

# Logistics and distribution

**Asset summary:**

**Sea fleet**

- six heavy ice-class vessels
- a sea-class diesel port icebreaker

**River fleet**

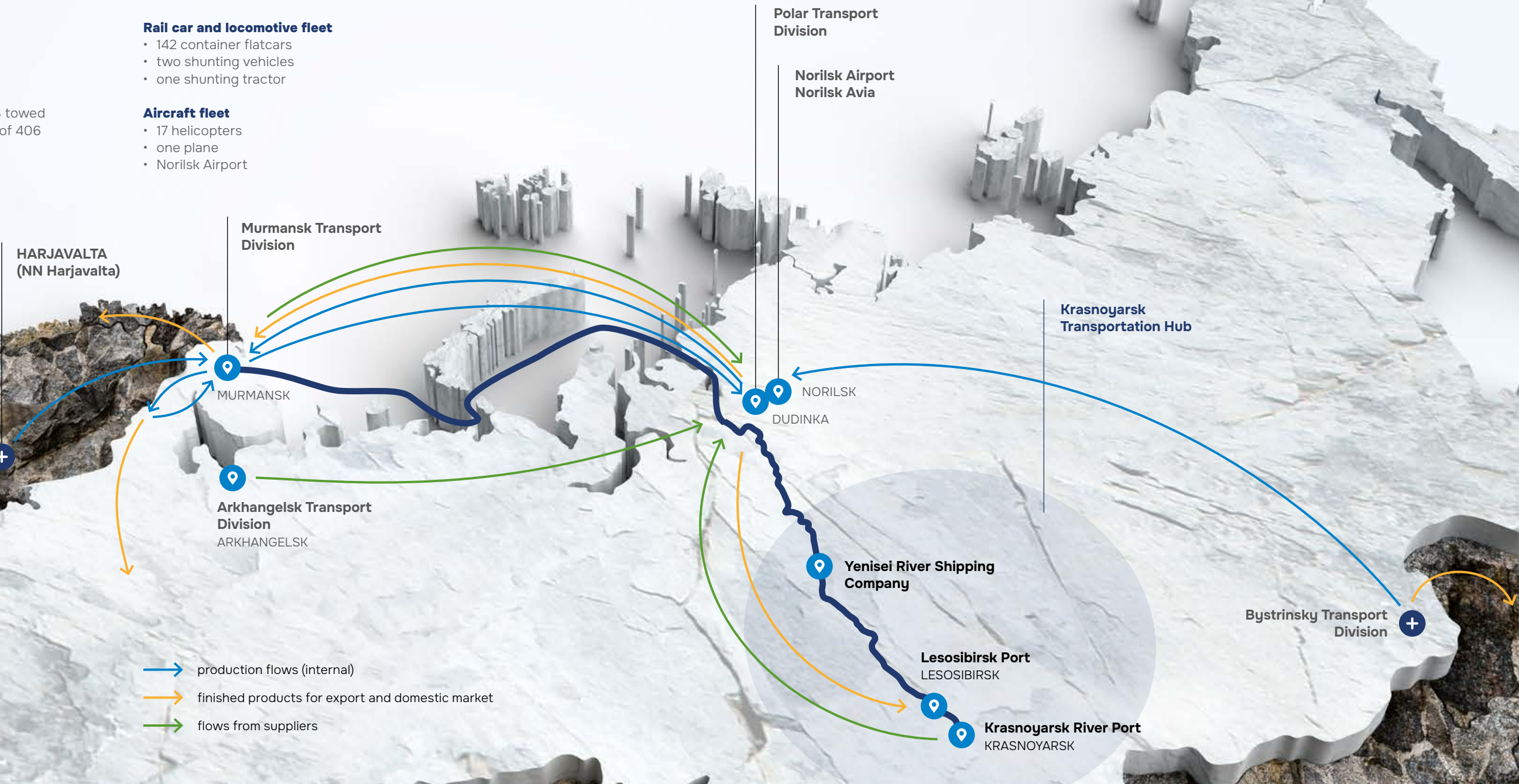
- 622 vessels (188 self-propelled and 434 towed vessels), including the active core fleet of 406 vessels
- a river-class diesel port icebreaker

**Rail car and locomotive fleet**

- 142 container flatcars
- two shunting vehicles
- one shunting tractor

**Aircraft fleet**

- 17 helicopters
- one plane
- Norilsk Airport



- ➡ production flows (internal)
- ➡ finished products for export and domestic market
- ➡ flows from suppliers

The **Arkhangelsk Transport Division** is responsible for smooth year-round transshipment services for Nornickel's cargoes via the Arkhangelsk sea port, which is conveniently linked to other Russian and foreign regions by road, air, and rail.

The **Krasnoyarsk Transport Division** is responsible for the transportation and forwarding of Nornickel's cargoes and for the carriage of precious metal concentrates.

**Nornickel-YRSC** was established in 2019 to coordinate the operations of the Krasnoyarsk and Lesosibirsk ports and Yenisei River Shipping Company, which operate a strictly seasonal service due to the Yenisei River freezing over in winter. When ice flows pass, the ports are used to transship Nornickel's cargoes to Dudinka, including crushed stone, clinker, materials, equipment, and socially significant cargoes (as part of the Northern Deliveries programme).

**Yenisei River Shipping Company** carries the bulk of Nornickel's and third-party cargoes shipped on the Yenisei River. The company owns over 600 river vessels, including self-propelled and towed ones. The fleet operates in the Yenisei, Angara, Nizhnyaya Tunguska, and Podkamennaya Tunguska Rivers, and their largest tributaries.

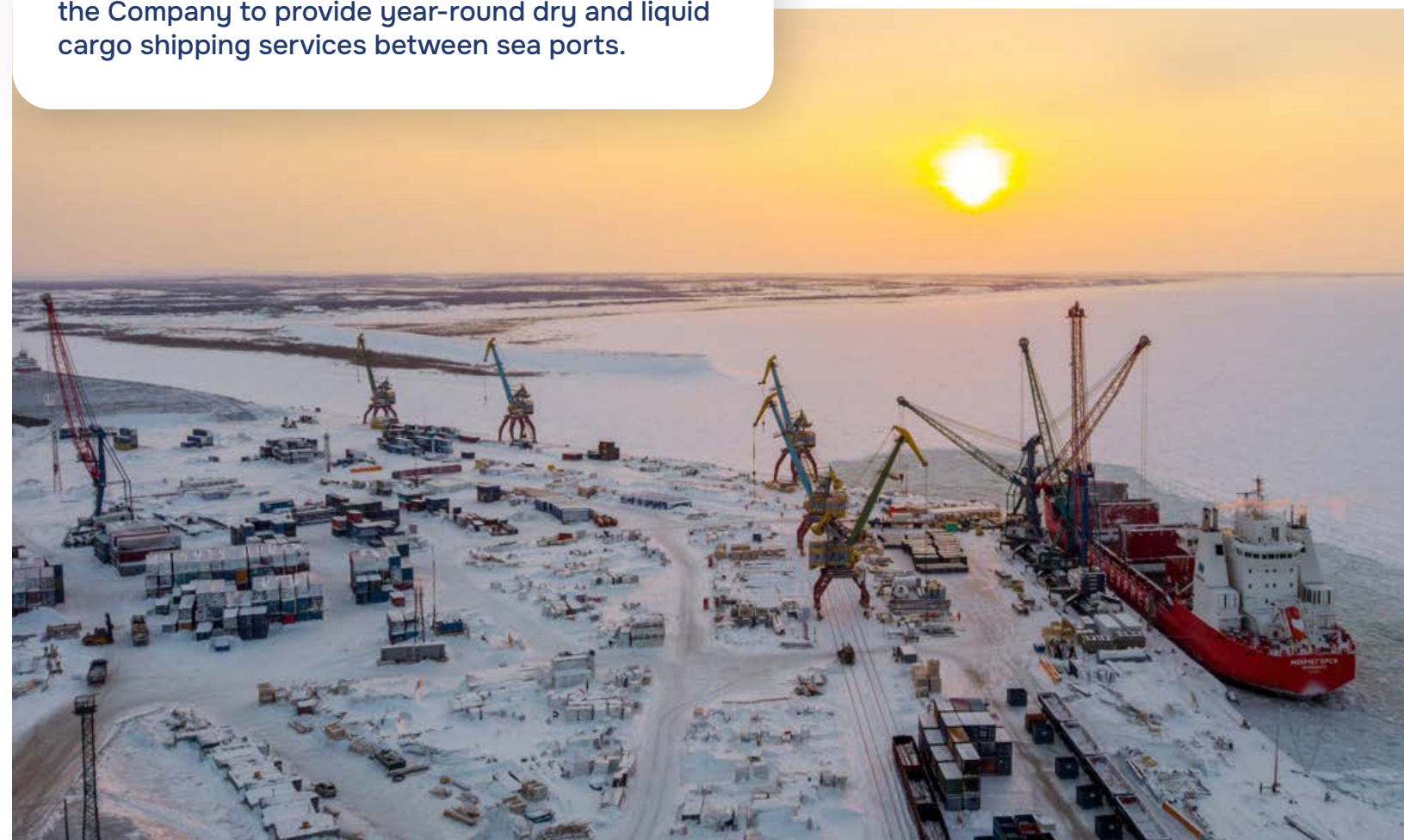
**Krasnoyarsk River Port** is one of the largest ports in the Yenisei basin. The port transships cargoes delivered by road, rail, and water. The port has three operating areas – Yenisei, Zlobino, and Peschanka.

**Lesosibirsk Port** is located 40 km downstream of the point of confluence of the Angara and Yenisei Rivers and downstream of the hard-to-navigate rapids. This secures the delivery of Nornickel's cargoes at times of low

water on the Yenisei and the use of fully loaded ships. The port's unique benefits:

- The only dedicated port on the Yenisei River capable of handling explosives with a storage option
- Offers year-round service (rail-to-road and road-to-rail cargo transshipment services in between navigation periods)
- Has access to the federal Baikal Highway (M53) via the Krasnoyarsk-Yeniseisk Highway
- A railway to Achinsk links Lesosibirsk to the Trans-Siberian Railway

**Nornickel has a unique Arctic fleet capable of breaking through Arctic ice up to 1.5 m thick without icebreaker support, which enables the Company to provide year-round dry and liquid cargo shipping services between sea ports.**



In 2023, Nornickel also shipped liquid cargoes, including by the Company-owned tanker, Yenisei. The transport services involved export of gas condensate from the Pelyatkinskoye field, delivery of petroleum products to the Norilsk Industrial District, and commercial trips to other destinations.

In addition to sea transportation with its own fleet of Arc7 heavy ice-class vessels, the Company engages a fleet of lower ice-class Arc4/Arc5 vessels to transport additional cargoes for major investment projects in Taimyr. These sea vessels require icebreaker escort in the Yenisei River, the Yenisei Bay,

and the Kara Sea between November and May, with three icebreakers providing this support.

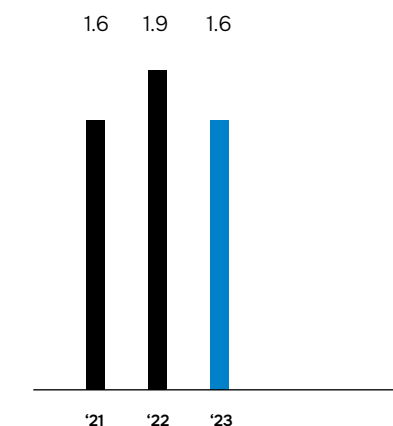
Nornickel signed a long-term contract with ROSATOM (valid until 2041 and renewable until 2051) to engage a nuclear-powered Project 22220 icebreaker with a shaft power of about 60 MW to make sure the Company's strategic needs for icebreaker support are fully covered.

**The Company operates Dudinka Port** on the Taimyr Peninsula as well as a fleet of port service vessels, which includes towboats, motorboats, a bunker barge, and a floating crane. Dudinka Port is Taimyr's main cargo gateway with no reasonable alternative. In addition, Dudinka is the world's only port that gets flooded every year during the spring thaw. From November to May, its water area and the Yenisei River freeze over. At this period, Dudinka Port handles only sea vessels using icebreakers to de-ice the berths and provide support during manoeuvring and mooring operations. In May and June, during the flooding, the service is suspended to be resumed for sea and river vessels when ice flows pass and the water level goes down.

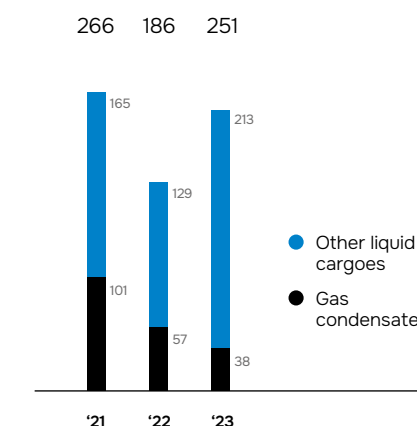
The port transships cargoes for the Norilsk Division and residents of the Taimyr Peninsula. In summer, river vessels deliver equipment and materials (sand, round timber, clinker, process materials, etc.) for production needs from Krasnoyarsk and Lesosibirsk. Converter matte and metal products are shipped by sea from Dudinka throughout the year.

To reduce its environmental footprint, the Company implements programmes aimed at reducing fuel consumption and preventing contamination of the Dudinka and Yenisei Rivers and finances the release of fry.

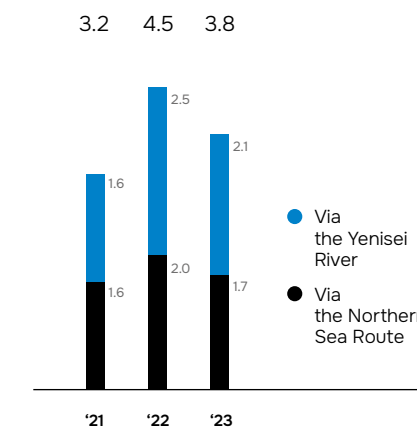
**Dry cargo transportation by fleet, MLN T<sup>1</sup>**



**Liquid cargo shipments, KT<sup>1</sup>**



**Cargo traffic at Dudinka Port, MLN T**



<sup>1</sup> Includes a third-party fleet

**Nornickel's own terminal in Murmansk** ensures year-round transshipment of the Company's finished metal products for export, acceptance of converter matte from Dudinka and its shipment by rail to the Kola Division, and shipment of semi-finished products to Dudinka for further processing at the Norilsk Division facilities as well as of cargoes to meet the needs of the Norilsk region. Along with sea transportation, the Company's Murmansk-based operations include transport and freight forwarding services, cargo transshipment and storage, as well as railway services between Murmansk and Monchegorsk.

The Company also owns the airline Norilsk Avia and Norilsk Airport, offering air transportation services to local communities across the Taimyr Peninsula. The air carrier has its own fleet of 17 helicopters and one aircraft and provides air services related to the operations of the Norilsk Nickel Group, emergency medical flights, search and rescue operations, and local passenger services.

Norilsk Airport is the only transport infrastructure facility that provides year-round connections between the Norilsk Industrial District and other Russian regions.

## Distribution

Nornickel's products are listed on the London Metal Exchange and the Shanghai Futures Exchange.

In 2023, the Company supplied its products to 28 countries around the world, with Asia becoming the leading consumer on total portfolio, although Europe retained the considerable share on some of the products. The share of supplies to the Russian market also increased.

### Sales and distribution strategy

As the world's largest producer of several metals, Nornickel sees distribution as one of its core activities alongside production. The key objective of sales and distribution is to ensure current and future liquidity across the entire product range.

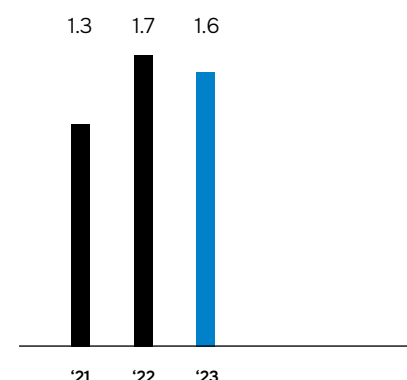
Nornickel places an emphasis on strong positioning within the end markets for its core products. The Group operates its own global network of sales offices in Russia, China, and Switzerland<sup>1</sup>.

The Company's market reach enables it to respond promptly to the needs of these offices in terms of product quality and services as well as to changes in the market environment and other external conditions affecting sales and distribution. Nornickel favours direct sales to industrial customers while also engaging other professional market participants willing to partner with the Company to promote its products.

Nornickel has traditionally positioned itself as a responsible supplier promoting the sustainable development of end markets for its core products. Consumers can rely on Nornickel for a stable supply of and unrestricted access to consistent-quality products in the volumes required by the market, whatever the external challenges.

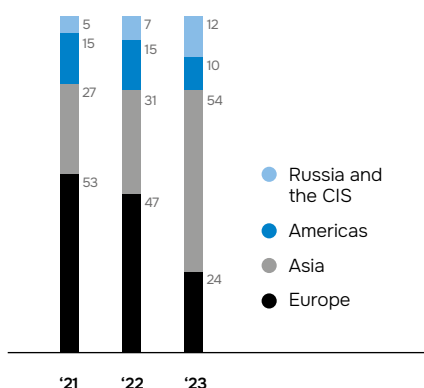
**The Company's nickel product sales mix** matches the global nickel consumption mix, with the production of stainless and specialty steels and alloys as well as electroplating as its main segments. At the same time, the battery sector is increasingly gaining importance.

**Cargo traffic at the Murmansk terminal, MLN T**



**28 COUNTRIES** getting supplies of Company products in 2023

**Revenue metal sales by region, %**



To capture the expected mid- and long-term growth in nickel demand from the battery sector, Nornickel continues implementing a number of initiatives to enhance and expand its existing product range supporting the battery supply chain. Growing Indonesian nickel supply could limit implementation of these initiatives. Nevertheless, the competitive advantages of Norilsk Nickel products, such as their low carbon footprint and full compliance with generally accepted international environmental standards, make it possible to reach a certain presence in the market, which traditionally pays attention to the specified ESG metrics to ensure sustainable EV production.

This is a major competitive advantage of Nornickel's products that have one of the lowest carbon footprints and fully meet all internationally recognized environmental standards.

When it comes to **nickel products, the sales and distribution strategy** focuses on achieving a healthy balance between supplies to stainless steel producers and shipments to other industries to secure a stable position in the market.

Electric vehicles and batteries are a priority segment in the nickel consumption mix, as its growth rates suggest that in the long term, it can become the key source of demand for high-grade nickel. Given the Company's wide range of low-carbon nickel products, high reliability of supply, own global sales platform, and long-term experience of partnering with automakers and chemical companies, Nornickel sees itself as a key element in the development of the electric-vehicle market and related value chains. The Company is strongly focused on building long-term relationships with key market

participants and considers various forms of cooperation with the battery sector players. Nornickel also conducts research in battery recycling and works on developing integrated solutions for the future battery supply chain.

In the alloys, special steels and electroplating sectors, the Company seeks to maximise the use of its product portfolio advantages and improve product quality to boost its share in high-quality, premium segments.

The automotive industry and the production of other process catalysts, as well as the jewellery and medical products industries traditionally remain the key market segments for **platinum group metal (PGM) products**.

At the same time, Nornickel engages in various initiatives to further promote the use of palladium in various future industrial applications.

As the world's largest producer of palladium, the Company keeps favouring relations with big end consumers and key participants in **PGM market** to sustain strong demand over the long term. Nornickel is actively developing palladium applications in potential new technologies, including hydrogen energy, new chemistry, solar energy, and other areas to expand palladium usage going forward.

### Product sales

In 2023, Nornickel once again confirmed its reputation as a reliable supplier of high-quality products. The Company prioritises the offering of high-quality products and related services to maximise customer satisfaction. Procedures for managing substandard products are in place at Nornickel

production sites to ensure that no sub-par products are supplied to customers. The handling of such products, responses to customer complaints, and corrective actions are governed by documented procedures compliant with ISO 9001:2015. With regard to the procedure for acceptance of products by consumers, the Company is guided by the instruction on the procedure for acceptance of products in terms of quantity and quality, as well as by the product supply contract.

Every year, the Company conducts customer satisfaction analysis in line with ISO 9001 to get feedback from its customers. Customer feedback is reviewed and incorporated into initiatives to improve product and service quality. Nornickel is committed to continuous improvement. The integrated index of customer satisfaction with the Company's products and services was fully in line with our target for 2023.

Despite the geopolitical challenges and related logistical issues, the Company successfully met all its obligations to customers in 2023, having never failed to deliver on its commitments. This solid performance was to a large extent driven by Nornickel's long-standing policy of independent positioning in the market and building direct relationships with market players.

In 2023, we developed and set up backup routes to ensure uninterrupted product supplies to consumers. In addition, during the year, Nornickel retained considerable part of its customers and established new relationships in new markets, promptly adding them to the Company's customer portfolio.

<sup>1</sup> The US-based sales company was sold to an independent operator in 2023.

**Consumer personal data protection**

Protection of personal data at Nornickel is governed by the Regulations on Personal Data Protection and the Personal Data Processing Policy developed in line with legal requirements. Documents provided by consumers and containing personal data,

among other information, are stored in the information system in line with applicable data protection requirements.

**In 2023, there were no data-related incidents involving consumers personal data.**

**Procurement and responsible supply chain**

**Approach to management**

Nornickel takes a responsible approach to attracting suppliers and consumers, prioritising partners who comply with applicable laws and regulations, ensure safe working conditions, and care for the environment. The Company expects its suppliers to comply with international best practices and standards in sustainability and environmental stewardship.

To mitigate operational and financial risks and costs, reduce working capital, and improve supply reliability and cadence, the Company applies procurement policies. As of the end of 2023, there were 48 category procurement policies in place, four of which were updated during the year.

In the reporting year, the Company also approved a programme to improve procurement efficiency aimed at:

- optimising the costs of inventory, works, and services (zero inflation)
- meeting working capital targets in terms of inventory reduction
- increasing supplier competition
- increasing transparency and strengthening control of procurement procedures.

**Procurement**

**Nornickel engages with suppliers via open tender procedures. Nornickel’s procurement system focuses on timely and fully meeting the Company’s needs for required materials and services of specified quality and at an acceptable price.**

The following key documents guide supply chain and procurement management at Nornickel:

- ✓ [Business Ethics Code](#)
- ✓ [Human Rights Policy](#)
- ✓ [Supplier Code of Conduct](#)
- ✓ [Responsible Sourcing Policy](#)
- ✓ [Internal corporate procurement standards](#)

**Procurement process**

Nornickel’s procurement process is certified to international standards ISO 9001 and ISO 14001.

The Company procures over 40 aggregated purchasing categories, from heavy industrial equipment to food. In doing so, Nornickel provides equal competitive opportunities for large, medium, and small businesses alike, guided by generally accepted standards of fair business practices and the principles of avoiding conflicts of interest. To maximise procurement effectiveness and transparency, the Company’s procurement activities are mostly centralised at its Head Office through automated systems and electronic trading platforms.

Depending on the budgeted cost, procurement can follow a tendering, simple, or simplified procedure. Based on the materiality and parameters of purchases, the qualification results and the winning bidder in the procurement process are approved by the collective procurement body composed of representatives from various functions of Nornickel. The contract with the winning bidder is signed in accordance with the approved results of the procurement procedure.



[All details of the Group’s centralised procurement transactions are published on the Company website.](#)

In 2023, procurement by collective bodies of the Head Office (tender committee, tender commissions) amounted to about RUB 99 billion.

As the Company aims to work with reliable suppliers meeting their obligations regarding delivery dates and

**Nornickel has in place a hotline that can be used by any stakeholder to report any violations.**

the quantity and quality of products supplied, during the procurement procedure, all suppliers undergo mandatory qualification screening against formalised criteria and rules.

Nornickel gives preference to local suppliers to provide social support to its operating regions. Along with

To raise market awareness and attract new suppliers, the automated management system (SAP SRM) was integrated with the TEK-Torg electronic trading platform. Information on procurement by the Company’s Russian subsidiaries is also published on the TEK-Torg platform.

**Nornickel has in place a supplier relationship management (SRM) system to drive seamless and effective engagements with suppliers.**

saving jobs, this policy supports unique enterprises whose continuous operation is essential to both the well-being of their employees and the social fabric of local communities.

**Supplier engagement**

Efficient and convenient communications with suppliers at Nornickel are enabled through its SRM procurement management system that gives suppliers anytime access to information about the Company’s procurement procedures. As at 2023-end, over 11 thousand potential suppliers were accredited in the system. The Company also engages with original equipment manufacturers (OEMs) to accredit them on this e-platform.

Sign-up for the supplier relationship management (SRM) system is free of charge and does not impose any obligations on users.

One of the channels used by the Company to interact with suppliers is the Suppliers section on its website, containing key information on the procurement principles and procedures, planned needs, as well as announcements and invitations to participate in tenders.

Nornickel procurement specialists are active members of the professional community in their respective purchasing categories, attending industry exhibitions and participating in conferences.

The Company's priority in driving supplier engagement is to provide robust feedback mechanisms, which are also implemented, improved, and enhanced in the supplier's personal account in SRM. Designed for communicating with counterparties during contract execution, the system is continuously improved to optimise and boost performance for all users. Suppliers can get updates on Nornickel's procurement procedures and opportunities by communicating online with procurement teams in all product categories in Nornickel's SRM procurement management system.

In their personal accounts, counterparties can manage the documents generated for contract purposes, track work stages, and exchange files and instant messages with contract owners to request clarifications and accelerate communication. The service helps to keep suppliers better informed about contract execution progress while also ensuring transparency of transactions and significantly speeding up daily communication between the parties. All supply terms and conditions are specified in the contracts or agreements signed with suppliers.

The supplier's personal account also enables sign-up for other services, such as electronic document management, factoring, and dynamic discounting, forging a stronger partnership.

Nornickel is also working on expanding and supplementing the list of services and consolidating them in the personal account to develop relationships with counterparties.

In addition, the Company has implemented and is operating an electronic document management solution for suppliers to speed up mutual settlements and add transparency to the process.

**If a counterparty faces difficulties signing in or using the system, they can seek help and advice**

- ✉ via e-mail at [suppliers@nornik.ru](mailto:suppliers@nornik.ru)
- 📞 or by phone at +7 (495) 783-00-45 ext. 6 (for calls within Moscow)
- 8 (800) 700-59-11 ext. 6 (toll-free federal number)

**ESG factors in the supply chain**

Nornickel seeks to create a common information space and set of values with its suppliers. The Company employs a proprietary multi-tier system to evaluate its suppliers. The criteria for review, evaluation, and re-evaluation of external suppliers have been determined in line with the requirements of ISO 9001:2015 Quality management systems. Nornickel is particularly focused on building relationships with suppliers whose equipment is unique and critical for the stable operation of the Company's production facilities.

In 2021, the Company approved its Responsible Sourcing Policy covering all of Nornickel's activities related to supplier selection in the supply chain of raw materials, goods, and services. The purpose of the Policy is to define the approach to responsible sourcing and declare standards and principles to be followed by the Company and its suppliers.

Together with the Policy, the Company approved its Supplier Code of Conduct, which encourages the Company and its business partners to introduce procedures for responsible sourcing in accordance with ESG requirements in all of Nornickel's supply chains.

Provisions of the Policy and the Code are included in contracts with suppliers: contract templates were supplemented with a clause on ESG compliance, which, in particular, provides for access to Nornickel's Corporate Trust Line for feedback.

In 2021, the Company developed a due diligence management system (DDMS) for metallic mineral suppliers and started rolling it out in stages. In the reporting period, the system was rolled out to all production assets. The DDMS is focused on identifying potential risks affecting the sustainability of business processes in the mineral supply chain while also minimising risks of human rights violation, corruption, and misinformation about minerals, as well as risks relating to illegal control of mines and support for non-state armed groups.

The Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and a five-step model for risk-based due diligence on supply chains by the Organisation for Economic Co-operation and Development (OECD) provided a methodological framework for developing the DDMS.

The DDMS is driven by the following requirements and recommendations:

- London Metal Exchange responsible sourcing policy
- Standards and principles of leading sustainable development initiatives in the industry: ICMM, IRMA, RMI, and JDDS, as well as the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains of the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCMEC)
- Requirements of the Company's customers.

The Company's plans and progress towards building a responsible supply chain are disclosed in the Responsible Supply Chain Report, first published in 2023 to cover 2021 and 2022; in 2024, the Responsible Supply Chain Report will disclose 2023 data.

In 2023, Nornickel expanded the scope of its ESG assessment of suppliers to include all categories of suppliers, including non-mineral suppliers. The Company piloted an ESG assessment survey of selected major suppliers of goods, works, and services using a Supplier Self-Assessment Questionnaire (SSAQ) that included sections on environmental, social, and governance (ESG) issues. The purpose

was to measure their compliance with the requirements of the Supplier Code of Conduct.

According to the survey findings, the average level of suppliers' compliance with the requirements is 68%. The counterparties were sampled so that 90% were non-public companies, which suggests that the 68% compliance rate is a fairly strong ESG performance. In 2024, the Company plans to expand the counterparty survey sample.

Given the risk of potential negative environmental impact of cargoes in transit, the Company's master agreement sets explicit requirements for cargo packaging. Goods to be shipped must meet the cargo standards and requirements of GOST 26653-2015 Preparation of general cargoes for transportation and GOST 15846-2002 Production for transportation to the areas of the Far North and similar regions. Packaging, labelling, transportation, and storage. Mandatory requirements are established for the transport containers and product packaging that should ensure cargo integrity during multiple transshipments and transportation to the Far North.

Environmental impact is assessed throughout the life cycle of procured products: production, transportation, storage, use, and disposal. Nornickel requires its contractors to have a functioning environmental management system in place and to ensure that all services and products delivered by them comply with local environmental laws.