

APPROVED

by Resolution of the Board of Directors
of JSC INK-Capital
Minutes No. 127 dated December 14, 2022

**PROCUREMENT POLICY
OF JSC INK-CAPITAL**

Revision 1

Irkutsk

2022

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I GENERAL PROVISIONS

- 1.1 The Procurement Policy (hereinafter referred to as the Policy) is a document that defines the goals, key principles, and the main standards of planning, organizing, and conducting of the procurement activities in the Group.
- 1.2 The Group is one of Russia's largest independent producers of hydrocarbons and their refined products. The Group is engaged in geological study, exploration and development of oil and gas fields in the Irkutsk Region, the Republic of Sakha (Yakutia) and the Krasnoyarsk Region, where it carries out production, processing, and transportation of hydrocarbons. Rational use of natural resources is an integral principle of the Group in all its activities. In line with the idea of responsible production and consumption of resources, the Group has been gradually diversifying its activities, creating, and developing new areas of production in gas processing, gas chemistry, inorganic chemistry, helium production, thereby reducing the Group's impact on climate and adapting to future changes.
- 1.3 The Group's Mission Statement: We live in this region and work to ensure that the use of Eastern Siberia's mineral resources secures a decent present and a sustainable future for the region and its people. We cherish the life and health of our people, and we care about the unique nature of our land.
- 1.4 In planning, organizing and performing its procurement activity, the Group is guided by the provisions of national and international instruments ratified and (or) applied in the Russian Federation; the list of such instruments is maintained and updated as part of the Integrated Management System.
- 1.5 The Policy is a fundamental high-level document of the Group's Integrated Management System and was developed as part of implementation of the Concept of Sustainable Development and ESG (Environmental, Social, Governance) Factors. The Policy also takes into account the principles of interaction of large corporate business with small and medium-sized businesses set out in the Declaration of the Ministry of Economic Development of the Russian Federation On Interaction of Large Corporate Business with Small and Medium-Sized Businesses.
- 1.6 The Group sees sustainable development as creation of a long-term economic value and opportunities for the society through tax payment and social assistance as part of social and economic partnership, creation of jobs, a comprehensive support to local communities in the areas where the Group operates, respect for human rights, sustainable use of natural resources, mitigation of negative environmental impacts including streamlining and refining its approaches to environment protection, and procurement activities based on the principles of protection of human rights, abiding by the fundamental principles of business ethics, combating corruption.
- 1.7 Most importantly, the Policy addresses the selection and assessment of Suppliers. The rules of Supplier interaction with the Group are established in the Supplier Conduct Policy developed as an elaboration of the Policy.
- 1.8 The Group communicates this Policy to Procurement Participants and Suppliers, and the Supplier Conduct Policy – to Suppliers in order to improve the overall understanding of how to implement the Concept of Sustainable Development and ESG Factors in their daily activities. The Group expects its Suppliers to cascade the

principles and requirements through the entire supply chain, including their own counterparties.

II TERMS AND DEFINITIONS

- 2.1 Terms and definitions used herein are specified in the Sustainable Development, ESG and Integrated Management System Glossary, Appendix 1 to the Sustainable Development and ESG Policy.

III SCOPE OF APPLICATION

- 3.1 The Policy applies to all companies within the Group, to Procurement Participants and Suppliers.

IV GOALS

- 4.1 The main goal of the procurement activities is to timely satisfy the Group's needs in Materials and Resources, works, services of due quality, in full scope, within the established timeframes and at a reasonable price taking into account the necessity to build a sustainable supply chain as part of the implementation of the Concept of Sustainable Development and ESG Factors.

- 4.2 The Group manages procurement activities for the following purposes:

- ensuring openness and transparency of the procurement procedures, encouraging fair competition among Procurement Participants;
- increasing the number of Procurement Participants, specifically through engagement of Small and Medium-Sized Businesses;
- ensuring the designated and efficient use of funds allocated for procurement of Materials and Resources / works / services;
- preventing potential abuse and errors both by Procurement Participants and (or) Suppliers, and by the Group during the procurement procedures;
- ensuring compliance of the procurement procedures with the anti-corruption laws of the Russian Federation and the Anti-Fraud, Anti-Corruption and Anti-Legalization of Proceeds Received from Crime (Anti-Money Laundering) Policy;
- ensuring the compliance of the procurement activities with the applicable statutory and regulatory acts of the Russian Federation and the regions (areas) of operation;
- improving the procurement activities efficiency through application of the best practices of procurement procedures, developing employee competencies, infrastructure management, deployment of information systems;
- ensuring compliance of Suppliers with the Supplier Conduct Policy, specifically through demonstration of the commitment to the Concept of Sustainable Development and ESG Factors;
- engaging reliable and competent Suppliers capable of satisfying the Group's needs under the optimal conditions to the Group.

V PRINCIPLES

- 5.1 The Group adheres to the following main principles in its procurement activities:

- The priority of quality and safety of Materials and Resources, works, and services.
- Planning the procurement activities, where practicable and appropriate; making operational decisions to revise the plans or to conduct unplanned procurement, if need be.
- Competition-based selection of Suppliers, where practicable and appropriate; special oversight of decision-making in the situations where the competition-based selection is impossible or inappropriate.
- Considering special characteristics of the procured Materials and Resources, works, services, and the context of the procurement.
- Considering the entirety of price-related and non-price related factors of the economic efficiency when making decisions on screening technical and commercial proposals of Procurement Participants.
- Analysis of alternative options of procurement, specifically by considering potential alternative applicable technical solutions to reduce procurement costs.
- Use of a risk-based approach to planning and organizing procurement activities.
- Maximum coverage of the Materials and Resources, works, and services market when determining potential procurement sources.
- Ensuring an effective control of organizing and carrying out the procurement activities.
- Ensuring the openness of the procurement activities to the extent sufficient for Procurement Participants, Suppliers, state authorities, and other Stakeholders.
- Consistency of procurement procedures and the related organization mechanisms.
- Centralization of procurement of major and critical Materials and Resources, works, and services.
- Delineation of procurement methodology, oversight, and execution authorities to mitigate the risks of a conflict of interests.
- Employee expertise and competence in considering and making decisions related to procurement.
- Use of up-to-date IT technologies, electronic commerce and electronic document management tools, automation of standard procurement processes.
- Involving Small and Medium-Sized Businesses registered in the areas of the Group’s presence in procurement procedures.
- Other conditions being equal, preferred engagement of Suppliers that use recyclables in manufacturing of the Materials and Resources supplied to the Group.

VI PROCUREMENT PARTICIPANT ENGAGEMENT

6.1 In its procurement activities, the Group prefers Suppliers sharing the following principles:

- Commitment to the Concept of Sustainable Development and ESG Factors.
- Commitment to the Sustainable Supply Chain concept.
- Compliance with the laws of the Russian Federation and ethical standards; carrying out business in accordance with the principles of good faith, fairness, and honesty in relationships with all Stakeholders; transparency and openness of activities.

- Commitment to the management system refinement idea in line with the best international practices and international standards.

6.2 A Procurement Participant (PP) should meet the following main requirements, including, but not limited to:

- Being legally capable, duly incorporated and registered in accordance with the applicable laws.
- The PP may not be undergoing liquidation or bankruptcy procedures, it may not have been adjudged bankrupt, it may not be subject to bankruptcy proceedings.
- The PP activity may not be suspended on the grounds provided for by the Administrative Offences Code of the Russian Federation.
- The PP should comply with the requirements of the laws of the Russian Federation applied to organizations delivering works (services) for which it is engaged. The PP should be duly authorized to perform the types of activities subject to special authorization (licenses, admission certificates issued by a self-regulating entity) in accordance with the laws of the Russian Federation.
- The PP should be in a healthy financial position as evidenced by the accounting statements submitted to tax authorities.
- The PP may not have overdue debts on tax, fees, and other mandatory payments to the budgets of any level or extra-budgetary funds.
- The PP should have a track record in the market of procured Materials and Resources, works, and services. The PP should have a good business reputation.
- The managers and founders of the PP may not have an unexpunged / outstanding conviction for economic crime; they may not have been punished in the form of disqualification to hold certain positions or to conduct certain activities related to the subject of procurement.
- The PP should have qualified and experienced personnel capable of delivering services, works, supplying Materials and Resources in the amount as specified in the procurement documentation, using up-to-date methods, approaches, and technologies.
- The PP should own (partially rent) sufficient production facilities, equipment, machinery, and appliances (in respect of machinery and equipment Procurement Participants – dealer, distributor agreements with the manufacturers of Materials and Resources) sufficient to supply Materials and Resources, works, and services.
- The PP should supply new unused Materials and Resources, except for individually agreed cases, that are fit for the intended use, have the requisite application and technical characteristics of environmental and industrial safety, including in respect of package.
- The PP should create safe labor conditions for its employees, ensure preservation of the life and health of its employees, take action to improve labor conditions, reduce risks related to occupational health and safety, improve safety culture of its employees.
- The PP may not have a conflict of interests both between the Group and the PP itself, and with its employees, which is seen as absence of interest in the results of a tender on the part of the Group’s employees who affect or may affect the result of the tender due to being married to or having other family ties with officers / founders of the PP.

- The PP should show commitment to the Concept of Sustainable Development both in terms of the environmental (environmental impacts of its activities, reducing negative environmental and climate impacts, implementing engineering and research solutions improving the energy efficiency and resource efficiency) and the social components (respect for human rights, provision of social benefits and guarantees, creating decent labor conditions, etc.).
- The PP should comply with the applicable statutory and regulatory enactments of the Russian Federation, the regions (areas) where it operates in performing its obligations under contracts with the Group, specifically it should ensure conformance of the supplied Materials and Resources, delivered works and services to statutory requirements.
- The PP should meet the requirements of the Anti-Fraud, Anti-Corruption and Anti-Legalization of Proceeds Received from Crime (Anti-Money Laundering) Policy.

6.3 Some of the criteria of Suppliers to be blacklisted are:

- Overdue debt to the Group, unperformed obligations overdue for more than 6 months, unsatisfied judgements.
- Negative track record on contracts with the Group such as violations causing material damage to the Group, a significant delay of works delivery through the fault of Supplier.
- Numerous or gross violations of the laws of the Russian Federation, the Group’s internal acts and regulation documents including those related to environment, health and safety, in performing the obligations under contracts with the Group.
- Refusal to perform obligations both at the stage of conclusion of a contract and during the performance of the contract.
- Gross or numerous cases of misleading the Group during procurement procedures and in the course of performance under previous contracts with the Group.

6.4 The Group seeks an open and transparent cooperation with Suppliers on sustainable development and ESG issues to promote a responsible approach to Supplier selection. In its procurement activities, the Group conducts PP polls for compliance with the established “green” requirements. In selecting its Suppliers, other conditions being equal, the Group prefers the PP that show their commitment to the principles of sustainable development and ESG.

6.5 The Group promotes competition on an ongoing basis and focuses on developing relationships with Suppliers that affect the Group’s ability to reach its strategic goals; the Group strives to engage local Suppliers where possible, including Small and Medium-Sized Businesses, facilitating their business development in the areas where the Group operates.

6.6 The Group engages Small and Medium-Sized Businesses in procurement procedures, for which purpose special (preferential) participation conditions are developed, with priority consideration given to the Small and Medium-Sized Businesses registered in the areas where the Group operates.

- 6.7 The Group does not charge fees for participation in procurement procedures, provision of procurement documentation or providing related explanations to the Procurement Participants.
- 6.8 The Group is focused on building mutually advantageous relationships with Suppliers based on partnership and respect. The Group is convinced that long-term relationships with Suppliers having a good business reputation are an important condition of the commercial efficiency of its business, therefore it stands for fair competition and compliance with all applicable competition laws. While pursuing its own interests, the Group at the same time respects fair and legal interests of its Suppliers.
- 6.9 The Group holds Supplier Days to exchange views of the Group's procurement activities. The Group conducts Supplier surveys to collect feedback.
- 6.10 The Group has zero tolerance to bribery and corruption both within the Group and on the part of Procurement Participant and Supplier.

VII CONDUCTING PROCUREMENT ACTIVITIES

- 7.1 The Group conducts its procurement activities in accordance with the laws of the Russian Federation, the Policy, and the internal acts, regulation and administrative documents approved for its development that regulate how the procurement activities are to be organized and conducted.
- 7.2 The internal acts, regulation and administrative documents governing the procurement activities set out the procedure of planning, preparation, and conducting procurement procedures, as well as control of the implementation and results thereof.
- 7.3 The Group's procurement activities are not governed by Federal Law No. 223-FZ On Procurement of Goods, Works, Services by Certain Categories of Legal Entities of July 18, 2011, Federal Law No. 44-FZ On the Contract System of the Federal and Municipal Procurement of Goods, Works, Services of April 5, 2013.
- 7.4 The information on ongoing tender procedures is available of the Group's website (www.irkutskoil.ru) in the Tenders Section ("Тендеры") for all registered users.

VIII POLICY IMPLEMENTATION

- 8.1 The Group guarantees that all internal acts and regulation documents comply with the provisions of the Policy.
- 8.2 The Policy is communicated to Stakeholders through internal and external communication mechanisms established and used in the Group.

The Policy is available on the Group's website in the Russian and English languages (www.irkutskoil.ru – the Russian version, www.irkutskoil.com – the English version).

- 8.3 All Employees and Management responsible for organizing and conducting of the procurement activities shall comply with the Policy and refrain from any action prohibited by the Policy or otherwise creating a risk of violation of the Policy, to the extent stated in the Policy.

- 8.4 Reporting violations of the Policy.
- 8.4.1. The means of reporting cases of nonconformity to the Policy are described in the Code of Ethics, and related information is available on the Group's web-site www.irkutskoil.ru/trust-line/.
- 8.4.2. The Group confirms that any person who seeks advice or reports a potential problem or violation of this Policy acts in accordance with the Code of Ethics. The Group will not allow any reprisals in respect of that individual and finds unacceptable any retaliation towards that individual on the part of other individuals for having reported a potential problem or actual nonconformity to the Policy in good faith.
- 8.5 If violations of the Policy, or the regulatory acts of the Russian Federation, internal acts and regulation documents and (or) administrative documents of the Group are confirmed, all necessary and sufficient measures are taken for:
- eliminating the consequences of such violations;
 - preventing the recurrence of similar situations in the future.

Moreover, if necessary, guilty persons shall be held liable in accordance with the applicable laws of the Russian Federation and/or the Group's internal acts and regulation documents of the Group.

IX FINAL PROVISIONS

- 9.1 This Policy becomes effective upon its approval by the Board of Directors.
- 9.2 Additions and amendments to the Policy are approved by the Board of Directors.
- 9.3 The Group will improve this Policy taking into account new standards of planning, organizing, and conducting the procurement activities in the Russian and international practices, interests of the shareholders, the Group and other Stakeholders, and amendments of the laws of the Russian Federation.
- 9.4 If, as a result of any changes in the laws of the Russian Federation, the Company Charter, or on other grounds, some clauses of the Policy shall become invalid and be deemed unenforceable or void, such clauses are not to be applied. Until the relevant amendments are introduced into the Policy, the Group and Stakeholders shall act in accordance with applicable laws of the Russian Federation, the Company Charter, and the Policy provisions to the extent not conflicting with them.