

# Supply chain management

**Gazprom Neft's priorities in procurement include transparency, prevention of discrimination and the unfair restriction of competition among bidders, and building long-term relationships with contractors.**

## Supplier management principles

➤ Transparency  
➤ Competitiveness

➤ Equality  
➤ Mutual guarantees

➤ Confidentiality  
➤ Access to information

Gazprom Neft prefers to select suppliers of work, services, materials and equipment on a competitive basis.

The company publishes information on its open competitive procedures for approaching and selecting contractors and engaging with the winners of its bidding procedures on its website in the "Procurement" section.

In addition, Gazprom Neft is committed to increasing the efficiency of its supply chain management.<sup>1</sup> The company has in place the Standard on Performance Assessment of Materials and Equipment Suppliers, and the Guidelines on Calculating Key Performance Indicators for Materials and Equipment Suppliers.

Contractor selection and engagement processes are managed via an integrated management system compliant with ISO 9001:2015.

In 2020, the Materials and Equipment Division of Gazprom Neft Procurement underwent an annual compliance audit of its integrated management system to confirm its compliance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. Based on their findings, the auditors concluded that the integrated management system development was consistent with principles of continuous improvement and that the system was effective and complied with the requirements of the relevant standards. Three certificates of compliance were recommended for renewal.



**The Procurement section on the company's website**



**The company has adopted Gazprom Neft's Regulations on Procurement, a fundamental document on planning and running procurement procedures, and on selecting suppliers.**

1 – A supply chain is a combination of organisations cooperating in order to supply enterprises and oversee the movement of goods at all stages from procurement of feedstock and other materials to production, storage and transportation of goods.

Gazprom Neft has in place a corporate-wide Central Procurement Office – Gazprom Neft’s Procurement and Capital Construction Directorate.

To keep the procurement process reasonably competitive, the Central Procurement Office conducts an open pre-qualification procedure focused on building a list of potential bidders who can perform work, render services or supply goods that meet the company’s requirements for production processes, quality, safety and performance. Potential bidders whose qualifications meet the requirements may then be invited to participate in the procurement process.

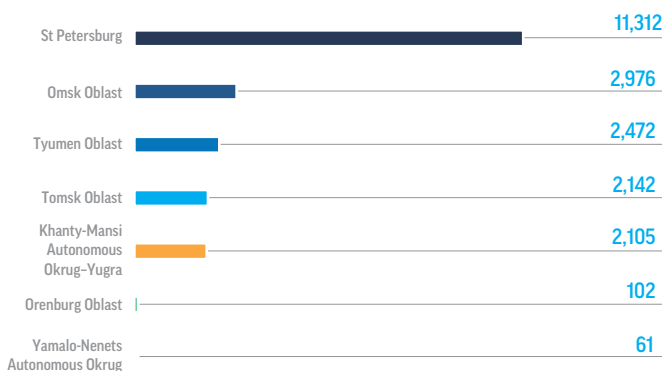
When competitive procurement procedures are initiated and take place, bids are analysed to determine whether they comply with the requirements set out in the competitive procurement documents. The company checks the information about the bidders, including an assessment of their legal capacity, solvency and business standing by the corporate security function. These measures enable the company to identify in advance contractors who do not comply with its requirements.

In line with the company standards, compliance with the requirements of the corporate standards by potential suppliers is monitored throughout the entire period of the company’s engagements with such suppliers.

The company assessed compliance of its procurement business processes with the requirements of the Etalon OMS<sup>1</sup> in 2020. The Contractor and Supplier Management module was rated as “mature” in OMS terminology.

In 2020, 6,734 potential suppliers participated in our competitive bidding procedures. Contracts were awarded to 2,308 companies from 65 Russian regions and 10 foreign countries (including the CIS), with payments totalling ₺204 billion. Local (domestic) suppliers accounted for 98.87% of total procurement. In 2020, there were no notable changes in the company’s supply chain.

**Share of procurement costs across key operating regions of the company<sup>2</sup> in 2020 (₺ million)**



1 – OMS – Operations Management System.

2 – Based on results of the competitive selection of materials and equipment suppliers initiated by the company Procurement Directorate and the Materials and Equipment Division of Gazprom Neft Procurement.

**GAZPROM NEFT SUPPLY CHAIN**

MANUFACTURER/OFFICIAL DEALER



LOGISTICS OPERATOR (GAZPROM NEFT PROCUREMENT) WAREHOUSE



INTERNAL CUSTOMER (SUBSIDIARY) WAREHOUSE



INTERNAL CUSTOMER (SUBSIDIARY) PRODUCTION FACILITY

**36.6%** share of SMEs in total procurement<sup>2</sup>



**+** For more details on the Etalon operations management system, see Gazprom Neft’s Annual Report 2020

## HSE in supplier management

The company's standard form of a supply contract outlines the HSE requirements for contractors, including requirements for shipments of hazardous goods, delivery by road, etc.

In addition, corporate HSE standards require compliance with all applicable regulations on industrial safety, environmental safety, occupational health, civil defence and road traffic safety regulations applicable at relevant workplaces.

**The company imposes the same stringent safety requirements on its suppliers and contractors as those applied across the company's operations**

# Mandatory use of personal protective equipment

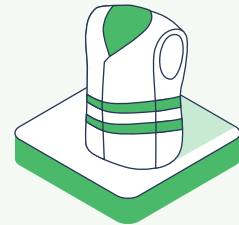
Supplier employees are required to wear personal protective equipment (PPE) when working at, or visiting the company's facilities.



**Protective helmet**



**Protective goggles**



**Reflective elements on clothing**



**Leather safety boots (or high boots) with a rigid metallic/composite impact-resistant toe box** (cold-proof boots in winter)



**Polymer-coated knitted gloves**