

Purchasing Improvement

In order to ensure targeted and effective use of funds, the Company is working to improve the procurement activities aimed at:

- development and approval of standard documentation for procurement of goods, work and services for the needs of JSC IDGC of the North-West;
- automation of procurement;
- training of experts and staff involved in procurement activities;
- formation of consolidated reporting, analysis of economic efficiency of procurement.

In order to increase economic benefits from the procurement activities, JSC IDGC of the North-West, as a mandatory condition, includes in the structure of the procurement documentation a compulsory requirement to carry out a price drop auction procedure (re-auction) in case of:

- common purchases, requests for quotations, requests for proposals, competitive negotiations, the value of which exceeds five million rubles, including VAT;
- tenders, auctions, the value of which exceeds fifty million rubles, including VAT.

Pursuant to Instructions of the President of the Russian Federation No. PR-846 (par. "e") dated April 02, 2011, JSC IDGC of the North-West Board of Directors' resolution of January 27, 2012 (Minutes No. 91/12) and JSC IDGC of the North-West Order No. 85 dated February 29, 2012 approved the Methodology for calculation and evaluation of the KPI implementation Reduction of the Cost of Acquisition of Goods (Work, Services) Per Unit of Production by at least 10% per Year for 3 Years in Real Terms in 2010 Prices.

In accordance with the Regulations, the Company may apply any purchasing methods with the use of virtual electronic trading platforms in the international computer network Internet for carrying out such purchases (during the whole time or at certain stages).

For the e-commerce purposes, JSC IDGC of the North-West uses information-analytical and trading-operation system Power Industry Products, Services and Technologies Market (<http://www.b2b-energo.ru>), trading website of JSC Russian Grids (<http://www.b2b-mrsk.ru>), e-commerce system of St. Petersburg Stock Exchange (<http://www.spbex.ru>).

In 2014, the Company used electronic trading website to make 1,454 purchases totaling RUB 10,388.54 million, including VAT, which made up 97.1% of total purchases, or 98.8% of total purchases in value terms (excluding purchases from a single source).