

2018 RESULTS

In 2018 EVRAZ approved and began to implement projects from the Roadmap for Supply Chain Management 2018–2020. The range of projects and initiatives is aimed at optimising various supply chain processes. In 2018 the Group made significant progress towards realising Roadmap projects in the main priority areas (see figure on the right).

In order to contribute to the economic development of the regions where we operate we endeavour to give priority to local suppliers of goods and services. Thus in the reporting year the share of local suppliers in the procurement of the Siberia region of Steel segment was 68%.

In order to facilitate honest and mutually beneficial relationships with local suppliers, EVRAZ enters into long-term contracts with them. In 2018 in the Urals region of Steel segment the share of total expenditure on local suppliers with long-term contracts was over 62%.



EVRAZ PRIORITY AREAS IN THE DEVELOPMENT OF SUPPLY CHAIN MANAGEMENT

CATEGORY STRATEGIES

- Improving qualification levels among staff
- Analysing the implementation of category strategies

SUPPLIER RELATIONSHIP MANAGEMENT

- Increasing the transparency and quality of information about suppliers during prequalification processes
- Speeding up and simplifying the process of interacting with suppliers through automation instruments

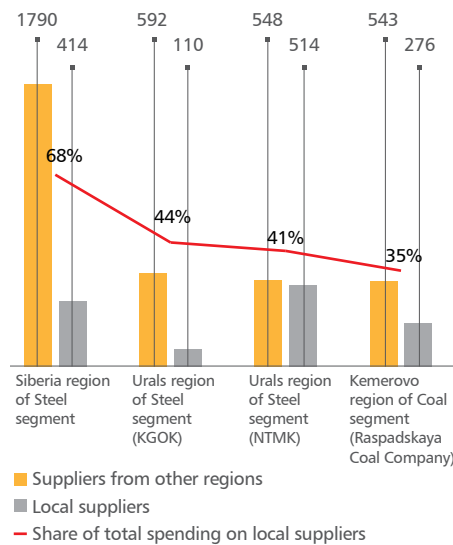
DATA MANAGEMENT

- The standardisation and simplification of inventories and supplier records in the IT system

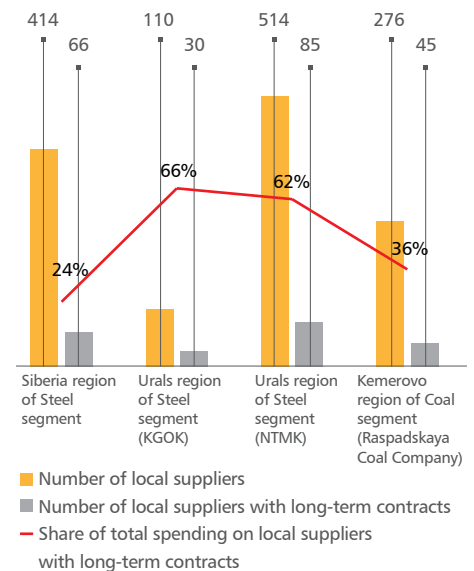
SAP ERP SYSTEM

- A unified automated ERP system, the standardisation of procurement processes

NUMBER OF LOCAL INVENTORY SUPPLIERS IN EVRAZ SUPPLY CHAIN, 2018



NUMBER OF LOCAL SUPPLIERS WITH LONG-TERM INVENTORY CONTRACTS, 2018



GOALS FOR 2019 AND MIDTERM PERIOD

EVRAZ will continue to work on enhancing the quality of procurement processes, as well as on integrating sustainability aspects into supply chain management.

In 2019 the development of the Suppliers Quality Management Programme, including automated solutions, is planned. The programme will also cover compliance assessments of suppliers against sustainability principles, including environmental, health and safety, and business ethics aspects. In addition, in 2019 a supplier performance management project will be launched, which will further boost overall procurement quality.

Supply processes assessment, both at Management Company and segment level, are planned for 2019. An external evaluator will assess the current state of the supply chain, including internal documents, and initiatives planned under the Roadmap will also be analysed. Based on the results of the analysis further areas for development will be identified.

The Group will continue to implement activities according to Roadmap priority areas, and taking into account the results of external assessments, with a focus on the further development of category strategies and the automation of procurement processes.