Strategic partnership

Development of partnership with NLMK Group suppliers
Strategic partnership: definition

Strategic partnership is based on mutually beneficial cooperation that depends on coincidence of strategic concerns with regard to business development and implementation of initiatives.

Strategic partnership program comprises a family of projects that allow for additional synergetic effect from business expansion.

**Program goal:**

- Assistance in achieving NLMK Group Corporate Strategy 2022 goals;
- Implementation of joint greenfield projects;
- Offering new opportunities to develop partnership between NLMK Group and its suppliers.
Partnership ensures:

- **Long-term cooperation**
  Supplier’s business is secured by a stable long-term contract that involves achievement of common goals related to inventory quality optimization and cost saving.

- **Stable interaction**
  It becomes possible to perform strategic planning and to expand cooperation in the long run.

- **Technical product development**
  As part of implementation of initiatives and joint optimization projects.

- **Quick decision making**
This involves implementation of joint projects aimed at reduction of 1) the supplier’s production costs of inventories and logistical costs; or 2) the customer’s (i.e. NLMK Group) OPEX. Besides, this stream includes projects related to integrated planning and optimization of NLMK Group inventories in stock.

This involves implementation of joint initiatives aimed at reduction of lead time for inventories and/or at insuring availability of inventories in stock (in warehouses/on sites).

The stream assumes that the supplier provides professional expertise/shares knowledge and experience/allocates technical resources at different stages of the investment project for the purpose of attainment of minimum possible periods for investment projects to launch.

The stream involves joint works related to design, testing and launch of new materials, as well as projects pertaining to joint development of new NLMK Group products and to improvement of current NLMK Group products using suppliers’ innovative materials.
Strategic Partnership Program: participant assessment and selection criteria

The decision on the supplier’s involvement in the strategic partnership program is made on a collegiate basis at CFT meetings. This decision shall by all means be approved by CFT sponsor and by Procurement Vice President.

CFT makes decisions based on as follows:

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<tr>
<th>Reliability category</th>
<th>Economic effect</th>
<th>Decision</th>
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<tr>
<td>A, B</td>
<td>+</td>
<td>&gt; 100 mln</td>
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<tr>
<td>A, B, C</td>
<td>+</td>
<td>&lt; 100 mln</td>
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<tr>
<td>D</td>
<td>or</td>
<td>N/D</td>
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Reliability category is a grade awarded to a contractor based on assessment of their activity.
The supplier lodges an application to be signed by the Company Director and forwarded to the category brand manager for consideration. The application shall specify:

- Project description;
- Feasibility study;
- Implementation schedule;
- Cost-benefit analysis.

All applications get through several consideration stages:

1. Initial consideration is performed by the category brand manager in terms of the project compliance with the respective category and in terms of the project’s unique character;
2. The next consideration is performed by the project beneficiary in terms of the project feasibility.

Total pendency period: up to 6 business days.

As part of the CFT meeting, the Supplier’s representative and the category brand manager hold a presentation (the Seller’s application and project Feasibility Study) and take CFT questions.

Preparation period: 3 business days.
Period for consideration and decision making: up to 2 business days.

Signing of a bilateral agreement for the Supplier’s involvement in Strategic Partnership Program; the agreement shall include the project feasibility study and the project implementation schedule. Approval of account review schedule.
Program participants’ incentives

**Participation in selection of suppliers**
- A “sole-source supplier” status, conclusion of contract for supply of inventories stipulated by projects included in Strategic Partnership Program

**Development / improvement of the Supplier’s products**
- Concepts of product improvement and/or customization suggested by representatives of the technical authority and/or the project beneficiary
- Priority to participate in pilot tests of the Supplier’s new products
- Opportunity to finance the Supplier’s greenfield (innovation) projects
- Patent protection for inventory purchasing and for joint utilization of new technologies

**Improving partnership with NLMK Group**
- Access to information about NLMK Group strategic goals and long-term development plans at the corporate level
- Quarterly individual meetings with Procurement Vice President
- Quarterly individual meetings with the technical authority, CFT sponsor, the project beneficiary
- Participation in CFT meetings with respect to the category under which the Supplier is a partner

**Image incentives**
- Granting an inscription certificate stating participation in Strategic Partnership Program
- Co-branding
- Joint press releases for mass media

A detailed list of incentives applicable to a certain Strategic Partnership Program participant is defined by a joint decision made by CFT sponsor and Procurement Vice President as advised by the category brand manager.
Contact details

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