

GRI 102-10

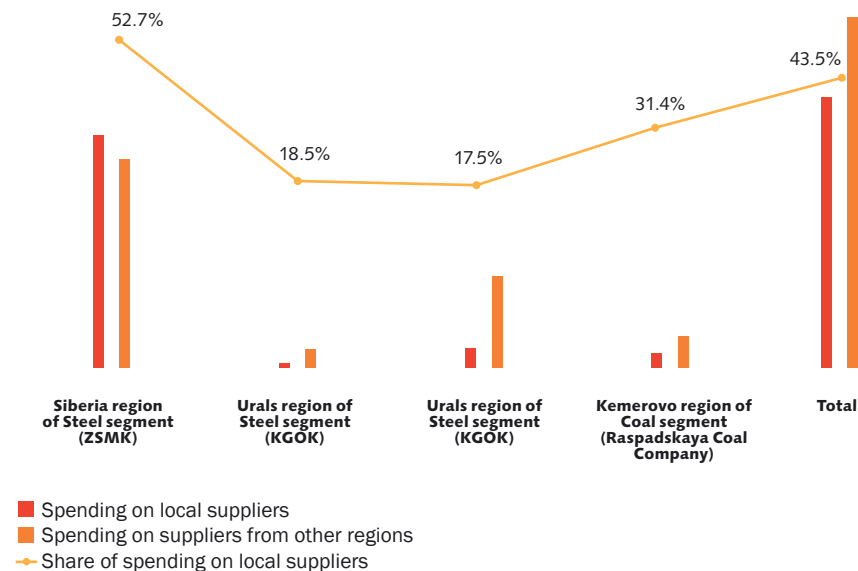
Contributing to the prosperity of regions of operation

Fruitful cooperation between EVRAZ enterprises and their local partners contributes to the socio-economic development of our regions of operation. The Group prioritises the procurement of goods and services from local suppliers that meet our requirements.

In 2019, no significant changes in our supply chain structure were recorded vis-à-vis the location of our suppliers. In the Coal segment (Raspadskaya Coal Company) and the Siberia region of the Steel segment procurement of personal protective equipment was outsourced (including the warehouse store). The total number of suppliers of the Group is 6,558, with total spending of US\$4,647 million¹, while the share of local suppliers in Group procurement was 43.5% (US\$1,298 million²). In the reporting period the leading enterprise in terms of spending on local suppliers was EVRAZ ZSMK with 52.7%.

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Spending on local suppliers in EVRAZ supply chain and the share of total spending on local suppliers, 2019



Goals for 2020 and the midterm period

EVRAZ will continue to make efforts to enhance the quality and efficiency of procurement processes, as part of our major goal of integrating sustainability aspects into supply chain management.

For 2020 and the medium term actions to facilitate improving the supply chain were developed, in line with the supply chain strategy, the roadmap for developing the procurement function, and the results of external evaluations. The main tasks are as follows:

- Automating monthly KPI calculations and introducing management dashboards to display them
- Reviewing the business functions of back offices and transferring repetitive operations to them, while front offices focus on negotiations with suppliers and market analysis
- Developing automated supplier accreditations
- Optimising the process of tail spend items purchasing
- Making warehouse distribution optimisation initiatives
- Organising sessions with suppliers at production sites to come up with innovative collaboration ideas
- Implementing uniform web-portals for external suppliers and internal customers
- Developing category management and cross-functional interaction
- Developing employees' competencies in procurement
- Conducting benchmark analysis in procurement practices of competitors and implementing best practices

¹. The figure comprises data on EVRAZ ZSMK, EVRAZ KGOK, EVRAZ NTMK and Raspadskaya Coal Company (Novokuznetsk and Mezhdurechensk sites).

². The figure comprises data on EVRAZ ZSMK, EVRAZ KGOK, EVRAZ NTMK and Raspadskaya Coal Company.