

6.10. RESPONSIBLE PROCUREMENT

In the procurement of goods, works and services Transneft Group is guided by Federal Law No. 223-FZ On the Procurement of Goods, Works and Services by Certain Legal Entities (Procurement Act) dated 18 July 2011, national laws and regulatory acts of the Russian Federation, as well as the Regulations on the Procurement of Goods, Works and Services of Transneft approved by the Company's Board of Directors (Regulations on the Procurement). Information about the procurement activities of Transneft is placed in the procurement section of the unified information system and uploaded onto the official website of Transneft.

Transneft is guided by the following principles in the procurement of goods, works and services:

- information transparency;
- equality, fairness, no discrimination or unreasonable restrictions of competition in relation to procurement parties;
- targeted and economically efficient spending on the procurement of goods, works and services (taking into account the cost of the life cycle of the products purchased, if necessary), and measures to reduce the purchaser's expenditures;

- unlimited access to participation in procurement activities due to absence of immeasurable requirements for participants.

Transneft also conducts online procurement of goods, works and services which are not included in the Procurement Act; thus, the share of Transneft's online purchases is constantly increasing.

Confidentiality of the information provided by participants is one of the principles of online procurement. In practice, online procurement is organized by operators of online platforms who transfer documents and information between procurement participants and the purchaser in a timely manner, in full and ensuring confidentiality of submitted bids. The operators of these e-commerce resources are independent from Transneft. The whole process promotes conscientious competition, publicity and transparency of procurement policies, preventing corruption and other abuses.

Dynamics of the Group's procurement in 2018–2020 (across Transneft Group, excluding NCSP and its subsidiaries and procurement within Transneft Group)

Indicator	2018	2019	2020
Number of procurements by the Company and its subsidiaries	47,027	60,515	68,005
Initial lot price (the maximum starting price), RUB bn, VAT included	326.3	376.0	258.9
Cost of contracts signed, RUB bn, VAT included	307.5	338.0	225.7
Share of e-commerce procurement, from the maximum starting price (as per Resolution No. 616 dated 21 June 2012, procurements from a single supplier are not accounted for in our calculations)	60%	66%	83%
Share of bidding procedures in total procurement (from the maximum starting price)	88%	93%	91%
Share of procurements from a single supplier in total procurement (from the maximum starting price)	12%	7%	9%
Share of procurement from SMEs in total procurement (In figuring the share of acquisitions from small and medium-sized enterprises (SMEs), the procurement of air patrol services, supplies of large-diameter pipes and other procurement types were deducted from the total value of contracts signed on the basis of procurement in the reporting period, in accordance with Clause 7 of Resolution No. 1352 the Russian Government On Specifics of SME Participation in the Procurement of Goods, Works and Services by Certain Types of Legal Entities dated 11 December 2014).	65%	63%	76%