

# PROCUREMENT AND SUPPLY CHAIN

## PROCUREMENT PROCESS

Nornickel's procurement process is certified to ISO 9001:2015 Quality Management Systems ("ISO 9001:2015") and ISO 14001:2016 Environmental Management Systems ("ISO 14001:2016"). Factors underlying the procurement framework include streamlining supply chains and supplier mix (by increasing the share of manufacturers, their marketing arms, and major traders in total procurement) as well as on-time delivery and price control.

Procurement activities can be either centralised or organised independently by the Head Office units, Nornickel branches or Group companies. Depending on the purchase budget, procurement can be organised either as a bidding procedure, 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 branches and Group companies. Over 4,000 agreements were signed in 2020 for the supply of inventories under centralised procurement procedures, worth about RUB 89.4 billion (USD 1,239 million) in total. Nornickel has in place category procurement policies.

In 2020, about 58% of inventories were purchased for Nornickel's core operations under the category procurement policies.

Nornickel's SAP SRM, an automated solution for supplier relationship management, provides its suppliers with anytime access to its tender process information and enables supplier feedback. Over 10 thousand potential suppliers have registered in the system, with 4,800 of them successfully passing accreditation.

## SUPPLY CHAIN CONTROL

Supply chain management at Nornickel ensures continuous operation of the Group, high quality of its products, and reliable shipments to its customers. Nornickel is constantly striving to improve its supply chain performance by adopting global best practices and standards, optimising and automating business processes.

Given the diversity of Nornickel's business activities across a wide geography, efficient, timely and full provision of necessary resources is essential to the success of its business. Nornickel pays close attention

to fostering ties with reliable suppliers offering unique products that are critical to the Company's success in achieving its strategic goals. Nornickel is committed to increasing local content, which totalled 93% in 2020 (up 7% y-o-y). Long-term supply contracts are signed with certain producers.

Foreign suppliers are mainly engaged to deliver unique equipment or systems that do not have Russian alternatives.

Nornickel focuses on local sourcing to provide social support for its operating regions. Along with saving jobs, this policy supports unique enterprises whose continuous operation is essential to both the well-being of their employees and the social fabric of local communities.

## ESG-DRIVEN SUPPLIER SELECTION

In engaging with suppliers and other counterparties, Nornickel, in addition to requirements for product/service quality, pricing and delivery timelines, focuses on three sustainability pillars: environmental safety of operations and supplied products; health and safety compliance; and contribution to the social development of local communities.

Prior to engaging any supplier, the Company signs a Master Agreement setting out the requirements for shipping documents, including for hazardous cargoes, and certification and labelling. The Master Agreement commits suppliers to comply with the following standards:

- Human rights, including freedom of association and zero tolerance to discrimination and retaliation
- Labour relations, including requirements on working conditions and remuneration, and prevention of child and forced labour
- Environmental protection
- Anti-corruption
- UN Global Compact

To mitigate potential negative environmental impact of the cargo in transit, the Company includes a separate clause in the Master Agreement with requirements for cargo packaging. Cargoes to be shipped must meet cargo standards and requirements of GOST 26653–2015 Preparation of general cargoes for transportation and GOST 15846–2002 Production for transportation to the areas of the Far North and similar regions. Packing, marking, transportation and storage. There is a mandatory requirement for transport containers and product packaging to ensure the integrity of cargo during multiple transshipments and transportation legs on a route to the Far North.

Environmental impact is assessed throughout the life cycle of purchased products, including production, transport, storage, use and disposal. Nornickel requires its contractors to have a functioning environmental management system in place and to ensure that all services and products supplied by them comply with local environmental laws.

The anti-corruption clause included in the Master Agreement outlines the course of action to be taken between the counterparty and Nornickel with respect to various risks of abuse. By signing the Master Agreement, counterparties acknowledge that they have read MMK Norilsk Nickel's Anti-Corruption Policy published in the anti-corruption section on Nornickel's website ([see Preventing and Combatting Corruption](#)).

The Company also expects its counterparties to comply with global best practices in sustainable use of natural resources and with Nornickel's key policies such as the Human Rights Policy, Working Conditions Policy, Occupational Health and Safety Policy, Freedom of Association Policy and Equal Opportunities Programme. The Supplier Code of Conduct will be developed in Q2 2021 to fulfil Nornickel's responsibility toward ESG issues for entire supply chain.