



PROCUREMENT POLICY

Moscow

Approved on 14 October 2010

1. GENERAL PROVISIONS

- 1.1. The present Policy establishes main principles and procedures of activities of Evraz Group S.A. (further – the "Company") in the field of procurement. They shall apply to all subsidiaries in respect of which the Company exercises the authority of a sole executive body (further – the "subsidiaries").
- 1.2. The main objective of procurement is acquisition and timely delivery of necessary goods and materials (further – "G&M") and services.
- 1.3. In collaboration with production departments of the subsidiaries the Company's procurement department and subsidiaries' procurement departments determine optimal technologies, goods and suppliers to satisfy subsidiaries' demand for G&M aimed at continuous decrease of production cost .
- 1.4. By continuously improving business processes and studying the industry's best practices the Company seeks to reach the minimum total cost of ownership of material and technical resources in comparison with its peers.
- 1.5. To achieve the objectives, the Company considers its priority to develop skills and abilities of its business leaders and specialists responsible for procurement both at subsidiaries' production sites and in procurement departments.

2. MAIN PROCUREMENT OPERATING PRINIPLES

- 2.1. *Long-term partnership*
 - 2.1.1. The Company seeks to build its relations with suppliers on a long-term and mutually beneficial basis, on transparent conditions, in the atmosphere of trust and on partnership principles.
 - 2.1.2. The Company seeks to establish integrated and mutually-beneficial relations with suppliers by co-developing and supporting introduction of the most advanced technologies in production.
- 2.2. *Cost effectiveness*
 - 2.2.1. The Company seeks to build mutually-beneficial relations with suppliers depending on the total cost of ownership of G&M and services and significance of goods for cost optimisation, determining the most effective procurement strategy for each product group.
 - 2.2.2. The Company seeks to implement purchasing procedures with the quickest and most effective methods at minimum expense.

2.3. *Transparency and equality*

- 2.3.1. Any Russian or foreign company can become a supplier of the Company on a competitive basis and if it complies with the Company's requirements to the supplier in terms of reliability and security of the transaction.

2.4. *Inventories and logistics*

- 2.4.1. Optimising production and procurement processes, the Company seeks to minimise G&M stocks, at the same time ensuring safety and steadiness of the production process.
- 2.4.2. The preferred delivery term in purchase contracts, signed by the Company and the subsidiaries should be G&M delivery by the supplier directly to the subsidiary's site.

3. BASIC PRINCIPLES OF PROCUREMENT MANAGEMENT

3.1. *Centralisation/decentralisation of purchases*

- 3.1.1. The Company seeks to centralise all the purchases if synergy between the subsidiaries is achieved and such centralization is economically viable. The Company seeks to derive benefit from the synergy of purchases at the level of the subsidiaries.
- 3.1.2. The Company seeks to maximally decentralise (to transfer to the subsidiaries' level) all the purchases with insignificant economic benefit of a possible synergy, as well as purchases of G&M, necessary for elimination of emergency situations.

3.2. *Task and responsibility sharing*

- 3.2.1. The Company exercises a principle of responsibility sharing between the divisions: the applicants should timely provide and substantiate the data about the G&M and procurement departments should timely satisfy the request.

3.3. *Formalisation and unification of business processes*

- 3.3.1. The Company should provide maximum transparency at all stages of the procurement process, starting from submission of a request for G&M till G&M delivery. The Company seeks to unify documentation, determining the procurement procedure between the subsidiaries, and the corporate procurement structure.
- 3.3.2. The Company seeks to make the maximum use of the existing IT systems to ensure transparency and efficiency of procurement. The Company seeks to decrease circulation of paper documents in the course of procurement process.

3.4. *Cross-functional cooperation.*

- 3.4.1. The Company seeks to make the maximum use of the mechanism of cross-functional teams comprising representatives of production, financial and procurement departments in order to ensure the minimum total cost of ownership and timely delivery of goods.

3.5. *Planning Principles*

3.5.1. The Company seeks to have requests submitted and to budget purchases on the principle of rolling planning for one and more accounting period (year) ahead with monthly plans adjustment.

3.6. *Efficiency control*

3.6.1. The Company intends to assess the efficiency of procurement on the basis of key performance indicators set for production and procurement departments.