

# Supply chain responsibility

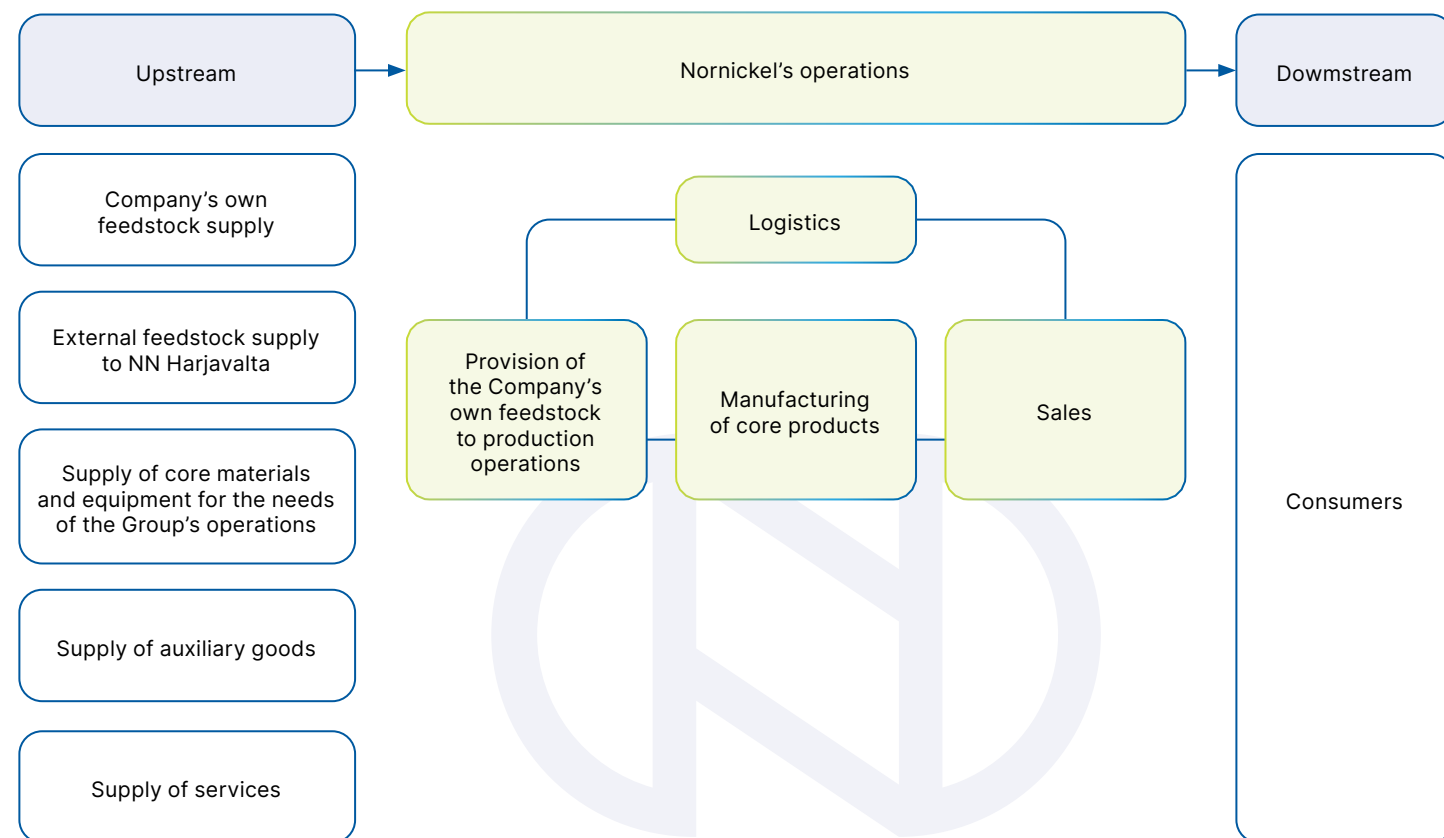
Managing the ESG aspects along the entire value chain is an essential element of Nornickel's management culture which helps manage relevant risks and respond to growing consumer needs. The continuity of the operations and operating results of the entire Group hinges on a sustainable supply chain.

Nornickel's supply chain management includes both interaction with mineral feedstock suppliers in the upstream sector and control over sustainability of their practices and procedures and ensuring high product quality in the downstream sector. Going forward, the Company plans to expand its supply chain management processes to cover suppliers of goods and services as well. Stakeholder engagement is an essential component in building a responsible supply chain.



## Key elements of Nornickel's supply chain

GRI 2-6



## Responsible procurement

Nornickel has set three main goals in responsible procurement management:

01

Making sure the key suppliers and contractors comply with the core ESG requirements.

Our cooperation with suppliers on the ESG front coupled with modern production practices ensure a sustainable and careful treatment of natural resources, in addition to reducing adverse impact on the environment. Taken together, these efforts directly contribute to making our processes more environmentally-friendly.

In 2021, MMC Norilsk Nickel approved its Responsible Sourcing Policy<sup>1</sup> and its Supplier Code of Conduct<sup>2</sup>, which reflect the Company's responsible sourcing principles.

02

No business relations with contractors in serious violation of sustainability principles.

The Policy defines Nornickel's approach to responsible supply chain, stating the principles to be followed by the Company and its suppliers. The Code introduces procedures for the responsible selection of suppliers based on the principles outlined in the Policy, and motivates Nornickel's suppliers to implement processes that ensure a responsible and transparent supply chain.

03

Building long-term business relationships with the most responsible contractors.

In case of supplier non-compliance with the Policy or the Code, the Company takes measures to manage the risks of cooperating with that contractor, and can potentially reconsider its relationship with such suppliers.

With an extensive range of by-laws, Nornickel is able to effectively mitigate the operational and financial risks and costs, reduce the working capital, make supplies more reliable, and improve the delivery cycle.

<sup>1</sup> The Policy is available on [the Company's official website](#).

<sup>2</sup> The Code is available on [the Company's official website](#).

**Nornickel's by-laws on responsible procurement**

Key procurement by-laws	<ul style="list-style-type: none"> <li>• Regulations on the Product Procurement Procedure for Nornickel Group Companies</li> <li>• Procurement policies by category (group of similar products)</li> <li>• A standard master agreement signed with every supplier</li> <li>• Policy Regarding Support for Small and Medium Enterprises</li> <li>• Efficiency improvement programme</li> </ul>
Policies setting out ESG requirements for the Company's suppliers and contractors <sup>1</sup>	<ul style="list-style-type: none"> <li>• Responsible Sourcing Policy</li> <li>• Supplier Code of Conduct</li> <li>• Business Ethics Code</li> <li>• Community Engagement Policy</li> <li>• Occupational Health and Safety Policy</li> <li>• Working Conditions Policy<sup>2</sup>;</li> <li>• Indigenous Peoples' Rights Policy</li> <li>• Human Rights Policy</li> <li>• Anti-Corruption Policy</li> <li>• Climate Change Policy</li> </ul>

**Checking suppliers for compliance with ESG requirements**

Nornickel expects suppliers to meet the mandatory and target requirements and expectations set out in the Code.

The Company also provides responsible supply chain training for employees of the Company's Head Office and the Group companies, as well as for mineral feedstock suppliers.

For information and preparation purposes, in 2022, 1,313 contracts and general agreements with suppliers were updated to include an ESG compliance clause, which also notifies suppliers that they can reach out to Nornickel's Corporate Trust Line. The clause requires compliance with the UN Global Compact principles, the Code and the Policy.

In late 2022, this clause was added to the general terms and conditions and standard contract forms.

Contracts with suppliers were also updated to include an anti-corruption clause:

- designed to ensure that contracting parties are on the same page as regards zero tolerance to corruption;
- obliging contracting parties to inform the other party in a timely manner about the identification of possible corruption risks and relevant checks;
- providing grounds for termination or other liability if the contractor violates the anti-corruption clause and/or is involved in unlawful activities.

To monitor suppliers' compliance with the Code, Nornickel started developing a due diligence management system (DDMS) in 2021. The system focuses on compliance with the requirements and guidelines of:

- the London Metal Exchange for responsible sourcing;
- the standards and principles of industry-leading sustainability initiatives: ICMM, IRMA, RMI (including JDDS), as well as guidance from the China Chamber of Commerce of Metals, Minerals

**If suppliers refuse to comply with the Code or do not clearly demonstrate their continuous improvement in terms of compliance with its requirements, Nornickel may reconsider its relationship with such suppliers.**

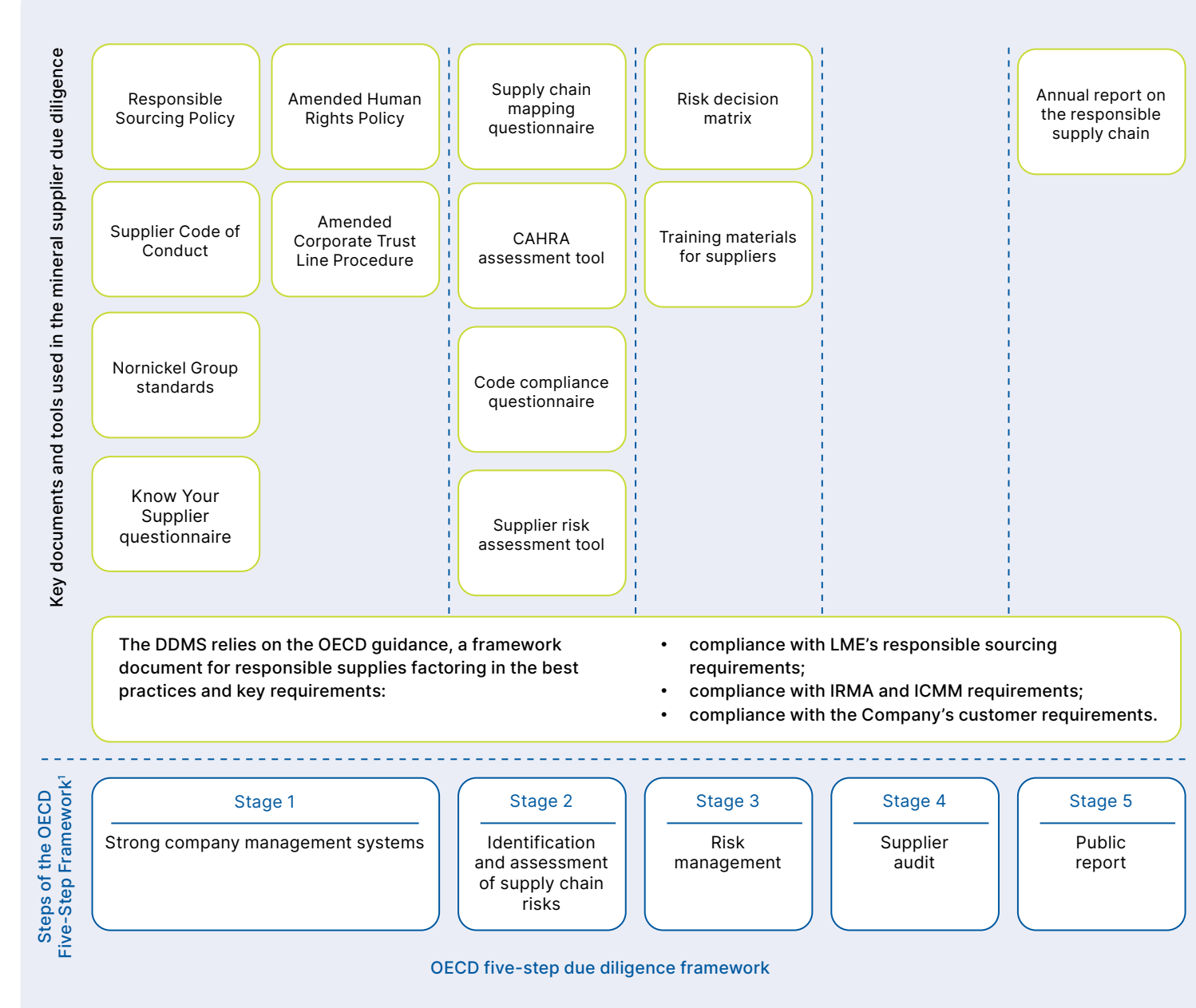
- & Chemicals Importers & Exporters (CCCCMC) regarding the due diligence process for responsible mineral supply chains;
- the Company's major customers.

The Policy and the Code are the underlying documents of the supply chain due diligence system. The methodological basis for developing the system is the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas as well as OECD Five-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain.

<sup>1</sup> All of the above policies have been reviewed and approved by the Company's Board of Directors and are publicly available on [the official website](#).

<sup>2</sup> Among other things, this policy specifies working hours and rest periods, adopts zero tolerance to child and forced labour, and sets out the approach to remuneration.

**Mineral supply chain due diligence management system**



The system focuses primarily on identifying potential risks that could impact the stability and transparency of mineral supply chain processes, and on minimising the following risks:

- violations of human rights and freedoms;
- support for non-state armed groups;
- illegal mine control and feedstock trafficking;

- corruption and bribery;
- misinformation across the supply chain from ore mining to product delivery to consumers.

DDMS tools make it possible to collect more data on participants along the mineral supply chain, including their environmental, social and corporate governance (ESG)

practices. An accurate mapping and identification of suppliers, provided they comply with the Code, in turn, contributes to a more effective decision-making, ensures a responsible mineral supply chain and high-quality products, and strengthens our position on global markets.

<sup>1</sup> OECD Five-Step Framework is the Five-Step Framework giving OECD guidance on risk-based due diligence for responsible supply chains of minerals from conflict-affected and high-risk areas

As part of the first step from the OECD Five-Step Framework for Due Diligence in the Mineral Supply Chain, Nornickel developed and released the Code and the Policy, which are public documents available on the Company’s official website, and revised the Human Rights Policy<sup>1</sup> and Corporate Trust Line Procedure.

The Company developed DDMS tools focusing on mineral supplier due diligence (Know Your Supplier questionnaire) and on assessing how well a supplier complies with the Code, which help collect key information about the suppliers and their ESG practices. Other tools include the CAHRA<sup>2</sup> assessment tool, a supply chain mapping questionnaire, risk assessment tools (including supplier risk assessment tool and risk decision matrix), as well as template reporting documents, including a template internal monitoring report for DDMS purposes serving to analyse its efficiency and the need to amend it. To implement DDMS in the divisions, the Company also developed standards that are part of the supply chain due diligence system and conducted due diligence on both internal (being part of Group) and external suppliers.

Since 2021, the Company has been conducting due diligence on mineral suppliers in accordance with steps 2 and 3 of the Five-Step OECD Due Diligence Guidance. In 2021, Kola MMC developed the Mineral Supplier Due Diligence standard, and conducted a supply chain due diligence procedure in 2021–2022. The Polar Division also adopted a similar standard and performed due diligence on mineral suppliers in 2022. At Bystrinsky GOK, a due diligence standard was adopted during the reporting period, but no due diligence took place as the subsidiary does not have any mineral suppliers.

In 2022, Nornickel completed the DDMS development, rolled it out across all divisions and implemented all the steps covered by the OECD Framework. The due diligence involved existing suppliers only, as there were no new suppliers of mineral feedstock during the reporting period. Following the due diligence of 100% suppliers of metal-containing mineral feedstock for the Group’s Russian assets, no risks were confirmed. Step 5 involved the release of a public responsible supply chain report<sup>3</sup> for 2021–2022 for greater transparency of Nornickel’s efforts to build a responsible supply chain.

In addition to the due diligence, annual RSBN (Responsible Sourcing Blockchain Network) audit was conducted at the Kola and Norilsk divisions, as well as the Head Office during the reporting period. This audit focused on the development of the supply chain due diligence system and the Company’s compliance with the key responsible sourcing requirements. These audits were first conducted at the Company’s sites in 2021, when Nornickel joined the international Responsible Sourcing Blockchain Network. This initiative brings together sellers and buyers of across the minerals supply chain. Based on the 2022 audit results, the Company delivered a 35% improvement in performance on a year-on-year basis.

In 2022, Nornickel’s 2021 RFA<sup>4</sup> reports relating to five metal brands were sent to the London Metal Exchange. Their acceptance by LME proves the high compliance level of the Company’s practices with the LME responsible sourcing policy.

During the first stage, Nornickel’s DDMS covered suppliers of metal-containing mineral feedstock. In 2023, the Company

plans to expand the system to suppliers of goods and services by launching a new tool — a supplier self-assessment questionnaire (the “supplier questionnaire”). Focused on the environmental, social, and governance (ESG) matters, the supplier questionnaire will be used to determine to what extent the suppliers of all categories meet the Code requirements. Going forward, after analysing supplier feedback, the Company plans to make this document part of the supplier selection process used to evaluate ESG maturity.

In addition to the DDMS measures, Nornickel traditionally performs detailed sustainability compliance control as part of its major procurement procedures. Nornickel’s actual and potential contractors undergo mandatory checks for reliability, solvency and financial resilience. This check comprises a set of measures allowing us to sufficiently ensure that working with these contractors is not very risky in terms of compliance with contractual obligations and applicable laws, and will not damage our business reputation.

Contractor due diligence relies on a comprehensive approach in accordance with the Organization for Economic Cooperation and Development (OECD) Guidelines, international standards, as well as Russian laws and regulations.

According to the results of the 2022 audits, the Company improved its performance

by **35%**

Monitoring ESG factors in interaction with suppliers and contractors as part of procurement procedures

Procurement procedure stage	Key control tools	Control of ESG factors
Procurement initiation	<b>Scope of supply/work:</b> legal and regulatory requirements of the Company, mandatory and recommended specifications of products and services, covering health, safety and environment, etc.	● ● ● ●
	<b>Procurement documents:</b> provisions for no signs of bankruptcy, overdue taxes and charges, and no criminal records in the biographies of top managers	● ● ● ●
	<b>Procurement policies for certain product categories:</b> quality assurance procedures for supplies	●
Procurement procedure	<b>Qualification of suppliers:</b> default risk assessment and compliance with the Company’s initial requirements (scope of supply/work, specifications, etc.)	● ● ● ●
	<b>Corporate Security’s checks</b> into business reputation, reliability and solvency of potential counterparties	●
	<b>Analysis and evaluation of bids submitted,</b> including track record of similar projects and qualifications of key employees	●
Contracting procedure	Inclusion of an anti-corruption clause in the contract	●
	Inclusion of product and service specifications in <b>the scope of supply/work</b>	● ● ● ●
Contract performance by suppliers	<b>Corporate Procedure for Organising and Conducting High-Hazard Operations:</b> control over contractors’ compliance with health and safety requirements	●
	Control over compliance with the Company’s initial requirements (scope of supply/work, specifications, etc.) and environmental regulations during work and upon acceptance	● ● ●

- ESG factors:**
- Quality of products, works and services
  - Environmental protection
  - Occupational health and safety
  - Legal compliance

<sup>1</sup> The Policy is available on [the Company’s official website](#).

<sup>2</sup> CAHRA means conflict-affected and high-risk areas.

<sup>3</sup> The report is available on [the Company’s official website](#).

<sup>4</sup> RFA means Red Flag Assessment.

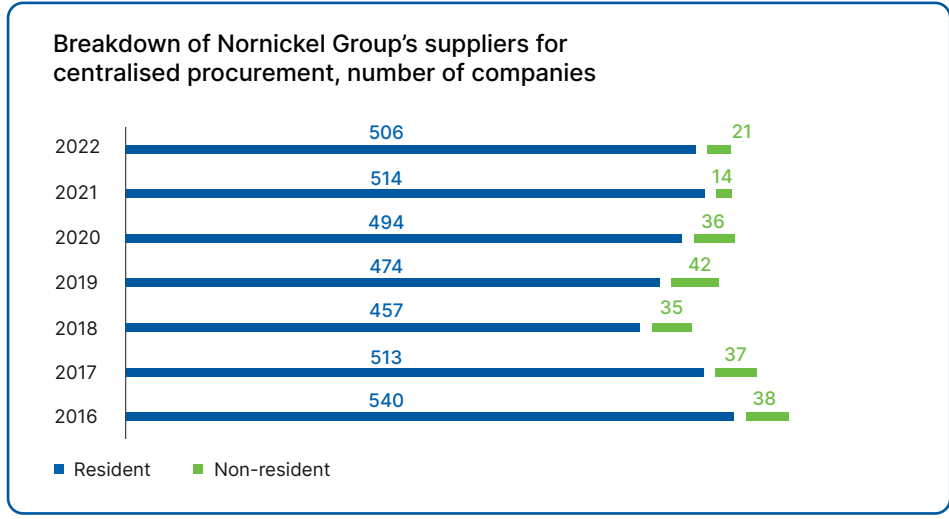
### Ensuring procurement efficiency and transparency

The Company and the Group as a whole handle both centralised and decentralised procurement using SAP SRM, an automated system for supplier relationship management. In 2022, 26 Group companies and MMC Norilsk Nickel divisions had joined the SAP SRM system and over 10,000 potential suppliers had registered in it, of

which over 9,500 had been certified to work in it. Nornickel's current and potential suppliers can communicate online with procurement specialists for all categories of products purchased through Nornickel's SRM Procurement Management System and receive up-to-date information regarding ongoing procurement. Sign-up for the Supplier Relationship Management (SRM) system is free of charge and does not impose any obligations on users.

In addition, our website has a dedicated Suppliers section, which provides key information on the Group's procurement principles and procedures and planned needs. The page also features announcements and invitations to participate in the Company's tenders. For more details on SAP SRM-based procurement, please see the Procurement Procedures tab in the Suppliers section on Nornickel's official website.

In 2022, the Company signed over **4.4** thsd contracts for centralised procurement of materials and equipment worth around **180.6** bn RUB



### Product quality and supply reliability

#### Product quality assurance

As a producer, Nornickel is responsible for compliance with HSE laws and requirements during its production process.

The Company makes sure that its products comply with applicable regulations, takes into account the relevant requirements of consumers, and works to improve the chemical composition, appearance and

packaging of its products, while also looking to create new forms of products and expand the product line.

Nornickel's efforts in managing product quality are underpinned by the principles highlighted in international standard ISO 9001:2015.

The Company's senior executives manage the risks and opportunities that can affect how much Nornickel's products and services meet consumer expectations, and ensure that the business focuses on improving customer satisfaction. Product quality related goals and objectives are in line with the Company's strategic goals and are formulated in the management's resolutions based on annual performance reviews of the Corporate Integrated Management System.



#### Corporate Integrated Management System (CIMS)

Nornickel maintains a Corporate Integrated Quality and Environmental Management System (CIMS), which is subject to continuous update and improvement in accordance with international standards ISO 9001 and ISO 14001.



<sup>1</sup> Updated in 2017  
<sup>2</sup> Updated in 2021  
<sup>3</sup> Updated in 2020  
<sup>4</sup> Updated in 2022

The CIMS is viewed as a set of interrelated and interacting processes, activities, procedures, rules, organisational structure and resources required for achieving the Company's goals and fulfilling the Company's ambitions and commitments articulated by the senior management in the quality, environmental, occupational health and safety policies.

In 2022, a number of recertification and surveillance audits were conducted at Nornickel's divisions. The audit confirmed CIMS compliance with ISO 9001, 14001, 45001.

➔ For more details, please see the [Certification of the Corporate Integrated Quality Management System appendix](#).

### Corporate quality management training

In 2022, close to 200 employees of various levels received training in the integrated management system. Some of the key training topics included GOST and ISO compliance, development and deployment of an integrated management system, nonconformity management, and management of opportunities in the context of risk-based thinking.



The research centres and laboratories, which, as part of Nornickel's divisions and Group companies, analyse the ore feedstock, semi-products and saleable products, have quality management systems certified for compliance with GOST ISO/IEC 17025-2019 General Requirements for the Competence of Testing and Calibration Laboratories.

Nornickel products are not subject to mandatory certification. Consumer properties of each product are defined in the relevant specifications and contractual documentation in full compliance with Russian and international laws.

The Company's goods are labelled to keep the customers and carriers informed about key properties of the products (including those meant for exports). The labelling rules are set out in product-specific regulations and take into account the GOST 14192-96 (Cargo Labelling) requirements and contractual obligations.

NORILSK brand copper cathodes produced by Nornickel's Polar Division are registered on the London Metal Exchange and meet the requirements of GOST 546-2001, "Copper Cathodes. Technical Specifications", GOST 859-2014 "Copper. Grades", for the M00k grade. In 2022, the Company rebranded and registered its copper cathodes under the new NORNICKEL brand instead of the NORILSK brand previously used at the London Metal Exchange.

Electrolytic nickel of the H-1u, H-1, and NORNICKEL grades, produced by Kola MMC is listed at the London Metal Exchange, with the H-1u and H-1 nickel grades also listed at the Shanghai Futures Exchange. Electrolytic cobalt was listed on the London Metal Exchange in 2019.

Nickel brands of NORILSK NICKEL HARJAVALTA CATHODES and NORILSK NICKEL HARJAVALTA BRIQUETTES are also registered on the London Metal Exchange.

Throughout the history of Nornickel Group, it had never failed to meet its obligation to deliver products to consumers.

### Ensuring reliable and uninterrupted supplies

Nornickel's sales strategy is focused on strengthening its positions in the market, with the Company seeking to achieve a balanced ratio of nickel supplies to stainless steel producers and other industries. As the largest palladium producer, Nornickel is implementing a strategy of direct long-term contracts with its end users (with a focus on the automotive industry) in order to maintain a long-term and sustainable demand for palladium.

### Factors ensuring reliability and continuity of Nornickel Group's product shipments



### Customer satisfaction

Nornickel is committed to building a reliable supplier reputation. To improve mutual understanding with customers, determine the degree of their satisfaction and identify areas for possible improvements in customer satisfaction with the quality of products/services, the Company conducts annual customer surveys and continuously monitors the performance of contractual obligations. These data are used to analyse customer requirements and expectations and their satisfaction with the Company's products.

Customer satisfaction is assessed using a scale from 1 to 3. The key to positive survey results is maintaining or exceeding target customer satisfaction level at 2.50 points

(out of 3 points). According to the 2022 survey, the customer satisfaction level stood at 2.85 points, which fully meets the target.

Regardless of the score achieved, survey results serve to improve the quality of products, processes and the management system. To reduce the risks affecting product quality and customer satisfaction, the Company annually develops a comprehensive action plan to improve customer satisfaction.

In 2022, the Company received 16 complaints and grievances about its product or service quality and achieved out of court settlement for all of them by meeting the demands of consumers (13 complaints

According to the 2022 survey, the customer satisfaction level stood at

**2.85** points

were deemed unfounded). In addition, three complaints received in 2021 were settled in 2022, with two of them deemed unfounded. After all the claims received had been reviewed, remedial action plans were developed to address eight complaints (including two rejected ones).