



# Procurement Management

**GRI 3-3**

## Management Approach

Creating and developing a sustainable procurement system is one of the most important and prioritized tasks of our Company. For this purpose, we constantly improve our documents, introduce innovations, automate the procurement process and train our personnel.

**The Company's procurement activities are based on the principles of:**

- optimal and efficient expenditure of funds;
- openness and transparency, while respecting the rights and/or legitimate interests of suppliers to trade secrets (until the tender results are finalized);
- fair competition and prevention of collusion between participants;
- responsibility of procurement participants;
- prevention of corrupt practices;
- supporting domestic producers of goods, domestic suppliers of works and services if it does not contradict international treaties ratified by the Republic of Kazakhstan;
- acquisition of innovative and high-tech goods, works and services;
- providing equal opportunities for suppliers to participate in procurement procedures, except as provided by the Law;
- observance of intellectual property rights.

Documents regulating the Company's procurement activities:

- Law of the Republic of Kazakhstan 'On Procurement of Certain Entities of the Quasi-Public Sector';<sup>17</sup>
- Procedure for procurement by Samruk-Kazyna JSC and legal entities, fifty or more percent of voting shares (participatory interests) of which directly or indirectly belong to Samruk-Kazyna JSC on the right of ownership or trust management.<sup>18</sup>

Improvement of procurement procedures is carried out by the Authorized Body for Procurement. Relations with suppliers and potential suppliers are carried out in accordance with the Law and the Procedure, after the conclusion of the contract, relations are regulated by the civil legislation and the contract. All requirements to the quality of goods, works and services (GWS) are established by the technical specification and the contract. Contracts obligatorily provide for reporting on the share of in-country value, penalties and other reports.

To ensure and increase the level of transparency and efficiency of procurement procedures, all procurement of Samruk-Energy JSC is conducted on the web portal of procurement of Samruk-Kazyna JSC ([zakup.sk.kz](http://zakup.sk.kz)), designed for procurement procedures, collection of reports, evaluation and qualification of suppliers.

<sup>17</sup> Decision of the Board of Directors of National Welfare Fund Samruk-Kazyna JSC Protocol No. 193 dated March 3, 2022.

<sup>18</sup> Law of the Republic of Kazakhstan 'On Procurement of Certain Entities of the Quasi-State Sector' No. 47-VII LRK of 8 June 2021.



## Import substitution program

In pursuance of the strategic objectives to stimulate the development of the national economy set by the Head of State and the Government of the Republic of Kazakhstan, Samruk-Kazyna JSC carries out large-scale work to create new competitive domestic industries in the field of processing industries.

In order to implement this task, the Fund implements the Program for Assistance to the Creation of New Productions (Import Substitution) (the Program) fo-

cused on import substitution of goods purchased by the Fund's Group on a permanent basis.

The Program provides for the conclusion of offtake contracts for the procurement of goods. Within the framework of the Program implementation in 2023, 11 offtake contracts were concluded for the Group of companies of Samruk-Energy JSC for the total amount of more than KZT 2.5 billion in 2023.

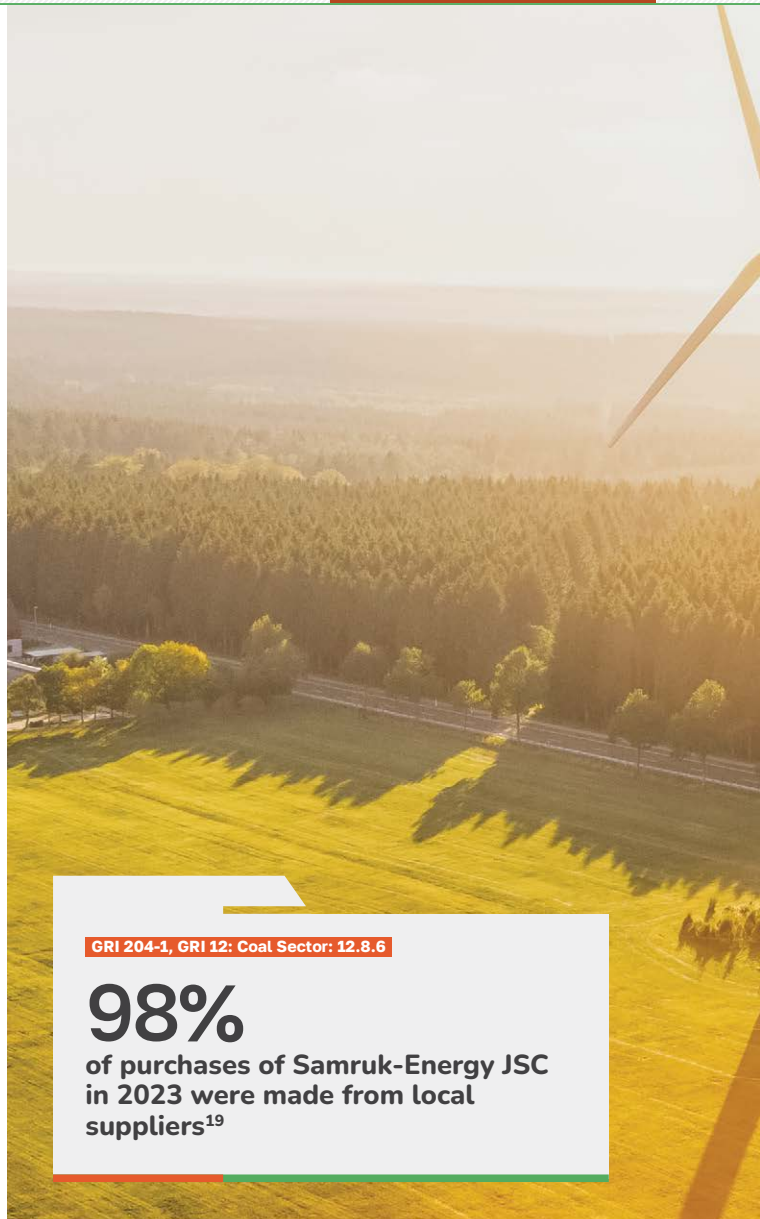
GRI 2-6

## Category procurement management

The procurement category management process provides for optimization of procurement activities. The concept of category management of procurement is based on the reduction of total cost of ownership indicator — reduction of GWS category costs throughout the life cycle of its ownership, not only direct procurement costs, which allows choosing the most modern and cost-effective solutions. The changes introduced in procurement activities have a positive impact on procurement prices and quality of procured GWS, as well as contribute to the development of domestic commodity producers.

For example, as part of the procurement category strategy for 'Tires,' the procurement of large-size tires installed on dump trucks used for transporting overburden and coal at the Bogatyr Komir LLP mine is carried out. In 2023, large-size tires with the highest warranty mileage were purchased, which reduced the downtime of dump trucks and the frequency of tire replacement. This initiative not only provides an opportunity to procure quality tires at optimal prices, but also achieves high benefit potential.

During the period of implementation of the procurement categorization strategy, an actual economic effect of KZT 5.6 billion was achieved.



GRI 204-1, GRI 12: Coal Sector: 12.8.6

**98%**  
of purchases of Samruk-Energy JSC in 2023 were made from local suppliers<sup>19</sup>

### Share of suppliers by the Group of companies of Samruk-Energy JSC

Indicator	Total	Local suppliers
Number of suppliers, pcs.	3,898	3,836
Amount of purchases, KZT billion	269	263

### Amount of contracts concluded by the Group of companies with suppliers, KZT billion

Indicator	Amount, KZT billion	Share of local suppliers, %
Procurement conducted through the single-source procurement method	144	53
Procurement conducted by request for quotations method	12	4
Procurement conducted through open tenders	113	42

<sup>19</sup> The Company operates in Kazakhstan, therefore a significant place of business is the Republic of Kazakhstan. By 'local' the Company means the relevant territory of presence.



### Share of in-country value (local content)<sup>20</sup> (hereinafter – IVC ), in GW supply, KZT billion

Indicator	2020		2021		2022		2023	
	total supply	% IVC	total supply	% IVC	total supply	% IVC	total supply	% IVC
Goods	168.78	79	187.63	89	174.89	78.42	145.78	66
Works and services	104.66	79	144.45	93	127.06	93	207.57	92
<b>Total</b>	<b>273.44</b>		<b>332.08</b>		<b>301.95</b>		<b>353.35</b>	<b>81</b>

Decrease in the share of in-country value in goods is due to the introduction of the model of the Unified Purchaser of electric energy represented by SFCS of RES LLP and impossibility to separate Kazakhstan electric energy from the total volume of purchases. Thus, the data on FVC are presented without purchases with application of special procedure (electricity).

<sup>20</sup> Share of in-country value (local content) - percentage of the value of labour remuneration of the citizens of the Republic of Kazakhstan involved in the execution of the procurement contract from the total labour remuneration fund under this contract, and (or) the value of the share (shares) of in-country origin established in the goods (goods) in accordance with the criteria of sufficient processing or full production by residents of the Republic of Kazakhstan from the total value of goods (goods) under the procurement contract.