods and/or Services on an ongoing basis with preferred pricing terms. SCM works with Business Units to establish pre-qualification requirements and negotiates the appropriate form of Commercial Agreements. Preferred Suppliers are granted preferential treatment in order to:
 - (a) save time: Orders are placed under an existing Commercial Agreement versus time required to develop and complete a short-form agreement;
 - (b) reduce costs: pricing will have already been negotiated;
 - (c) reduce risks: Veren’s SCM Contracts and Legal department will have reviewed and signed-off on the Master Service Agreement; and
 - (d) meet Veren requirements: the pre-qualification process to qualify Preferred Suppliers includes high health, safety and environmental standards, financial worthiness as well as flexibility and responsiveness.
- 10.3. Note, a supplier with an existing MSA does not necessarily mean that they are a Preferred Supplier. If a supplier’s existing Commercial Agreement does not include the desired Goods and/or Services, or include relevant pricing terms, such supplier will not be treated as a Preferred Supplier and a Sourcing or Procurement activity must be completed. A list of existing Preferred Suppliers and the respective Commercial Agreements can be obtained from Supply Chain

Management.

11. Transactions of Commercial Value less than CAD\$100,000)

- 11.1. For required Goods and/or Services with an estimated Commercial Value less than CAD\$100,000, a Veren Representative within a User Department may manage the purchase of such Goods and/or Services by utilizing an Approved Supplier, meaning a supplier which has met all Veren's requirements as set out through the Supplier Pre-Qualification Process.
- 11.2. Contractors and or consultants are only able to purchase from Approved Suppliers.
- 11.3.
- 11.4. If there is no Approved Supplier, the User Department must submit supplier information through the Vendor Service Portal prior to work being completed.
- 11.5. In an emergency, meaning an event that seriously threatens the health, welfare, financial or safety of people or Veren, or endangers property, or would otherwise cause serious injury to Crescent and there is an immediate and serious need for such Goods and/or Services that the need cannot be met through any other procurement method, an unapproved supplier may be used and at a bare minimum must meet Veren's insurance requirement of \$5M Commercial General Liability and workers' compensation board ("WCB") insurance in good standing.

12. Transactions of Commercial Value over CAD\$100,000 (and less than CAD\$500,000)

- 12.1. For required Goods and/or Services with an estimated Commercial Value of CAD\$100,000 or more and less than CAD\$500,000, the User Department must notify the SCM department of plans to source prior to the work being contracted.
- 12.2. If SCM confirms that a Preferred Supplier exists, the Veren Representative may proceed with such Preferred Supplier.
- 12.3. If there is no Preferred Supplier, SCM will provide direction as to the next steps, which may include requesting the User Department to submit a written request in order to provide a more detailed description of the required Goods and/or Services.
- 12.4. Depending on the requirements, SCM and the Veren Representative will determine how to proceed, including whether to make use of:
 - (a) Preferred and/or Approved Suppliers;
 - (b) an Informal Sourcing Event;
 - (c) a Competitive Sourcing Event; or,
 - (d) Sole Sourcing.
- 12.5. SCM may set up an Evaluation Committee to evaluate Bids in relation to a RFx, which Committee will consist of appropriate members from various departments as determined by SCM and the User Department budget holder(s).
- 12.6. The Evaluation Committee will deliver consensus on the Sourcing Event's Strategy including the weighting of evaluation criteria. If anyone does not agree with the Sourcing Strategy, then the concern will be escalated to the next level of management and/or PAC.

13. Transactions of Commercial Value over CAD\$500,000

- 13.1. For required Goods and/or Services with an estimated Commercial Value of CAD\$500,000 or more, a User Department must engage Supply Chain Management.
- 13.2. If SCM confirms that a Preferred Supplier exists, the Veren Representative may proceed with such Preferred Supplier.
- 13.3. If there is no Preferred Supplier, SCM, in consultation with the User Department, will establish a cross-functional Evaluation Committee and prepare a Sourcing Strategy document setting out

the proposed strategy that supports the objectives of the Policy and Procedure. The Sourcing Strategy will identify the recommended form of Sourcing and will be approved by the Evaluation Committee.

- 13.4. The Evaluation Committee will deliver consensus on the Sourcing Strategy document including the weighting of evaluation criteria. If anyone does not agree with the Sourcing Strategy and or evaluation criteria then the concern will be escalated to the next level of management and/or PAC for approval.
- 13.5. An Award Summary will be completed and approved after the Sourcing Event to outline the methodology of award.
- 13.6. Unless the Sourcing Strategy document recommends, and the Evaluation Committee agrees, to proceed with a Sole Source transaction, procurement of Goods and/or Services with an estimated Commercial Value greater than CAD\$500,000 should undergo a Competitive Sourcing Event.

14. Competitive Sourcing

- 14.1. Competitive Sourcing Events will be structured through the issuance of an RFX. Such RFX processes shall involve not less than two and, where practicable, three or more viable suppliers.
- 14.2. SCM will prepare the appropriate RFX documentation in keeping with Veren's practices and policies (unless approved by SCM, the User Department may complete the Sourcing Event under the guidance of SCM), including the use of standard forms together with any specific terms and conditions to be incorporated in a proposed Commercial Agreement. All bidding parties should be made aware that an award to the successful bidder will be determined solely by Veren, based upon Veren's determination of what constitutes the Best Total Value.
- 14.3. During a Competitive Sourcing Event, SCM may implement a "Blackout Period". A Blackout Period shall mean, a period of time from when a RFX is issued to a supplier until the time of the award. Any individual who may have influence or a perceived conflict of interest over the evaluation process should decline any and all social activities with the supplier included in the RFX until the Blackout Period has ceased. SCM will advise when Blackout Periods apply.

15. Sole Sourcing

- 15.1. Sole Sourcing Events may be used if one or more of the following applies:
 - (a) Goods and/or Services are available only from a single supplier, based on a good faith review of available suppliers;
 - (b) the work required is highly specialized technical work or where confidentiality is paramount;
 - (c) the price is determined by national, provincial, state, municipal or county legislation or regulation or by regulatory bodies;
 - (d) an operational emergency exists that seriously threatens the health, welfare, financial or safety of people or Veren, or endangers property or would otherwise cause serious injury to Veren (e.g. political crisis, flood, pandemic, riot, equipment failure), and there is an immediate and serious need for such Goods and/or Services that the need cannot be met through any other procurement method, an unapproved supplier may be used and, at a bare minimum, must meet Veren's insurance requirement of \$5M Commercial General Liability and WCB insurance in good standing. Sole Sourcing Events related to such emergencies will be limited only to those Goods and/or Services necessary to meet the emergency; or
 - (e) SCM determines there are other valid and justifiable commercial reasons to proceed with a Sole Sourcing Event.
- 15.2. A renewal of an existing Commercial Agreement without undergoing an Informal Sourcing

Event or a Competitive Sourcing Event will be considered a Sole Sourcing Event.

- 15.3. A Sole Source Justification form must be completed for the use of an Approved Supplier if the Goods and/or Services have not be Competitively Sourced.
- 15.4. If a supplier is neither preferred, nor approved, the User Department or Veren Representative must submit supplier information through the Vendor Service Portal prior to work being commenced.

16. Sourcing Event Evaluation

- 16.1. Whether performing an Informal Sourcing Event, a Competitive Sourcing Event or a Sole Sourcing Event, suppliers will be selected based on their ability to meet Veren's applicable User Department's requirements at the Best Total Value. The evaluation criteria for each Sourcing and Procurement transaction should consider and weigh the appropriate key business drivers and capabilities that impact the total value. Evaluation criteria may include:
 - (a) Safety: safety metrics such as total recordable injury frequency ("TRIF"), lost time injury frequency ("LTIF"), safety instrumented function ("SIF") and WCB certification, as well as registration on a supplier pre-qualification system as designated by Veren;
 - (b) Total Acquisition Cost: all costs incurred to acquire the Goods and/or Services, including price, price escalations, supplier switch out costs, discounts, rebates, freight, insurance and payment terms, termination penalties, etc.;
 - (c) Total Cost of Ownership: all costs incurred to operate the Goods and/or Services over the expected life, including replacement, maintenance, spare parts, disposal, etc.;
 - (d) Financial strength of the Goods and/or Service supplier;
 - (e) Utility / Capabilities: additional value or utility resulting from differences in technical attributes, conformance to standardized equipment designs, quality, logistics, past performance, capacity, geographic reach, schedule/cycle time reductions, professional expertise and availability of qualified resources, etc.;
 - (f) General Commercial Terms: additional value or cost resulting from differences in terms and conditions, including warranties, indemnifications, guarantees, payment terms, supplier reliability, etc.;
 - (g) Legal and Regulatory Requirements: any legal and regulatory requirements, including allocation of risk; and
 - (h) Indigenous/Local Commitments: including indigenous ownership, indigenous workforce, benefits to the community, etc.
- 16.2. All Sourcing Events will be executed and managed in a cross-functional manner, including the use of a multi-disciplined Evaluation Committee, where required. Basic responsibilities of the Evaluation Committee include:
 - (a) SCM develops and facilitates the process, assists with evaluations and ensures process and documentation is performed as per this Policy and Procedure;
 - (b) operations/technical representatives develop and ensure the scope of work correctly reflects Veren's requirements, assists with evaluations and ensures that technical or operational requirements for the Goods and/or Services can be met;
 - (c) members of the Evaluation Committee are required to disclose any potential conflicts of interest; and
 - (d) SCM develops a Strategy Sheet and Award Summary documentation summarizing the sourcing plan and results of the evaluation, which will outline the recommendation to award.
- 16.3. To reduce the instance of a bias in the evaluation criteria each individual on the Evaluation Committee will establish and agree on the evaluation criteria and respective weightings prior to

the Sourcing Event. The Evaluation Criteria and respective weightings will be documented and approved in a Strategy Sheet. If consensus cannot be reached the concern will be escalated to the next level in management or to PAC (see Section 5.4).

17. Recommendation to Award

- 17.1. Strategy/ Award Summary documentation will be completed by SCM for Sourcing Events with a Commercial Value over CAD\$500,000 and require approval from Business Unit and SCM management. The Strategy/Award Summary documentation will include information regarding the original strategy, rationale for the award, key risks or operational issues and mitigation, key terms and conditions, a comparison of the final value relative to the baseline, clear outline of the evaluation criteria and respective weightings as well as key implementation activities, all as deemed applicable by the SCM.
- 17.2. The approval of the Strategy/Award Summary documentation for Sourcing Events estimated to have a Commercial Value of CAD\$500,000 or more require approval by the appropriate authority in the User Department and SCM department.

18. Documentation

- 18.1. Documentation must be developed and retained pursuant to Veren's document retention policies for all Sourcing Events to ensure transparency and adherence to all policies and internal controls. Documents to be developed and retained include, but are not limited to:
- 18.2. Sole Sourcing Events for Commercial Value over CAD\$100,000:
 - (a) justification document for Sole Sourcing Event;
 - (b) for Commercial Value over CAD\$500,000 an approved Sourcing Strategy document, including a description of the Goods and/or Services; and
 - (c) an appropriate Commercial Agreement.
- 18.3. Sourcing Events with a Commercial Value less than CAD\$100,000:
 - (a) pricing correspondence or documentation;
 - (b) Informal Sourcing Event correspondence, if applicable; and
 - (c) for Sourcing Events where a supplier does not have a MSA, a PO or Commercial Agreement may be required. See SCM's Contracts Policy.
- 18.4. Sourcing Events with a Commercial Value of CAD\$100,000 or more and less than CAD\$500,000:
 - (a) pricing correspondence, supplier quotes or proposals from the Competitive Sourcing Event;
 - (b) justification document for Sole Sourcing Event, if applicable; and
 - (c) for Sourcing Events where a supplier does not have a MSA, a PO or Commercial Agreement may be required. See SCM's Contracts Policy.
- 18.5. Competitive Sourcing Events with a Commercial Value over CAD\$500,000:
 - (a) an approved Sourcing Strategy document, including a description of the Goods and/or Services required and justification for the suppliers invited to participate;
 - (b) any market analysis performed related to the Goods and/or Services; and
 - (c) all RFx documents, including the supplier's responses/proposals and clarifications, if applicable;
 - (d) all RFx analyses, including description and weight of evaluation criteria;
 - (e) results of any negotiation rounds, if applicable;
 - (f) Award Summary document, including details and rationale for the award, estimated Commercial Value, Veren's minimal obligations; key risks or operational issues and mitigation; key terms and conditions, including whether the agreement is standard or non-

- standard; a comparison of the final value relative to the baseline; key implementation activities, as applicable; and
- (g) an appropriate MSA and Commercial Agreement.

19. Master Service Agreements (MSA)

- 19.1. In this Procedure, reference to a 'MSA' means 'Master Service Agreement', which agreement governs the relationship between Veren and the supplier for the purchase of Goods and/or Services. The term of a MSA will typically not exceed five years.
- 19.2. SCM will negotiate the MSAs in conjunction with the appropriate User Department, Risk and the Legal department.
- 19.3. There are two main types of Master Service Agreements (MSAs):
- (a) MSA with pricing: contains general terms and conditions and specific pricing for items related to an anticipated and agreed scope of supply or service.
 - (b) MSA without pricing (most common): contains general terms and conditions, but does not include specific pricing for items related to a specific scope of work.
 - i. MSAs without pricing are intended to be used in conjunction with one or more separate Commercial Agreements typically in the form of an Order which follows a pre-agreed template that is attached to and is governed by the MSA. It is in such Order that specific pricing and an agreed scope of work is set out.
 - ii. Upon issuance, such Order is considered a Commercial Agreement.
 - iii. MSAs without pricing are reviewed periodically by Supply Chain Management, in conjunction with the Risk and Legal departments, to ensure that all terms and conditions are still adequate and applicable. This review will also include a review of supplier performance. The schedule of these reviews will be adjusted accordingly to reflect the risk associated with the terms and conditions, as well as the category, but should occur no less frequently than once every three years.
- 19.4. All MSAs will be entered into in accordance with Veren's Supply Chain Management Contracting Policy and will be maintained by SCM Contracts Team.

20. Commercial Agreements

- 20.1. In this Procedure, a "Commercial Agreement" means any contract, agreement or arrangement, including any material modifications, amendments or renewals, relating to the Procurement of Goods and/or Services, which incorporates transactional commercial pricing terms and an agreed defined scope of supply or services. Commercial Agreements can take many forms and include, but are not limited to stand alone contracts, service agreements, orders (purchase orders, service orders, work orders, call-off/release orders, lease agreement, rental agreements – whether issued under an MSA or on a standalone basis).
- 20.2. The form of Commercial Agreement is dependent on the required Goods and/or Services, the conditions of the business arrangement and the degree of risk to Veren. In general terms, a Commercial Agreement can often include:
- (a) pricing;
 - (b) a minimum purchase obligation;
 - (c) reference to an external MSA for its general terms and conditions or it may include its own additional terms and conditions;
 - (d) pre-defined extension or renewal options, but may not include evergreen extension clauses;
 - (e) a scope of supply or scope of services, including specifications and expectations;

- (f) EH&S requirements;
 - (g) performance, reporting and governance requirements;
 - (h) additional warranty provisions;
 - (i) additional intellectual property rights;
 - (j) payment terms and schedule; and
 - (k) insurance coverage requirements.
- 20.3. SCM will coordinate with Veren's Legal, EH&S, Finance, Regulatory, Tax, Insurance, Audit and stakeholder departments, as appropriate, to develop and maintain a library of standard templates for MSAs and Commercial Agreements that contain the appropriate language, including terms and conditions to protect Veren's interests. Standard templates with no material modifications may be used without approval by Legal or other departments; however, SCM will ensure that any non-standard Commercial Agreement undergo Legal review to ensure that the appropriate legal terms and conditions are included in such non-standard Commercial Agreements. Commercial Agreements for the procurement of Goods and/or Services must be signed by User Department and SCM as per the Signing Authorities Matrix.
- 20.4. Any Services required to be performed by a supplier at a Veren worksite (other than administrative offices) requires a Commercial Agreement governed by MSA or a stand-alone Commercial Agreement containing appropriate risk allocation provisions (e.g. safety, insurance, indemnification), regardless of the Commercial Value. Confirmation of insurance and work-related credentials (e.g. WCB, good standing in supplier pre-qualification system) is required regardless of the form of the Commercial Agreement.
- 20.5. All Commercial Agreements will be entered into in accordance with Veren's Supply Chain Management Contracting Policy and will be maintained by Supply Chain Management.

21. Internal Controls

- 21.1. The requirements set forth in this Policy, the SCM Contracting Policy, the Authorities and Spending Limit Policy, the Signing Authorities Matrix and the Code of Business Conduct and Ethics will be followed. Only Veren Representatives with appropriate delegation of authority levels, in accordance with Veren's Signing Authorities Matrix, are authorized to execute MSA's or Commercial Agreements or to approve the commitment of expenditure or Orders to suppliers.
- 21.2. The act of intentionally dividing a Sourcing Event or Procurement activity into two or more events or transactions to lower the Commercial Value or Estimated Contract/Order Value to avoid/bypass the delegated authority is strictly prohibited.
- 21.3. In addition to the requirements set forth in the Code of Business Conduct and Ethics, any known personal interest or relationship of any Veren Representative with any supplier or potential supplier involved in a Sourcing or Procurement process must be fully disclosed and documented in order to eliminate Veren Representatives with conflicts of interest from being involved in the Sourcing or Procurement process for applicable suppliers. In the event a potential conflict exists, the Veren Representative must excuse themselves from the Sourcing or Procurement process.
- 21.4. All written RFX documents, internal approval documents, supplier communication, evaluations, agreements, etc. relating to the Sourcing or Procurement processes shall be retained, as per Veren's document retention policies.

22. Review

- 22.1. This Procedure will be reviewed by Veren Management, at a minimum, every two years and any proposed revisions will be submitted to the Manager, Supply Chain Management for review and for recommendation to the Board for approval.

Procedure Category:

CATEGORY:	Corporate
APPLICATION:	All of Veren & Subsidiaries of Veren
DEPARTMENT:	SCM
DOCUMENT OWNER:	Manager, Supply Chain Management
EFFECTIVE DATE:	January 1, 2020
REVIEW REQUIRED:	2025

Appendix A: Procedure and Document Requirements

Sourcing and Procurement Procedure and Documentation Requirements

	Thresholds (cumulative spend by supplier or transaction)			
	Commercial Value less than \$100,000 See Section 11	Commercial Value over \$100,000 and less than \$500,000 See Section 12	Commercial Value over \$500,000 See Section 13	Sole Source See Section 15 *Commercial Value over \$100,000
Process and Document Requirements				
Notify SCM		X	X	X
SCM must Complete the Sourcing Event			X	
Vendor Pre-Qualification	X	X	X	X
Informal Sourcing Event		X		
Approved Sourcing Strategy Document			X	X
Evaluation Committee		X	X	
Records of Supplier Quotes or Proposals		X	X	X
Competitive Sourcing Procedure		X	X	
Record of RFx Documents, Spend and Market Analyses			X	
Approved Award Summary Document			X	
Approved Sole Source Justification Document				X
Master Agreement	X	X	X	X
Commercial Agreement			X	X
*dependent on risk associated with the goods and/or services a Purchase Order or Master Agreement may be required, contact SCM Contracts team for clarification				
Definitions				
<p>Commercial Agreement: includes any contract, agreement or arrangement, including any material modifications, amendments or renewals, related to the Procurement of Goods and/or Services, which incorporates transactional commercial pricing terms and/or an agreed defined scope of supply or services. i.e. Purchase Order, Order, pricebook which has been locked to green only submission.</p> <p>Commercial Value: It is the aggregate estimate or projected expenditures to be incurred by CPG for a Sourcing Event or during the term of a Commercial Agreement or as may be expended annually. A series of related transactions with the same supplier for the same or similar Goods and/or Services will be considered as a single transaction for the purpose of determining Commercial Value.</p> <p>Evaluation Committee: Cross functional team formed to evaluate Sourcing Events and will consist of appropriate members from various departments as determined by SCM and the budget holder(s).</p> <p>Sole Source: A case when (i) there is only one supplier available for which the purchase of Goods and/or Services can be made or a supplier selling unique or proprietary Goods and/or Services not obtainable from any other source (e.g. a monopoly supplier) or (ii) a case where multiple suppliers may be able to provide Goods and/or Services, but a justification exists for proceeding with a single supplier without holding a Competitive Sourcing Event.</p> <p>Sourcing Event: Includes an Informal Sourcing Event, a Competitive Sourcing Event, Negotiations or a Sole Sourcing Event, or collectively means all of them.</p>				

Appendix B: Example Strategy/Award Summary

BID SUMMARY

Date:	Strategy Number:
Business Unit:	Category:
Area:	Est. Annual Spend:
SM Contact:	Technical Contact:

SUPPLIER / VENDOR SHORT LIST

The below vendors were invited to participate in the sourcing activity through discussion with the business. Vendors are selected based on a combination of the following criteria: Past Performance, Safety Record, Availability of Services, Past Pricing Discussions, Callout Location, Industry Standards and Indigenous Ownership or Partnership.

1	11
2	12
3	13
4	14
5	15
6	16
7	17
8	18
9	19
10	20

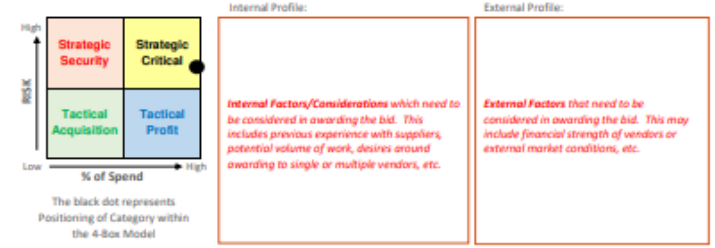
SPEND ANALYTICS / CATEGORY SPEND PROFILE

Notes on Spend:

Use Instructions Tab to upload spend and then copy/paste from "Spend - Pivot of Cleansed Data" to the "Spend Analytics" tab. Insert screen shot in this section and delete this sentence once completed.

CATEGORY OPPORTUNITY / MARKET ANALYSIS

Est. Annual Spend:	50
Category Risk:	Low - Medium - High
4-Box Model Position:	Tactical Profit


CATEGORY RISKS:

Any risks to the category which need to be considered with the bid.

CATEGORY STRATEGY / MARKET ANALYSIS

Market Strategy: RFI RFQ RFP Sole-Source Reverse Auction Negotiations

Select from Market Strategies above and describe here detailed approach. include what will be used as evaluation criteria and which will be considered most important when evaluating bid (i.e. price, technical capabilities, safety, etc)

KEY NEXT STEPS, & TOOLS TO BE USED

Tools: TCD Cost Model Lease vs Buy Other *If Other:* _____

Description:

Check to see if any market information (i.e. Cost models, indices, market trends) are available. Utilize Berow or SCM market update reports and insert screen shots.

VENDOR PRE-QUALIFICATION

Insert Avetta Pre-Qualification score and any other information that pertain to vendors health and safety programs. Evaluate other pre-qualification data as required.

Vendor Name	Avetta Colour	Vendor Name	Avetta Colour

CONFLICT OF INTEREST

Is There a Conflict of Interest? YES NO

Please ensure that you have checked with appropriate sources to ensure that there are no conflicts of interest. Conflict of interest may include a vendor who has ownership from a Crescent Point Employee or Consultant. As long as said employee/consultant is not involved in decision/award process and it has been disclosed through the appropriate process, there is no

BLACKOUT PERIOD

Was a Blackout Period Communicated to the Evaluation Committee? YES NO

Please ensure that you have discussed a blackout period to be enforced for the duration of the sourcing event.

REVIEW OF SUBMISSIONS

Insert screen-shot of evaluation summary here. And also provide brief description of evaluation.

SUPPLY MANAGEMENT & TECHNICAL STAKEHOLDER(S) FEEDBACK

Describe feedback provided by technical stakeholders and Supply Chain discussed during evaluation meetings. Provide ample detail so that reader will understand why award decision was made.

*****VERY IMPORTANT THAT YOU DISCUSS EVALUATION CRITERIA USED IN THE SOURCING EVENT. FOR EXAMPLE, WAS PRICE THE MOST IMPORTANT FACTOR IN YOUR DECISION, WAS PAST PERFORMANCE WEIGHTED HIGHER IN THIS SOURCING EVENT, DID INDIGENOUS PARTICIPATION FACTOR INTO THE DECISION. CLEARLY HIGHLIGHT THE REASON FOR AWARDDING TO THE SUCCESS VENDOR(S)*****

INDIGENOUS INCLUSION COMMENTS

For any Alberta market strategies, ensure to describe indigenous inclusion. Detail why vendors were unsuccessful/successful and feedback provided by the indigenous team from Crescent Point.

AWARD DECISION & COST IMPACT

Outline award decision including volume of work, areas being awarded, etc. Insert screenshot of cost savings/avoidance/increase to the right and describe the cost impact. List any assumptions that were made in calculating the cost savings.

APPROVALS

Supply Management Contact _____ Technical Stakeholder _____

Supply Management Manager _____ Engineering Manager _____



SOLE SOURCE JUSTIFICATION FORM

BID SUMMARY

Date:	Strategy Number:
Business Unit:	Category:
Area:	Est. Annual Spend:
SM Contact:	Technical Contact:

AWARDED SUPPLIER

SPEND ANALYTICS / CATEGORY SPEND PROFILE

Notes on Spend:

Use Instructions Tab to upload spend and then copy/paste from "Spend - Pivot of Cleaned Data" to the "Spend Analytics" tab. Insert screen shot in this section and delete this sentence once completed.

CATEGORY OPPORTUNITY / MARKET ANALYSIS

Est. Annual Spend:	\$0
Category Risk:	Low - Medium - High
4-Box Model Position:	Security of Supply



CATEGORY RISKS:

Any risks to the category which need to be considered with the bid.

DESCRIPTION OF GOODS AND SERVICES

Provide detailed description of the goods and/or services the vendor will provide

KEY NEXT STEPS, & TOOLS TO BE USED

Tools: TQD Cost Model Lease vs Buy Other *If Other:* _____

Description:

Check to see if any market information (i.e. Cost models, indices, market trends) are available. Utilize Beroe or SCM market update reports and insert screen shots.

VENDOR PRE-QUALIFICATION

Insert Awetta Pre-Qualification score _____

Vendor Name	Awetta Colour

CONFLICT OF INTEREST

Is There a Conflict of Interest? YES NO

Please ensure that you have checked with appropriate sources to ensure that there are no conflicts of interest. Stephanie Gowinski or Awetta will provide you with the conflict of interest check

Conflict of interest may include a vendor who has ownership from a Crescent Point Employee or Consultant. As long as said employee/consultant is not involved in decision/award process and it has been disclosed through the appropriate process, there is no conflict of interest.

REASON FOR SOLE SOURCE

- Technical - No Alternative substitute material/service exists that meets the specific or unique technical requirements
- Standardization - There is existing equipment in place, in order to maintain standardization of parts, source required
- Delivery - Due to tight market conditions, project timelines only one supplier can provide the goods and/or services
- Emergency - An event that seriously threatens the health, welfare, financial or safety of people or CPG
- Used Equipment - Reconditioned equipment available at a lower than new cost
- Repair/Maintenance - Parts are unavailable from sources other than original equipment manufacture or service dealer
- Replacement - Replacement of an existing item is required
- Previous Bid - Based on previous competitive bid (Include strategy number in the below description)
- Other, Detail below

DETAILED JUSTIFICATION FOR SOLE SOURCE EVENT

Provide details behind reason for sole source event. Be as thorough as possible.

COST IMPACT SUMMARY

Provide a description of cost savings.

Outline the estimated S-Value as well as % reduction.

List any assumptions that were made in calculating the cost savings.

Insert screen-shot of cost savings calculation here

APPROVALS

_____ Supply Management Contact	_____ Technical Stakeholder
_____ Supply Management Manager	_____ Engineering Manager