

# Procurement activities

Russian Railways performs procurement activities in accordance with the Regulation on the Procurement of Goods, Work and Services for the Needs of Russian Railways, which was drafted based on the requirements of the legislation of the Russian Federation, in particular:

- 1 Federal Law No. 223-FZ dated 18 July 2011 "On the Procurement of Goods, Work and Services by Certain Types of Legal Entities" (hereinafter Law No. 223-FZ);
- 2 Resolutions of the Government of the Russian Federation and other documents adopted pursuant to the requirements of Law No. 223-FZ.

Procurements by Russian Railways totalled RUB 1,150.0 bln in 2016. Procurements resulting from competitive procedures amounted to RUB 724.2 bln in 2016, or 63.0% of the total procurement volume, with procurements based on Russian Railways administrative documents making up RUB 227.0 bln, or 19.7%, and procurements on other legitimate grounds accounting for RUB 198.8 bln, or 17.3% (purchase of electricity, utility services and medical services, among other things).

The proportion of procurements from a single supplier (contractor) was 37.0% in 2016, or RUB 425.8 bln, or the same level as the previous year.

More than half of the contracts based on competitive procedures were concluded as part of electronic procedures (63.1%), which is 20% higher than the indicator for the same period of last year. Starting from 2016, procurements in electronic form are conducted both on the electronic platform of Russian Railways as well as the electronic platforms of Fabrikant and TEK-Torg.

In 2016, Russian Railways continued to improve procurement activities and accessibility to procurements for market participants. The Russian Railways website contains the necessary methodological materials on 'How to become a Russian Railways supplier', sample documentation forms, regulatory documents and recommendations to participants on the preparation of applications to participate in procurement procedures.

A number of measures were implemented during the reporting year to simplify the procedure for participating in procurements:

- the list of requirements for procurement participants

and the list of documents requested from participants were streamlined;

- a competitive selection was organised for the procurement of goods, work and services worth up to RUB 500,000;
- a mechanism was developed for feedback with suppliers, including the establishment of a hotline, a complaint review procedure and an information section on procurement activities issues on the Russian Railways website.

In order to attract small- and medium-sized enterprises (hereinafter SME) to the Company's procurements, the following measures were implemented over the last year:

- a list of goods, work and services that are procured from SME was finalised and posted on the Russian Railways website in the unified information system;
- the Russian Railways website created a section 'Information for SME' that contains information about support

measures for SME, a partnership programme with SME, a 'one-stop shop' for SME to submit proposals on innovative goods, work and services;

- procurements among SME started being held solely in electronic format and the cost of the electronic signature key was reduced;
- forums and seminars were organised for SME suppliers.

On 14 October 2016, the conference 'Procurements of Russian Railways. Open Dialogue' was held in Moscow with the participation of Russian Railways President Oleg Belozеров, Federal Corporation for the Development of Small- and Medium-Sized Enterprises CEO Alexander Braverman, the heads of core Russian Railways departments and business representatives.

The conference was attended by roughly 1,500 people, including more than 900 located in the auditoriums of 16 railways from Kaliningrad to Khabarovsk. As part of preparations for the meeting, more than 400 questions were received from suppliers

with responses posted on the Russian Railways website in the 'Tenders' section.

**As a result of improvements to procurement activities in 2016, the Company managed to:**

- increase the average number of participants from 2.0 (in 2015) to 2.7;
- reduce the Company's expenses and increase savings during procurements from RUB 4.7 bln (in 2015) to RUB 10.8 bln;
- comply with the standards set by the legislation of the Russian Federation for procurements from SME, in particular the volume of purchases, in which only SME can participate amounted to RUB 61.3 bln, or 21.1%, in 2016 with the required standard being 10%.

**RUB 1,150 bln**  
total volume of participants in 2016

**63.1%** of contracts  
were concluded based on electronic procedures

**RUB 10.8 bln**  
savings during procurements in 2016