

Procurement practices

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The Company has built an efficient procurement system based on the principles of information openness, transparency, equality, and development of fair competition.

In 2023, procurement activities in KEGOC JSC were carried out in accordance with the Procedure for procurement by Samruk-Kazyna JSC and organizations, fifty or more percent of voting shares (participatory interests) of which are directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management, approved by the Board of Directors of Samruk-Kazyna JSC.

The priorities of procurement activities are:

- purchase of goods from organizations of disabled persons included in the Register of Disabled Persons’, Organizations of the Group of companies of Samruk-Kazyna JSC (individuals with disabilities engaged in entrepreneurial activities) producing the purchased goods;
- purchase of goods from producers of the goods to be purchased, which are included in the Register of producers of the Group of companies of Samruk-Kazyna JSC;
- procurement among qualified potential suppliers.

In procurement, the model of pre-qualification of potential suppliers is applied, i.e. the process of evaluation of potential suppliers for compliance with the qualification requirements defined in accordance with the above-mentioned procedure, carried out through questionnaires and audits.

During pre-qualification, potential suppliers are evaluated according to the following criteria:

- legal component;
- organization of the potential suppliers contractual work;
- resources of a potential supplier;
- ensuring the quality of goods, works, and services;
- project and risk management; occupational health and safety;
- environmental protection, etc.

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KEGOC JSC also took measures provided for by the procedure for supporting producers of goods purchased during procurements.

Potential suppliers may not participate in procurements conducted by the Company if:

- the potential supplier or its subcontractor (co-executor), or a consortium member is included in the register of unscrupulous participants of public procurement and (or) in the register of unscrupulous participants of procurement, and (or) in the list of unreliable potential suppliers (vendors) of Samruk-Kazyna JSC, and (or) in the list of debtors, in respect of which a court decision to declare them bankrupt has entered into legal force;
- the potential supplier and (or) the subcontractor (co-executor) engaged by it, and (or) their manager, and (or) founders (shareholders) are included in the list of organizations and persons connected with financing of terrorism and extremism, or in the list of organizations and persons connected with mass destruction proliferation, financing of weapons of mass destruction, in the order established by the Law of the Republic of Kazakhstan ‘On counteraction to legalization (laundering) of proceeds of crime and financing of terrorism’;
- the potential supplier and (or) the subcontractor (co-executor) engaged by it, and (or) their founders (shareholders) are legal entities, whose place of registration is a state or territory included in the list of states with preferential taxation approved by the authorized state body in charge of ensuring the receipt of taxes and other obligatory payments to the budget.

In this regard, when conducting procurement procedures, potential suppliers are checked for the presence or absence of restrictions established by the Procedure.

Consideration of appeals/complaints of potential suppliers against actions (inaction) of the procurement organizer, tender commission, or expert procurement commission is also conducted. Based on the results of the review, decisions are made on confirmation/non-confirmation of the arguments set out in appeals/complaints.

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For the convenience of interaction with suppliers, procurement procedures are conducted through the electronic procurement portal of Samruk-Kazyna JSC (www.zakup.sk.kz), which ensures attraction of a larger number of suppliers of goods, works and services and a competitive environment that promotes the efficiency of procurement activities.

Purchases made by KEGOC JSC in 2023, KZT million

	KEGOC JSC	Energoinform JSC	Total
Goods (excluding electricity from near abroad, including the Russian Federation and the Kyrgyz Republic)	16,770	497.38	17,267.38
Works	5,510	43.47	5,553.47
Services	6,313	463.56	6,776.56
Electricity	25,657	37.54	25,694.54
TOTAL:	54,252	1,041.95	55,291.95

To support its suppliers in conducting their activities in the spirit of compliance with the principles of sustainable development and ESG, the provisions of the UN Global Compact, and the UN Sustainable Development Goals, the Company has developed the KEGOC JSC Supplier Code of Conduct, which has become an integral part of its contracts with suppliers.

All the Company’s suppliers are obliged to comply with this Code in order to work with KEGOC JSC. In accordance with the Code, the Company’s suppliers shall comply with the following:

- do not allow corruption offences in their work;
- prohibit their employees, representatives and subcontractors under agreements with the Company from committing commercial bribery and other acts of a corrupt nature;
- exclude all forms of illegal forced labour;
- exclude child labour;
- exclude any kind of discrimination, including with regarding employment and labour activities;
- comply with regulations concerning working hours and rest of employees;

The current Annual Plan of Procurement of Goods, Works and Services and Long-term Plan of Procurement of Goods, Works and Services of KEGOC JSC are published on the procurement portal of Samruk-Kazyna JSC (www.zakup.sk.kz), as well as on the website www.kegoc.kz in the section ‘Procurement’.

- comply with regulations concerning the minimum wage;
- comply with labour legislation.

The Code contains norms for compliance by the Company’s suppliers with such principles as:

- Fair Employment Practices;
- Ethical Principles;
- Anti-corruption requirements;
- Occupational Health and Safety;
- Environmental Protection;
- Privacy and Data Security.

KEGOC JSC works on implementation of Samruk-Kazyna’s procurement category strategies (PCS) aimed at optimizing approaches to procurement of goods, works and services or short term. These strategies include conclusions drawn based on maximising of benefits in the long or short term and including conclusions drawn based on the results of analyses of past expenditures, future needs, supply market and business requirements.

In 2023, at the level of Samruk-Kazyna JSC, PCSs for the categories 'IT Equipment' and 'Special Clothing' were implemented.

Indicators of service providers in 2023

Suppliers — roster (Pre-qualification)	3
incl:	
within the PCS	3
not within the PCS	0
total contractual amount	265,833,912
Suppliers — not on the register (Pre-qualification)	0
incl:	
within the PCS	0
not within the PCS	0
total contractual amount	0
Suppliers — Registry (SV)	3
incl:	
within the PCS	3
not within the PCS	0
total contractual amount	198,803,935
Suppliers — not on the register (SV)	1
incl:	
within the PCS	1
not within the PCS	0
total contractual amount	646,685

In 2023, KEGOC JSC share of in-country value in procurement of goods, works and services was 67%, including 70% for goods (excluding electricity from near abroad) and 65% for procurement of works and services. In Energoinform JSC, the share of in-country value was 21.52% for goods and 97.3% for works and services.

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Analysis of financial and economic indicators

Analysis of actual income and expenses figures for 2023, KZT million

	2023 plan	2023 actual	Deviation	Main causes of deviations
Consolidated income	255,204.8	266,496.2	104.4%	
				Over-fulfilment of the plan was due to the growth of regulated services: <ul style="list-style-type: none"> on electric power transmission by KZT 4,438.3 million as a result of growth of actual volumes of rendered services by 1,421 million kWh; income from the sale of services on the use of NPPs by KZT 1,237.9 million as a result of an increase in actual volumes of services rendered by 367 million kWh; on dispatching by KZT 510.6 million as a result of an increase in actual volumes by 690 million kWh; on income from services on organisation of balancing of production and consumption of electric power by KZT 51.3 million; also, due to the introduction of the Single Buyer model, the plan for the sale of balancing electricity on the balancing market of the Republic of Kazakhstan was exceeded by KZT 2,075.5 million.
operating income	248,996.1	252,136.4	101.3%	At the same time, the decrease in revenues occurred for the following reasons: <ul style="list-style-type: none"> on income from the sale of electricity to compensate for the interstate balance flow by KZT 3,202.9 million due to a decrease in the actual weighted average price compared to the planned one from 7.32 to 6.49 KZT/kWh (or by KZT -1,111.0 million), including. including due to decrease in weighted average ruble exchange rate, and decrease in actual volumes of electricity compared to planned by — 285.7 million kWh (or — KZT 2,091.8 million); by KZT 1,726.2 million on income from servicing activities.
Consolidated expenses	215,706.1	212,897.5	98.7%	
				The decrease of 4.0% was mainly due to the following : <ul style="list-style-type: none"> decrease in actual expenses for purchase of balancing electricity on the balancing market of the Republic of Kazakhstan by KZT 4,012.6 million; decrease in depreciation charges by KZT 3,383.4 million as a result of revision of the service life of fixed assets; decrease in property tax expenses of the main and auxiliary production by KZT 1,333.3 million due to revision of the taxable base; reduction of expenses for capacity regulation provided by third-party organisations by KZT 1,479.5 million due to a decrease in the actual volume by 1,579 million kWh, as well as a reduction in the tariff; reduction of expenses for transit services by KZT 466.7 million due to the fact of repair works.
cost price	188,965.4	181,403.6	96.0%	At the same time, as compared to the planned indicators, the expenses on: <ul style="list-style-type: none"> purchase of electricity to compensate for hourly deviations in the actual interstate balance of electricity flow by KZT 3,030.8 million due to an increase in actual electricity volumes by 416.3 million kWh; costs of technological electricity consumption (losses) by KZT 2,066.3 million due to an increase in the weighted average price from 11.05 to 11.8 KZT/kWh.
General and administrative expenses	11,906.6	13,680.3	114.9%	The excess was mainly due to an increase in the allowance for doubtful debts in operating activities
implementation expenses	504.0	491.0	97.4%	Decrease in recurrent expense as a result of savings realised
Operating profit	47,620.1	56,561.5	137.9%	

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