



Supplier and contractor evaluation system based on ESG criteria

Moscow | 2020

Background

Main drivers for creating Green Purchasing system

- The Company has established a sustainable internal ESG (Environmental, Social and Governance) management system supported by relevant internal regulations.
- In line with its commitment to the UN Sustainable Development Goals, the Company views its suppliers and contractors as critical value chain participants.
- The Company's non-financial reporting covers all aspects of ESG activities, for example, we submit climate reports to the CDP, prepare extended health and safety reports, which include suppliers and contractors.
- Aspects related to cooperation with suppliers and contractors are raised by stakeholders.
- ESG ratings emphasize the extension of corporate responsibility, i.a. with regard to value chains, especially cooperation with suppliers and contractors.



Developing supplier and contractor evaluation system based on ESG criteria - main stages



● Analyzing corporate reports, e.g. in annual report format, and studying stakeholder expectations and ESG ratings



● Establishing ESG requirements for counterparties, as reflected in the Code of Conduct for Counterparties



		Вес	1ПСТЭ	2ПТЭ	
		(0,1-1,0)	(0 или 1)	(0 или 1)	
3	В компании ведется учет выбросов ЗВ и атмосферный воздух (при наличии таких выбросов).	Отчет по форме 2-ТП воздух (копии)	1	1	1
3	В компании ведется учет сброса сточных вод и ЗВ в водные объекты (при наличии таких сбросов).	Отчет по форме 2-ТП воздух (копии)	1	1	1
3	В компании ведется учет образования отходов.	Отчет по форме 2-ТП отходы (копии)	1	1	1
3	В компании осуществляются регулярные платежи за негативное воздействие на ОС.	Копии декларации о плате за НВОС и подтверждение платежа	0,5	1	1
3	Все объекты негативного воздействия на ОС зарегистрированы в установленном порядке.	Копии свидетельств	1	1	1
3	В компании имеется сотрудник, ответственный за обращение с отходами.	Приказ, сессия об обучении могут быть позднее запрошены.	0,5	1	1
3	В компании проводится инструкция по ООС.	Копии журналы и перечни инструкций	0,5	1	1
3	Наличие системы обучения по ООС для обеспечения компетентности персонала, задействованного для выполнения работ.	Предоставляется описание системы и подтверждение обучения персонала.	0,5	1	1

● Developing a matrix of 60 ESG indicators relevant to the respective supplier category and developing a procedure for their inclusion in evaluation and selection procedures



● Testing the system, analyzing the results, identifying gaps and launching the development of an automated system

Supplier and contractor evaluation based on ESG criteria - main elements

1) Main supplier evaluation elements:

- The Supplier/Contractor completes a questionnaire consisting of a list of requirements/questions covering environmental protection, social responsibility (labour protection, personnel management, human rights, etc.) and governance, including quality management.
- There is a list of documents for each requirement/question that can evidence compliance with the requirement.
- All requirements/questions have weight in points.
- All suppliers and contractors are divided into six categories: three for commodity suppliers and three for contractors.
- For each category of suppliers and contractors there is a list of questions depending on the nature of their activities.



2) The result of evaluation is an individual supplier/contractor rating in points.

3) The Company uses these scores to assess the proportion of suppliers/contractors operating in accordance with ESG requirements.



Key 2020 achievements and further Green Purchasing development in 2021

Key 2020 achievements:

- Development of 60 ESG indicators for evaluation of suppliers and contractors
- Development of an evaluation system based on supplier categories
- Development and publication of the Code of Conduct for Counterparties containing key environmental, governance and social requirements for suppliers and contractors, including human rights and modern slavery
- Introduction of ESG criteria in procurement processes for suppliers evaluation
- Creation of an internal regulatory framework for the implementation of regular ESG supplier evaluation
- ESG evaluation in 2020 covered over 4% of purchases, and the average score was about 64 of 100

Activities planned for 2021:

- Automated generation and regular update of ESG ratings of suppliers and contractors
- Increasing ESG assessment coverage
- Integrating the rating into contractor selection criteria system
- Updating supplier audit procedure to include ESG requirements
- Updating contracts to include reference to the Counterparty Code of Conduct
- Considering the feasibility of establishing indicators related to the proportion of suppliers and contractors that have passed ESG assessment, as well as the average ESG rating of suppliers and contractors, as targets for the Procurement Directorate