



IDGC of Urals has been implementing a partnership program with small and medium-sized businesses for 5 years.

SUPPLIER RELATIONSHIP MANAGEMENT

Purchase activities during the reported period were regulated by the PAO Rosseti Uniform Purchase Standard⁹⁵.

Principles for building-up purchase activities of the Company:

Principle 1: Reasonable use of special techniques to enhance the effects of market laws in each case of purchase.

Principle 2: Application of compulsory procedures to each purchase case over a specified value (also applicable to smaller purchases, if deemed required), that imply:

- market analysis and planning of demand;
- purchase transparency; equality of rights, justice, zero discrimination or unwarranted competitiveness restrictions towards participants;
- honest and reasonable selection of the most preferable offers after thorough analysis of benefits and expenses (primarily, price and quality of produce);
- target and efficient expenditures to acquire goods and services and measures aimed at cost-cutting;
- unrestricted access to procedures by setting immeasurable requirements for a bidder.

Principle 3: Systemic approach, comprising regulatory environment, prescribed setup of purchase administration and oversight, trained employees, smooth-running purchase infrastructure (information support, e-commerce means, certification, professional advisors).

Principle 4: Compliance with corporate unity of procurement rules.

Principle 5: Oversight of authorities and liability of purchasing employees.

The Uniform Purchase Standard describes the following purchase types: tender, auction, request for proposals, vendor quotations, ordinary purchase, small-size purchase and single-vendor purchase, vendor tender participation purchase.

In 2018, the Company conducted 3,451 purchases worth RUB 27,007,917.532 thousand, plus VAT

Purchase type	Purchases		Purchase value	
	pcs	% of total purchases	RUB thousand, plus VAT	% of total value
Open tender	233	6.752	13,332,840.067	49.366
Open auction	13	0.376	3,667,035.000	13.578
Open request for proposals	739	21.414	2,904,981.680	10.756
Open vendor request	324	9.389	280,909.971	1.040
Vendor quotations after open competitive procedures	1,566	45.378	4,113,247.772	15.230
Single-vendor purchase	234	6.781	1,455,182.032	5.388
Purchases from sellers	4	0.116	310,548.786	1.150
Open tender for the right to conclude framework agreements	82	2.376	0	0
Single-vendor purchases after failed tenders	256	7.418	943,172.224	3.492

There were 3,213 e-commerce procurement procedures worth RUB 25,242,186.713 thousand plus VAT (100% of total purchases and 100% of total value, net of single-vendor purchases and purchases from sellers). The economic effect from the purchases amounted to RUB 1,122,548.649 thousand plus VAT or 4.257% of the announced price targets. Open purchases (open tender, open request for proposals, competitive dialogue, close requests for prices after open competitive dialogue) contributed 93.46% to the total purchase value.

Purchases from small-and medium-size businesses totaled RUB 16,183,688.477 thousand plus VAT (3,207 purchases) or 71.801% of the total value and 96.248% of the total purchases (comprising purchases that are not taken into account when calculating the annual total value). SME purchases amounted to RUB 14,044,701.276 thousand plus VAT (2,889 purchases) or 62.311% of the total value and 86.704% of the total purchases (comprising purchases that are not taken into account when calculating the annual total value).

The total innovation-related expenses of the Company (technologies, solutions, goods, works and services, stipulated by the Innovation Development Program), comprising designing, installation, precommissioning services and implementation, reached RUB 262.6 million in 2017, corresponding with the cost target - 3.55% of actual investment program costs, and RUB 343.5 million in 2018 (expectance), corresponding with the cost target - 4.0% of actual investment program costs.



Use of electronic trading platforms
b2b-energo.ru and **etp.rosseti.ru**
to conduct max portion of purchases.

The following activities are enforced to enhance economic metrics, improve and promote purchase transparency:

- Use of electronic trading platforms (b2b-energo.ru and etp.rosseti.ru) to conduct max portion of purchases;
- Revisions of specifications in terms of elimination of unnecessary requirements to procurement participants;
- Negotiations with manufacturers to invite them to apply on the ETP without intermediaries;
- Additional requests for documents, required from participants, via ETP;
- Conduct of the “Open Doors Day” events for suppliers and potential participants of procurements on procurement-related issues as a part of the “Russian Entrepreneurship Day” event;
- Workshops for prospective contractors to explain requirements of tender documentation and filing procedure;
- Pre-contract negotiations;
- Repeated rebiddings.