	PURCHASING POLICY (POL.AD.017)	APPLIES TO: OGE Energy Corp. and Its Majority Owned Subsidiaries
OWNER: Director Supply Chain	EFFECTIVE DATE: 03/06/2017	REVISION NO.: 4

## 1.0 SCOPE

This policy applies to all members of OGE Energy Corp. and its majority owned subsidiaries including Oklahoma Gas and Electric Company (the "Company") in the procurement of all materials and services. The Purchasing Policy sets forth the requirements to be followed by all members in dealing with Suppliers.

## 2.0 PURPOSE

The purpose of this policy is to provide direction and ensure consistency when ordering and receiving materials or services.

## 3.0 POLICY

It is the policy of the Company that the acquisition of all materials and services be handled in the most ethical, efficient and economical manner, in accordance with regulatory and legal requirements. The purchasing function of the Company is centralized in the Supply Chain group.

All procurement business decisions at the Company should be made objectively based on quality, service, price and similar competitive factors without bias or perceived obligations. Refer to the Company's [Code of Ethics](#), and the [Purchasing Policy Handbook \(AD-17A\)](#) for applicable standards, guidelines and procedures.

## 4.0 REQUIREMENTS

### 4.1 APPROVED PURCHASING METHOD


The primary approved method for purchasing materials and services is the Purchase Order.

Refer to the [Purchasing Policy Handbook \(AD-17A\)](#), the [Purchasing and Fuel Card Program Handbook \(AD-17B\)](#), and [Employee Business Expenses Policy \(AD-22\)](#) for applicable standards, guidelines, and procedures.

### 4.2 REQUESTS FOR MATERIALS OR SERVICES

Excluding the exceptions defined in section 4.7, members must request the acquisition of materials and services using a properly executed Purchase Requisition (PR). The PR is authorization to Supply Chain to create a Purchase Order (PO) and place a requirement on the Supplier. The PR must contain a clear definition of the purchasing requirement. Additionally, any applicable specification or statement of work should accompany the PR.

Refer to the [Purchasing Policy Handbook \(AD-17A\)](#) for applicable standards, guidelines, and procedures.

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#### 4.3 CONTRACTS AND AGREEMENTS FOR PURCHASING MATERIALS AND SERVICES

##### 4.3.1 Negotiating Contracts

Company contracts for materials and services subject to this policy are negotiated and managed by Supply Chain, with appropriate functional area input to ensure inclusion of appropriate terms and conditions and to leverage enterprise buying power.

##### 4.3.2 Signing Contracts and Agreements

The Company requires that an officer or an authorized representative of the Company sign contracts on behalf of the Company. An officer can grant to other members in the Company the authority to sign contracts on behalf of the Company. The contract signing authorization shall be provided by a written delegation signed by the delegating officer. Any such authorizations shall be maintained by the Manager-Records Management and is subject to periodic review.

Refer to the [Contract, Confidentiality Agreements and Company Documents Filing Policy \(AD-12\)](#), and the [Purchasing Policy Handbook \(AD-17A\)](#), for applicable standards, guidelines, and procedures.

#### 4.4 SMALL BUSINESS ENTERPRISE PARTICIPATION

The Company establishes and supports an annual goal, managed by Supply Chain, for utilization of small disadvantaged, small HUB Zone, women-owned, veteran-owned, and service-disabled business enterprises. The small business enterprises include those defined by the [United States Small Business Administration](#). The Company provides these businesses with an equitable opportunity to compete for purchasing awards of business.


#### 4.5 CODE OF ETHICS

The provisions of the Company's [Code of Ethics](#) and the Company's reputation for integrity in all dealings with suppliers and in all procurement activities shall be upheld. The policy applies to all members. Supply Chain shares OGE's Code of Ethics with the Company's Suppliers each year with the expectation that all Suppliers will be guided by similar ethical principles.

Members should exercise good judgment at all times, accepting nothing less than the highest ethical behavior from themselves, their colleagues, and suppliers. Members must raise compliance concerns and report violations or suspected violations in accordance with the Company's [Code of Ethics](#) policy.

Ethical consideration shall govern all procurement objectives and decisions with regard to expenditures, offers of gifts and gratuities, offers of employment opportunities, supplier qualifications and performance management, quoting, awards of business, contractual arrangements, approval and signing authorization, and all communication.

Refer to the [Purchasing Policy Handbook](#) for related standards, guidelines, and procedures.

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#### 4.6 CONFLICT OF INTEREST

The overriding principle with regard to Conflict of Interest is to avoid procurement activity that either is or can appear to be a conflict of interest. The business rules regarding Conflict of Interest standards, as related to procurement are provided in the [Purchasing Policy Handbook \(AD-17A\)](#). If procurement awards are authorized and made to members, relatives, or other member relationships as defined in [Employee Relationships Policy \(HR-11\)](#), the following business rules and disclosure requirements apply:

##### 4.6.1 Procurement Awards to Members and Relatives of Members

Procurement business awards for materials and services to members and relatives of members should be avoided, especially in those instances where the member may have decision-making responsibility for the award of business.

##### 4.6.2 Disclosure Requirement

A written disclosure must accompany the purchase requisition for any transaction involving the purchase of materials or services from a member or a member's relative.

1. The member must disclose to their supervisor, to the Director of Supply Chain, and to the Director Audits any conflict of interest or potential conflict of interest directly associated with any such exception.
2. The decision maker responsible for awarding the purchase of materials or services to a member or member's relative also must submit a written disclosure.

##### 4.6.3 Relatives and Relationships

Relatives and relationships may include those acquired through marriage and are defined as a spouse, child, sibling, parent, grandparent, grandchild, Domestic Partners, and Intimate Relationships. Adopted and step relationships are considered the same as blood relations.


Refer to [Employee Relationships Policy \(HR-11\)](#) for expanded definitions.

##### 4.6.4 Relatives of Supply Chain Members

Supply Chain members with authority or responsibility for strategic and transactional procurement activities, including quoting, Purchase Order management, supplier qualification, contracting and negotiating of business awards, must remove themselves from any known decision-making process involving business awards to themselves or their relatives.

##### 4.6.5 Relatives of Officers

Relatives of officers will not be considered for opportunities to compete for purchasing awards of business. Refer to [Employee Relationships Policy \(HR-11\)](#) for expanded definitions.

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#### 4.7 EXCEPTIONS TO THE PURCHASING POLICY

Exceptions may be requested and approved, but must be justified and limited. Exceptions will be reviewed and approved in accordance with the process defined in the [Purchasing Policy Handbook \(AD-17A\) §20.04](#).

The current Authorized and Allowed Exceptions to the use of a Purchase Order and the process for requesting an exception can be found in the [Purchasing Policy Handbook \(AD-17A\) §20.03 and §20.04](#).

### 5.0 ROLES AND RESPONSIBILITIES

The following individuals, functions, and/or organizations are responsible for performing or accomplishing the objectives per the requirements described within the Purchasing Policy, and the associated standards, guidelines and procedures of the [Purchasing Policy Handbook \(AD-17A\)](#).

#### 5.1 SUPPLY CHAIN

Supply Chain manages the strategic relationship and procurement activities between the Company and its suppliers. Supply Chain is authorized to establish the Company's sourcing strategy, select suppliers, make contractual commitments to suppliers, and negotiate supplier pricing, terms and conditions, to meet business needs in changing market conditions. Members outside of Supply Chain may be requested and expected to support the procurement activity as subject matter experts in specific areas.

#### 5.2 FUNCTIONAL AREAS AND STAKEHOLDERS ROLES


Functional areas are responsible for scope and specification development, obtaining authorization for expenditure, and oversight of the day-to-day activities and service level expectations pertaining to the contract. Stakeholders are members throughout the Company who contribute to the development of the sourcing strategy. Stakeholder contributions include expertise with regard to: products, services, sales, marketing, financial, legal, business conduct, and information technology, as needed to confirm alignment with business needs of the Company.

#### 5.3 MANAGERS AND SUPERVISORS

Managers and supervisors are responsible for ensuring departmental compliance with this Policy and associated standards, guidelines and procedures.

#### 5.4 MEMBERS

Each member is responsible for understanding his/her role in order to comply with this Policy and associated standards, guidelines and procedures.

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## 5.5 PURCHASE REQUISITIONER

Purchase requisitioners are members who provide Supply Chain with a communication generated within the procurement system requesting the purchase of materials or services to meet business needs. All requisitions submitted must contain a clear and concise description of the required material and/or service and, where applicable, be accompanied by a specification or statement of work.

## 5.6 ACCOUNTS PAYABLE

Accounts Payable is accountable for ensuring timely and accurate payment of supplier invoices, in accordance with the requirements of the Purchasing Policy and the standards, guidelines, and procedures in the [Purchasing Policy Handbook \(AD-17A\)](#).

## 5.7 SUPPLIERS

Suppliers are businesses that the Company engages to provide materials and services to meet the Company's business needs. Purchase Orders for the specified business needs shall be issued to the Supplier by Supply Chain. Suppliers selected for sourcing will be expected to support business needs in a timely, quality, cost effective and ethical manner.

## 6.0 ASSOCIATED POLICIES AND DOCUMENTS

AD-12	<a href="#">Contract, Confidentiality Agreements and Company Documents Filing</a>
AD-14	<a href="#">Authorization for Expenditure (AFE)</a> and associated standards, guidelines and procedures.
AD-15	<a href="#">Internal Audit</a>
AD-21	<a href="#">Brand, Image and Graphic Standards</a> and associated standards, guidelines and procedures.
AD-22	<a href="#">Employee Business Expenses</a> and associated standards, guidelines and procedures.
AD-23	<a href="#">Records and Information Management</a>
AD-35	<a href="#">Conflict of Interest</a>
AD-37	<a href="#">Gifts and Business Entertainment</a>
HR-11	<a href="#">Employee Relationships</a>
HR-34	<a href="#">Contingent Staffing</a> and associated standards, guidelines and procedures.

AND

### [Code of Ethics](#)

Information associated with this policy including definitions, standards, guidelines, and procedures can be found in the following:

1. [Donations and Sponsorships: Business Rules and Frequently Asked Questions](#)
2. [Authorized and Allowed Exceptions under the Purchasing Policy](#)
3. [Purchasing Policy Handbook \(AD-17A\)](#)
4. [Purchasing and Fuel Card Program Handbook \(AD-17B\)](#)