

## SUPPLY CHAIN AND PROCUREMENT CONTROL

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Supply chain management at Nornickel seeks to ensure continuous operation of the Group's companies, and reliability of shipments to customers. The Company aims to work with partners that are committed to environmental protection and work safety. The Company expects its suppliers to follow the global best practices in sustainable use of resources and materials, and to have the relevant certificates.

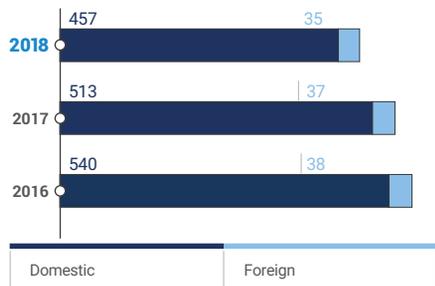
Nornickel pays close attention to fostering ties with reliable domestic suppliers and contractors. In 2018, the Company continued to apply a life cycle costing approach to selecting suppliers (based on the costs of ownership, operation and utilisation). The selected suppliers are required to sign a set of agreements obliging them not only to make a delivery, but also to ensure compliance of the supplied equipment with the relevant technical operability coefficients as well as its uninterrupted operation.

the Company's business (**reliability, development, efficiency, responsibility, professionalism, and cooperation**) and is aligned to the principles on human rights, anti-corruption, legal, safety, environmental and energy efficiency.

Our procurement team together with experts from other departments are looking into alternative technologies (alternative fuel and energy sources) that can reduce the Company's environmental footprint and cut costs. The current tender procedure includes a criterion of the supplier's readiness to participate in the Company's alternative energy initiatives.

Creating effective feedback mechanisms is one of the Company's priorities for supplier relationship development. Nornickel has put in place SAP SRM, an automated solution for supplier relationship management. This gives the suppliers continuous access to information relating to the Company's procurement procedures. Over 1,400 potential suppliers are currently registered and licensed to work in the system.

The Company's suppliers and contractors, items



**Nornickel is committed to working with more local suppliers.** To this end, it developed a centralised pilot testing procedure enabling it to phase out imported equipment with that manufactured locally. Foreign suppliers are mainly engaged for delivering unique equipment or systems that do not have Russian alternatives.

Nornickel strives to create an environment of shared culture, visions and values in its relationships with suppliers. An ESG clause is incorporated into the standard agreement with suppliers and contractors. The Company adheres to the codes of conduct applied by its business partners and devised by foreign manufacturers. There is also ongoing work to develop Nornickel's Charter for Suppliers that is expected to be signed by the Company's suppliers and contractors. The Charter reflects the values that underpin

### Procurement

The Company's procurement activities are aimed at catering to its needs with regard to required products and their quality, reliability, and price in a full and timely manner, as well as at using relevant funds efficiently.

**At Nornickel, the procurement process is certified for compliance with ISO 9001 and ISO 14001.**

In 2018, Nornickel's divisions amended their procurement procedures to reflect the changes in the Federal Law No. 223-FZ On Procurement of Goods, Work and Services By Certain Types of Legal Entities. The documents

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over **USD 330** mln  
(RUB 20.9 bn)

provide a framework for small and medium-sized businesses (SMEs) to compete for procurement contracts and set the minimum threshold of annual procurement contracts that can be awarded to SMEs.

Procurement activities can be either centralised or organised independently by the Head Office, branches or Group enterprises. Depending on the expected purchase price, procurement can be organised either as a bidding procedure (tender), simple procurement, or simplified procurement. Procurement procedures may involve collective procurement bodies, such as the tender committee, tender commissions of the Head Office, procurement and tender commissions of the branches and Group companies.

In 2018, the tender committee and tender commissions of the Head Office that are in charge of the most expensive procurement items, full-cycle projects and IT products, carried out procurement for over USD 330 mln (RUB 20.9 bn). The Company's tender committee focuses on improving procedures for identifying reliable suppliers of quality products at a fair market price.

### Preventing corruption and other misconduct

Nornickel evaluates the business reputation, reliability and solvency of potential counterparties to mitigate risks.

To prevent procurement misconduct and secure maximum benefit through unbiased selection of the best proposal, Nornickel adheres to the following rules:

- procurement relies on the role allocation principle (procurement owner, customer and secretary of a collective procurement body);
- business or technical and business proposals of qualified suppliers are compared based on objective and measurable criteria approved prior to the request of proposals stage;
- the results of the qualification-based selection and the winner are approved by the collective procurement body comprising representatives from various functional units of the Company.