

Sustainability training

KMG pays special attention to meeting ISO requirements in such areas as quality, environment, health and safety, energy efficiency, sustainable development, and management systems.

For example, training sessions titled “Internal Auditor of Integrated Management System in accordance with ISO 9001, ISO 14001, ISO 145001 and OHSAS” were attended by 12 employees of the Corporate Centre and 271 employees of subsidiaries and associates. We also held training sessions on risk assessment skills for 51 employees of the Corporate Centre and 1,175 employees of subsidiaries and associates.

Today, one of the main strategic goals of KMG is to reduce emissions and save energy. To deliver on this goal, our employees are actively trained in this area. In 2023, 80 employees of the Corporate Centre and subsidiaries and associates received training in methane emissions in the oil and gas sector; energy saving, renewable energy sources, and low-carbon development.

New Procurement and Supply Management Procedures at Samruk-Kazyna and E-Procurement IT System 2.0

As part of its transparency policy, the Company pays special attention to procurement activities. To enhance the competencies of procurement professionals at KMG Group's Corporate Centre and subsidiaries, we launched

a dedicated programme – New Procurement and Supply Management Procedures at Samruk-Kazyna and E-Procurement IT System 2.0.

So far, the programme has covered over 594 employees from 28 KMG companies.

Electronic library of production equipment and process documents

To create a unified database of technically sophisticated devices and equipment and provide information support, we delivered a joint project together with KMG Engineering to put in place an electronic QR-code-based library of production equipment and process documents. Our employees can now benefit from free remote access to the database of sophisticated devices and their specifications through the use of QR codes, which are scanned by image processing devices to obtain the necessary information on the availability of equipment at enterprises. One can easily generate a QR code to get information on technically sophisticated devices at enterprises in no time without making enquiries to the dedicated divisions of KMG's subsidiaries and associates.

For more details on employee training, see [KMG's Sustainability Report](#)

Supplier relations

Procurement system

Ensuring efficient procurement while striving to comply with sustainability principles is an integral part of KMG's activities, which contributes to the achievement of strategic and operational goals.

The key principles of KMG Group's procurement activities include compliance with laws and internal requirements, transparency of procurement procedures, promotion of fair competition, and provision of equal opportunities for counterparties. At the same time, KMG implements a number of initiatives in procurement to support domestic manufacturers as part of the Programme to Promote the Modernisation of Existing and Creation of New Production Facilities.

Procurement management at KMG companies is governed by two documents:

- Law of the Republic of Kazakhstan No. 47-VII ZRK On Procurement by Certain Quasi-Public Sector Entities dated 8 June 2021 (the “Law”), which became effective on 1 January 2022. The Law sets out the key principles and conditions of procuring goods, works, and services required for the business and statutory operations of companies from the quasi-public sector, including those owned by Samruk-Kazyna;
- Procedure for Carrying out Procurements by Joint-Stock Company Sovereign Wealth Fund Samruk-Kazyna and Companies Where JSC Samruk-Kazyna Directly or Indirectly Holds Fifty or More Percent of Voting Stock (Equity Stake) on the Right of Ownership or Trust Management (the “Procedure”), approved by Resolution of the Fund's Board of Directors No. 193 dated 3 March 2022. The Procedure was developed in furtherance of the Law's Article 14 and sets out key procurement principles and approaches, the general procurement management procedure, procurement management competence of the Fund and the Fund's operator for procurement, main requirements for procurement processes, the definition of applicable procurement methods, and grounds for the application of single-source procurement, while also specifying the procurement processes¹ related to procurement category management, procurement planning, supplier selection and management, and management of supply contracts.

To maintain and enhance transparency and efficiency in line with the most advanced international procurement standards and technologies, KMG Group uses the E-Procurement IT System portal (the “E-Procurement IT System”) providing unhindered access (with certain exceptions, primarily related to state secrets) to procurement information to all stakeholders and ensuring equal opportunities for all participants in the procurement process.

The E-Procurement IT System enables automation and standardisation of all procedures within the procurement cycle (from planning to contract management) to cut the time needed to perform relevant tasks and reduce human factor. E-procurement facilitates market access and thus contributes to improved efficiency, increased competition and reduced administrative burden and operating expenses.

In addition to the public dissemination of information on procurement procedures and procurement contracts, including details of invitations to bid and the terms and conditions of contracts, the E-Procurement IT System envisages the advance establishment of requirements for participation in a competitive procurement, including selection criteria, bidding rules and publication thereof, while ensuring an efficient internal control system, including challenging the results of procurement in case of non-compliance with the rules or procedures established by regulations.

Sustainable procurement

KMG's sustainability principles are reflected in its interactions with counterparties based on legitimacy and transparency, compliance with contract terms, incorruptibility, and intolerance of corruption in any form, and selection of counterparties based on a mix of factors: best price, quality and terms, as well as the counterparty's business reputation.



¹ Among other things, the specifications include applicable terms and requirements for the applicable documents and procedures.

KMG, in turn, imposes on its counterparties obligations to comply with the sustainable development (ESG) principles:

- 1) environmental responsibility (E) – environmental protection in line with applicable laws of the Republic of Kazakhstan;
- 2) social responsibility (S) – fair treatment of employees, no child labour, safe working conditions;
- 3) corporate governance (G) – compliance with laws and quality management systems, adherence to other principles of ethical conduct.

These conditions are included in contracts signed by KMG with its counterparties to guarantee respect of labour rights and create favourable working conditions for citizens of the Republic of Kazakhstan, protect children's rights and ensure environmental safety. KMG believes that these measures help reduce the number of cases of illegal activities at companies cooperating with KMG.

When procuring goods, KMG also establishes requirements for potential suppliers to provide quality management system certificates.

Competitive procurement, KZT bln, net of VAT¹

Year	Goods		Works and services		Total	
	Total amount	Share, %	Total amount	Share, %	Total amount	Share, %
2019	169	12	326	23	495	36
2020	168	15	252	23	420	38
2021	162	15	285	27	447	42
2022	237	23	275	26	512	49
2023	302	25	320	26	622	51

The total volume of goods, works and services supplied, including long-term procurement contracts, and the share of in-country value

Year	Goods		Works and services		Total ²	
	Total amount, KZT bln	Share of in-country value, %	Total amount, KZT bln	Share of in-country value, %	Total amount, KZT bln	Share of in-country value, %
2021	273	57	943	85	1,216	78
2022	410	58	1,290	90	1,700	82
2023	606	50	1,580	88	2,186	77

The year-on-year 8% decrease in the share of in-country value for goods in 2023 was caused by the purchase of imported diesel fuel worth KZT 64 bln to meet the needs of the domestic market. The 2% decrease in works and services was due to the construction of the 2nd line of the Astrakhan–Mangyshlak water

Total procurement volume

The total procurement volume in 2023 under the annual procurement plan amounted to KZT 1,231 bln, net of VAT.

Reducing supplies from a single source and increasing the share of competitive procurement play an important role in KMG's procurement activities. Competitive procurement includes open tenders, requests for quotations, e-procurement, and commodity exchanges. In 2023, competitive procurement under KMG Group's annual procurement plan amounted to KZT 622 bln. Over the past three years, the share of competitive procurement has reached 51%, which demonstrates KMG's commitment to fair competition and sustainable development goals. Non-competitive, single-source procurement is made in exceptional cases where it is impossible to procure goods on a competitive basis.

pipeline worth KZT 99 bln, with a low share of in-country value for tubular products. The low share of in-country value for tubular products can be explained by the fact that the sole manufacturer, ArcelorMittal Tubular Products Aktau, lacks the production capacity to cover the entire project scope.

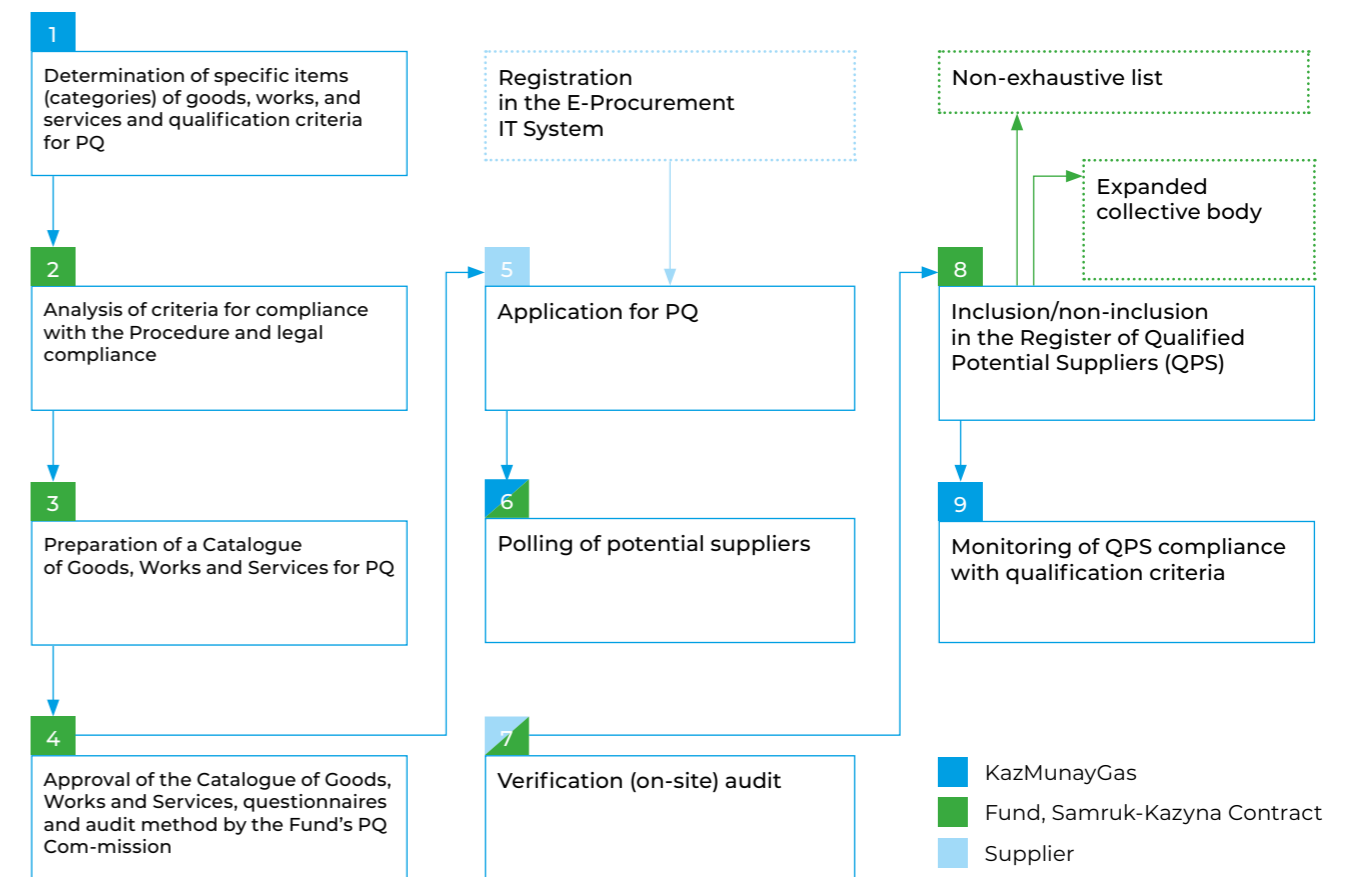
Pre-qualification of potential suppliers

Continuous improvement in procurement with a focus on the requirements and standards applied in Kazakhstani and international practices is one of KMG's priorities. Pre-qualification of potential suppliers is an effective tool for addressing this need.

Pre-qualification (PQ)³ is the questionnaire- and audit-based process of evaluating potential suppliers for compliance with the qualification requirements defined in accordance with the Procurement Procedure.

The key objectives of PQ are to identify qualified suppliers selected on the basis of formal criteria, and to improve procurement efficiency with respect to the goods, works, and services sourced for the needs of the Fund's portfolio companies².

PQ procedure



From 2020 to 2023, the Fund's PQ Commission approved 24 categories of goods, works, and services that can be procured by KMG's subsidiaries and associates through open tenders held among bidders pre-qualified in line with the PQ procedure.

Additionally, in 2023 KMG drafted and submitted to the qualification body the PQ qualification criteria for 16 categories of goods, works, and services. These categories are currently being harmonised and approved by the Fund's PQ Commission.

¹ Competitive procurement includes open tenders, requests for quotations, e-procurement, and competitive negotiations.

² The share of in-country value factors into procurement conducted under special procedures.

³ After completion of the PQ procedure and subject to the approval by the qualification body's commission, potential suppliers are included in the Register of Qualified Potential Suppliers publicly available at Samruk-Kazyna's procurement portal.

Category-based procurement

Procurement category management is the process of developing a comprehensive approach to reducing costs associated with procurement and the use of goods, works, and services included in priority categories.

Categorisation implies combining goods, works and services into procurement categories on the basis of common characteristics of procurement items and/or a single market of potential suppliers. Categories may include one or more items of goods, works, and services. Categories characterised by a high cost, criticality, savings potential, and manageability are identified as priorities.

Category-based management helps increase the potential for savings through a more detailed analysis by developing and approving a category-based procurement strategy. This strategy determines an optimal approach to purchasing goods, works, and services based on maximisation of benefits in the long or short term. Category-based procurement should contain goals and objectives, internal and external environment analysis,

approaches to procurement category management, requirements for supplier development, calculation of benefits, and an implementation plan.

Category-based management results in significant reduction of the cost of purchase and use of goods, works, and services through strategic planning, a detailed analysis of goods and services to be purchased, and calculations of the total cost of ownership, as well as cross-functional interaction with various business units. This method of procurement is effective in that it provides both quality and a transparent price by engaging reliable manufacturers and suppliers.

Procurement category management includes:

- categorisation of goods, works, and services to be purchased and identification of priority procurement categories;
- development (update) and approval of category-based procurement strategies for priority categories;
- implementation of category-based procurement strategies;
- monitoring of the implementation of category-based procurement strategies;
- supplier development.

Category-based procurement volume and benefits by year, 2018–2023, KZT mln

Indicator	2018	2019	2020	2021	2022	2023
Category-based procure-ment volume	13,948.38	41,531.68	49,716.04	109,447.54	93,618.92	115,545.23
Category-based procure-ment benefits	1,565.01	4,101.81	7,011.23	13,109.53	8,435.32	7,534.63

Import substitution

As a company representing the interests of the government in the oil and gas industry, KMG is actively working to promote import substitution in procurement under Law of the Republic of Kazakhstan No. 47-VII ZRK On Procurement by Certain Quasi-Public Sector Entities dated 8 June 2021 (Procedure for the Conclusion and Execution of Off-take Agreements (Programme to Promote the Creation of New Production Facilities) (the "Programme"). The Programme's primary objective is to support private entrepreneurs who launch new production facilities (especially in the regions

For reference:

Year	Number	Amount, KZT mln
2019	10	270
2020	41	686
2021	49	388
2022	56	791
2023	64	1,687
Total	220	3,031

of operation) and undertake technological upgrades to manufacture currently imported products sought by Samruk-Kazyna Group.

Off-take agreements provide for the implementation of import substitution projects with a condition precedent stipulating the purchase and delivery of goods to be manufactured in Kazakhstan as a result of the project.

As of 31 December 2023, KMG's subsidiaries and associates entered into **64** off-take agreements for a total of **KZT 1.68 bln**

In 2023, under paragraph 6 of the Nationwide Action Plan to implement the Address of the Head of State to the people of Kazakhstan "Economic Course of Fair Kazakhstan" delivered on 1 September 2023, approved by Presidential Decree No. 353 dated 16 September 2023, new KPIs were developed and approved for KMG enterprises to achieve "the share of off-take agreements in the procurement of goods" in the amount of 10% in 2024.

