

# SUPPLY CHAIN

GRI: 102-9, 102-10

Zarubezhneft JSC's procurement activities are carried out in accordance with the requirements of Federal Law No. 223-FZ On Procurement of Goods, Works, Services by Specific Types of Entities and with the Procurement Regulation. In 2019, the Zarubezhneft JSC Tender Commission arranged and reviewed 307 procurement procedures for goods, works, and services for the needs of Zarubezhneft JSC and its subsidiaries for a total amount over 13 billion RUB.

To improve openness and transparency in procurement, a system of electronic tender platforms was used and procurement information was also published in the Unified Information System and in corporate information sources, which increased the number of procurement participants, and expanded the Company's opportunities in selecting quotations with the most optimal conditions.

The Company works with potential suppliers/contractors to optimize expenses and reduce costs. Analysis

of bidders' technical and commercial proposals and identification of possibilities to reduce the price of goods and services allowed bidders to improve their commercial proposals in terms of providing the maximum possible discount. In this manner, substantial financial savings were achieved in 2019, more than 1.2 billion RUB.

The following results were achieved in 2019W in terms of expanding access for small- and medium-sized enterprises (SMEs) to procurement in Zarubezhneft JSC:

- public accounting of procurements was provided by the consultative body in the area of ensuring procurement performance by Zarubezhneft JSC;
- the share of Zarubezhneft procurements from SMEs amounted to 65.79%, with a defined target of 18% for that period (Decree of the Russian Government No. 1352 dated December 11, 2014, On Specific Features of SME Participation

in Procurement of Goods, Works, Services by Specific Types of Entities);

- the share of Zarubezhneft JSC procurements made with SME participation made up 17.15% for the reporting period, with a target of 15%;
- 23 companies joined the Zarubezhneft JSC Partnership Program for partnership with SMEs.

In its operation, Zarubezhneft JSC employs the agenda adopted by the Russian Federation Government in terms of import phase-out, one of the strategic areas in public companies' operation for the nearest future. Connected with this, the Company constantly tries to phase out imported production and replace it with Russian ones in a scheduled and stage-wise manner. As a result, the share of procured products, works, and services of foreign origin is consistently reduced, and is below 0.97% in the Group's companies operating in the Russian Federation.