

Attachment to CPC-K JSC Purchasing and Contracting Principles

APPROVED

by the CPC-K

Annual General Shareholders Meeting

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**Regulation on Purchasing of Goods, Works and Services
of the Caspian Pipeline Consortium-K Joint Stock Company**

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INTRODUCTION

The purpose of this Caspian Pipeline Consortium-K Purchasing Regulation (hereinafter referred to as Purchasing Regulation) is to create conditions for CPC's needs for goods/work/services to be accommodated on time and in full on the required price, quality and reliability level, to ensure cost effectiveness, promote fair competition, ensure an open and transparent purchasing process, prevent corruption and any other malpractices.

CPC Purchasing shall not be deemed competitive or public tender bidding and shall not be regulated by the purchasing legislation or Articles 910–916 of the Civil Code of the Republic of Kazakhstan. Purchasing processes are aimed at selecting the most advantageous offer and in themselves do not constitute an obligation for the Customer to enter into an agreement with the Winning bidder. Refusal to conclude a contract with the Winning Bidder is permitted on the grounds provided for in these Purchasing Regulations and/or purchase documents, with mandatory recording of such decision.

Section 1 SCOPE

1.1. The Purchasing Regulation governs CPC purchasing activities and establishes requirements for a purchase, including the process of preparing and fulfilling purchasing procedures (including determination of a purchasing method), and applicability of such requirements, the process of calculating and substantiating an initial (maximum) contract price, a sole source contract price, the process of contract execution and performance, as well as other provisions related to purchasing.

1.2. The Purchasing Regulation forms an attachment to the CPC-K JSC Purchasing and Contracting Principles, approved by the CPC General Shareholders Meeting. The Purchasing Regulation lays legal and organizational foundations for the purchasing process and prevents corruption and any other purchasing malpractices. When interacting with bidders, CPC employees and bidders shall be guided by this Purchasing Regulation, as well as the Code of Business Conduct and the CPC Personnel Management Practices, published in the "Anti-Corruption" section on the CPC website (<https://www.cpc.ru>).

1.3. The Purchasing Regulation shall not govern charity purchases or competitive purchases below the equivalent of \$50,000 excluding VAT (a small purchase) at the exchange rate of the National Bank of the Republic of Kazakhstan as at the purchase approval date, that are governed by the rules and procedures set forth by CPC in internal regulating documents.

Section 2 TERMS AND DEFINITIONS

The following terms and definitions are used in this Purchasing Regulation:

2.1. **CPC-K, CPC, Company** means Caspian Pipeline Consortium-K Joint Stock Company.

2.2. **Auction** means a competitive purchasing method where the contract is awarded to a person whose bid best meets the requirements set forth in the purchase package and who offered the lowest contract price or unit price (if unit prices are solicited) having decreased the initial (maximum) contract price or the unit price that is stipulated in the auction notification by a value specified in the purchase package (an auction decrement).

2.3. **Purchase package** means a package of documents containing information about purchasing framework and procedure, as well as requirements for bidders and bids, including a purchase notice and draft contract.

2.4. **purchase, purchases** means a sequence of actions that are performed in accordance with the CPC Purchasing Regulation and the requirements stipulated in the purchase package with the aim to select a contractor (vendor), award a contract and perform the obligations thereunder so that the Company's needs for goods/work/services are accommodated on time and in full.

2.5. **Unit price purchase** means a purchase where the initial (maximum) price of each unit of goods/work/services and the maximum contract price are specified and the initial (maximum) unit price is decreased, while the contract price cannot be changed during the purchasing process.

2.6. **Sole sourcing** means a noncompetitive purchasing method where the Company, in exceptional cases set forth in the Purchasing Regulation, makes an offer to enter into contract to one contractor (vendor) only or accepts a contract offer from one contractor (vendor) only.

2.7. **Request for quote** means a competitive purchasing method where the contract is awarded to a person whose bid best meets the requirements set forth in the purchase package and who offers the lowest contract price or unit price (if unit prices are solicited).

2.8. **Request for proposal** means a competitive purchasing method where the contract is awarded to a person whose bid best meets the criteria set forth in the purchase package and who offered the best delivery terms based on the aggregate of criteria (quality, dates, experience, terms and conditions, price).

2.9. **Prequalification application** means a package of documents which is prepared and submitted by a bidder in accordance with the purchase prequalification requirements (except sole sourcing) and the requirements set forth in the purchase package and which confirms the bidder's consent to undergo the prequalification and bid on the terms specified in the purchase notice and purchase package.

2.10. **Bid** means a package of documents which is prepared and submitted by a bidder in accordance with the requirements set forth in the purchase notice and purchase package and which confirms the bidder's consent to bid and contains a contract offer.

2.11. **Umbrella purchase** means a purchase where contracts are concluded with several successful bidders.

2.12. **Identical goods/work/services** means goods/work/services with identical key features (functional and technical characteristics, quality, performance). Minor differences in the physical aspect of identical goods may be omitted. Contractor's qualifications and business reputation may be considered in determining whether goods/work/services are identical.

2.13. **Purchase notice** means a document that is an integral part of the purchase package in which the Company expresses its intent to select a contractor (vendor) and which is an invitation to bid on specific terms.

2.14. **Prequalification** means a stage of the purchasing process that takes place before the submission of bids and is aimed at identifying bidders who meet the relevant prequalification requirements that are part of the purchase package.

2.15. **Tender** means a competitive purchasing where the contract is awarded to a person whose bid or final proposal meets the requirements set forth in the purchase package and whose bid or final proposal, compared to the other bids (final proposals), provides for the best contract terms as determined on the basis of evaluation criteria specified in the purchase package.

2.16. **Lot** means a list of goods/work/services within a purchase that is defined in the purchase package.

2.17. **Homogeneous goods** means goods that are not identical, but have similar characteristics and are comprised of similar components, which allows them to function in the same way as the given goods and be commercially interchangeable. Quality, market track record and country of origin shall be considered in determining whether goods are homogeneous.

2.18. **Electronic platform operator** means a legal entity that carries out business, owns an electronic platform, including hardware and software required for its operation, and facilitates purchases in the electronic format.

2.19. **Successful bidder** means a bidder (contractor, vendor) to which the Tender Board determines to award the contract.

2.20. **Market analysis** means a procedure that is not a purchase and is carried out with the aim of calculating and substantiating the initial (maximum) contract price and/or validating technical and quality properties, as well as scheduling delivery of goods/work/services on the terms set forth in market analysis documents and/or identifying a set of persons who have the capabilities to manufacture and supply the goods, perform the work, provide the services that would accommodate the Company's needs.

2.21. **Cooperative purchase** means a purchase that is undertaken in the interests of both Caspian Pipeline Consortium-R and Caspian Pipeline Consortium-K through consolidation of (merging in one purchase) their similar purchases, where each entity awards a contract for the required scope of goods/work/services to the successful bidder.

2.22. **Comparable goods/work/services** means goods/work/services that are delivered on commercial and/or financial terms, differences in which have no significant impact on the deliverables or such differences may be factored in by adjusting relevant terms.

2.23. **Rebidding** means an additional stage of the purchasing process where bidders may, within the specified time, improve their quotes, including offer a new contract price by gradually decreasing the lowest contract price quoted in the bids of the admitted bidders (that have not been rejected by the time when the rebids are compared) by the specified price decrement, and, in the case of a unit price purchase, offer a new unit price by gradually decreasing the lowest unit price quoted in the admitted bids (that have not been rejected by the time when the rebids are compared) in proportion to the specified price decrement.

2.24. **Tender Board** means the Company's purchasing commission that makes decisions on selecting contractors (vendors) under the purchasing process.

2.25. **Bidder(s)** means any legal entity, regardless of its form of incorporation, ownership, business address and origin of equity, or any physical person, including sole proprietors.

Pursuant to the RoK Civil Legislation "Contract" is an agreement between two or several persons for establishment, amendment or termination of civil rights and obligations.

Section 3 GENERAL

3.1. In procuring goods/work/services, the Company shall be governed by the following principles:

- transparency of a purchase;
- equality, fairness, nondiscrimination and no unjustified restrictions on competition between bidders;
- targeted and cost-effective spending on goods/work/services (considering, if required, the life-cycle cost of procured products) without compromising their quality and cost saving measures;
- no restrictions on bidders' admission to bidding due to unmeasurable (unjustified, inflated) requirements for bidders.

3.2. It is not allowed to establish any requirements for bidders, purchased goods/work/services or contract terms, or evaluate and compare bids based on criteria or under

procedures that are not specified in the purchase notice and/or purchase documents. Requirements for bidders, purchased goods/work/services and contract terms, as well as bids evaluation and comparison criteria and procedures established by the Company shall be equally applied to all bidders, proposed goods/work/services and contract terms.

3.3. For the purpose of the Purchasing Regulation, the periods of time specified in days shall be in calendar days. If expressly provided in the Purchasing Regulation, certain periods shall be in business days.

3.4. Purchase documents, meeting minutes, notifications and other documents related to purchasing process shall be posted in the official language and in Russian language. Where required documents may be additionally provided in English. Contracts that are concluded after contract award and any amendments thereto shall be executed in written form in the official and Russian languages. If a contract is concluded with a foreign contractor/vendor, it may be executed in the official language and if necessary in Russian and in another language that is acceptable to the parties, with authentic translation. In case of discrepancies between language versions, the version specified in the contract shall prevail.

Section 4 PRICE CALCULATION AND SUBSTANTIATION

4.1. One or several methods below shall be used in calculating and substantiating the initial (maximum) contract price for a competitive purchasing or the sole source contract price, including the price formula that sets the rules for calculating fees payable by the Company to a contractor (vendor) for contract performance (the Price Formula), initial (maximum) unit prices for goods, work, services, and the maximum contract price:

- *market method*
- *administrative (design and estimate) method*
- *cost plus method*
- *standard rate method*
- *last price method*
- *lowest price method*

4.2. *Market method (comparative sales method (comparative market analysis))*

The market method is applied when there is a competitive market in which relevant goods/work/services are sold.

4.2.1. As a rule, the market method requires at least three technical and commercial proposals (TCP) from manufacturers (distributors, official dealers, vendors), contractors. The average price shall be calculated using a formula:

Price_{average} = (Price₁+Price₂+...+Price_N)/N, (1), where:

Price₁ ... Price_N—the prices excluding VAT that are specified in TCPs

N—the number of TCPs

If some prices deviate from the average price by 25 or more percent (downward or upward), they shall be taken off the calculation and the average price shall be recalculated as prescribed in this section. Prices may be recalculated repeatedly until there are no resultant deviations.

4.2.2. The price of goods/work/services may be calculated using the average price, the price closest to the average value or the lowest of the proposed prices.

4.2.3. The homogeneous/identical/comparable nature of goods/work/services is factored in under the market method.

4.2.4. If three TCPs cannot be obtained under the market method, the following information about the prices of goods/work/services may be used among other things:

- manufacturer/vendor/contractor prices that can be found in advertisements, catalogs, descriptions and other proposals intended for the general public;
- stock exchange quotes;
- quotes on electronic platforms;
- information from benchmark pricing agencies, available market research data, data from market research initiated by the Company including with the engagement of a contractor, other sources of information;
- prices of goods/work/services under the Company's closed contracts where no liquidated damages or penalties due to failure to perform or improper performance were imposed;
- prices of goods/work/services available in the official sources of the competent authorities pursuant to the laws of the Republic of Kazakhstan and official sources of foreign countries, international organizations or other public sources (including information about prices of goods/work/services from the statistical government agencies);
- the market values of valued items determined in accordance with the appraisal laws of the Republic of Kazakhstan;
- information from databases and pricing platforms where official price information is available;
- prices of goods/work/services solicited by the Company from vendors and contractors who deliver goods/work/services identical to those that are planned to be purchased or, if unavailable, homogeneous goods/work/services;
- prices of goods/work/services available in purchasing information systems provided for by the laws of the Republic of Kazakhstan.

4.2.5. The market method may involve the use of information that is obtained through public solicitations for TCP on an electronic platform and/or on the Company's official website and/or in other public sources in accordance with the procedure determined by the Company, including by way of conducting a market analysis.

4.3. *Administrative (design and estimate) method*

Administrative (design and estimate method, rates-based method) is based the prescriptive resolution of the authorized government agencies or CPC to establish a certain price level or cap. The administrative pricing method provides for price calculation based on:

- standard cost estimates (national construction standard rates, national standard bases in the Republic of Kazakhstan, benchmark price guidebook, etc.);
- rates established and regulated by the government, etc.;
- expert review of detailed design estimates;
- rates established by CPC.

The administrative method shall be applied when the price of construction/installation and design/survey is determined by preparing cost estimates using the cost estimate standard base (in some cases when the price of other work and services is determined using relevant rates available in the current cost estimate standard base).

4.4. *Cost plus method*

The cost plus method shall be applied when none of the other methods can be used or in addition to other methods. A price calculation shall factor in expenses and a markup common to the relevant business. Any common direct and indirect costs of manufacturing or acquisition and/or sales, transportation, storage, insurance, and other costs.

Common markups for the relevant business can be found in contracts available in public sources, including those of benchmark pricing agencies, public market research data, the Company's market analysis data.

4.5. *Standard rate method*

The standard rate method is based on price limits determined under applicable laws of the Republic of Kazakhstan and the Company's regulations and resolutions.

4.6. *Last price method*

The last price method is based on the initial (maximum) contract price that is approved for a purchase of identical goods/work/services.

4.6.1. If the price is found to be lower than the approved initial (maximum) contract price of the identical goods/work/services purchased previously, the initial (maximum) price of the previously purchased goods/work/services shall be adjusted to the target procurement period and region.

4.7. *Lowest price method*

Under the lowest price method, the price of purchased goods is deemed to be equal to the minimum price that is calculated by adjusting market prices to the target procurement period and region. The following information sources may be used:

- price lists and/or TCPs solicited from manufacturers or their official representatives (distributors, dealers);
- prices, including price lists, in public sources (websites of manufacturers or their official representatives (distributors, dealers) if it is not possible or advisable to solicit price lists and/or TCPs;
- other documents that can be used to make an accurate price calculation, including emails from manufacturers or their official representatives (distributors, dealers).

4.8. If the scope of goods/work/services cannot be determined when executing a contract, a unit price (the aggregate of unit prices) and the maximum contract price shall be established rather than the initial (maximum) contract price or sole source contract price.

4.9. When calculating and substantiating the initial (maximum) contract price, contract price for a sole supplier, including the procedure for calculating the price formula; initial (maximum) unit prices of goods, work, services, the maximum value of the contract price, coefficients, indices and other adjustments may be used, taking into account regulatory documents approved by the Company (if any), related to delivery times, commercial and/or financial terms of delivery of goods, performance of work, provision of services; changes in the cost of raw materials, materials and components; changes in exchange rates.

Section 5 PURCHASING FRAMEWORK AND PROCEDURE

5.1. Purchases can be conducted on a competitive and noncompetitive (sole sourcing) basis under the methods, procedures and terms established in the Purchasing Regulation.

5.2. For the purpose of a purchase, the Company shall develop and approve a purchase package (with the exception of electronic requests for quote and sole sourcing) which shall be posted on CPC's official website and an electronic tendering platform (ETP), along with a purchase notice, and shall contain information provided for in the Purchasing Regulation and, if required, other data.

5.3. A purchase notice is an integral part of the purchase package. Information in the purchase notice shall be consistent with the data in the purchase package and attachments to the purchase notice.

5.4. The purchase notice and purchase package may include the following data:

- *a purchasing method;*
- *the Company's name, business address, mail address, email address, phone number;*
- *the contract subject matter, including the scope of goods/work/services, and its brief description;*
- *place of goods/work/services delivery;*
- *the initial (maximum) contract price or price formula and maximum contract price, or the unit price and maximum contract price (if the Company decides to specify such price when posting the purchase);*
- *bid submission procedure, start date, end date and time (stages of a competitive purchasing) and contract award process (stages of a purchase);*
- *the web address of the electronic platform in case of electronic purchasing process;*
- *the amount, procedure and dates of a bid guarantee, if a bid guarantee is required;*
- *the amount, procedure and dates of a performance guarantee, as well as the amount and dates of the underlying commitment for which the performance guarantee is provided if a performance guarantee is required;*
- *the Company's requirements for the safety, quality, technical characteristics, functionality (consumer properties) of goods/work/services, their size, packaging, shipping, deliverables;*
- *requirements for the content, form, format and scope of a bid;*
- *requirements for the description of the purchased good, which is the subject of the purchase, its functional characteristics (consumer properties), qualitative and quantitative properties, requirements for the description of delivered work/service, which is the subject of the purchase, its qualitative and quantitative properties;*
- *payment terms and procedure;*
- *requirements for bidders and (or) their subcontractors/subvendors and (or) manufacturers of the good, which is the subject of the purchase, and a list of documents submitted by bidders to confirm that they qualify;*
- *the form, procedure, end dates and time of a clarification of the purchase package issued to bidders;*
- *the date of bids review and contract award;*
- *bids evaluation and comparison criteria;*
- *bids evaluation and comparison procedure;*
- *information as to whether the good will have to be submitted for testing (carrying out trial operation of) its compatibility with the Company's equipment and systems;*

- *information about inspection of the successful bidder's site to confirm the accuracy of documents and data provided in the bid;*
- *other information about the purchase.*

5.5. The Company may consolidate similar purchases of two entities (CPC-R, CPC-K) and carry out a cooperative one-lot purchase by concluding several contracts with the successful bidder (cooperative purchase) to enhance the purchasing process. If provided for in the purchase notice or purchase package, the Companies may conclude one contract with the successful bidder within the cooperative purchase.

5.6. To enhance the purchasing process, the Company may carry out an umbrella purchase where contracts are concluded with several bidders, including in one lot, under the procedure and in cases set forth in the purchase notice or purchase package using one of the following mechanisms:

- the contract is awarded to several bidders in order to distribute between them the overall scope required by the Company or the Companies;
- several successful bidders are awarded the contract and the contract is concluded at the maximum contract price with each of the successful bidders in the case of a unit price purchase.

5.7. The main form of competitive purchases is electronic. Electronic purchases shall be carried out on an electronic platform for which a relevant contract is made with its operator. Electronic purchases shall be carried out under the procedure and in the order of stages provided for in the Purchasing Regulation, as well as electronic platform regulations, rules and agreements between the Company and the electronic platform operator. The operation of the electronic platform shall be governed by electronic platform regulations, rules and other documents. In exceptional cases, as may be resolved by the Tender Board, a competitive purchase may be carried out not electronically.

5.8. *Bidder prequalification*

5.8.1. The Company may set up and conduct a bidder prequalification. Prequalification requirements that are part of the purchase package are established for all the bidders. The prequalification plan shall include requirements for bidders and a list of documents which bidders shall submit together with a prequalification application to confirm that they qualify, as well as other prequalification terms.

5.8.2. The prequalification application shall be reviewed for compliance with prequalification requirements until the end date of the prequalification process. Bidders shall be notified of the prequalification results before the start date of bid submission.

5.8.3. During the prequalification process, bids that do not qualify shall be rejected. Prequalification results shall be approved by the Tender Board with due record in the minute of Tender Board meeting.

5.9. The Company may amend the purchase notice and purchase package if required before opening the bids. If the purchase notice and purchase package are amended, the due date for bid submission shall be extended so that the period between the date of posting the relevant amendments on CPC's website/electronic tendering platform and the end date of bid submission is no less than half the minimum period of bid submission set forth in the Purchasing Regulation for the given purchasing method. In the case of significant changes in the technical part of the purchase package, the dates of

bid submission shall be extended by not less than the minimum period of bid submission set forth in the Purchasing Regulation for the given purchasing method.

5.10. If no amendments to the purchase notice or purchase package are made, the Company may, after opening the bids and until the bidding results are due, change the start date and/or end date of the uncompleted stage of the purchasing process. Information about the change of the dates of the uncompleted stage, contract award due date and/or the date of bids review shall be recorded in the Tender Board meeting minutes.

5.11. *Bid guarantee*

5.11.1. In carrying out a purchase, the Company may request bidders to provide a bid guarantee.

5.11.2. The bid guarantee may be provided by bidders in the form set forth by the Company in the purchase notice and purchase package, including in the form of a cash deposit or an independent guarantee. The bidder may choose the form of the bid guarantee from the forms set forth by the Company in the purchase notice and purchase package.

5.12. *Performance guarantee*

5.12.1. Performance under the contract may be secured by an independent guarantee issued by a bank that meets the requirements set forth in the purchase package, as well as by a cash deposit on the bank account specified by the Company or in other manners provided for in the draft contract that is an integral part of the purchase package.

5.12.2. The performance guarantee amount and procedure shall be established in the purchase notice and/or the purchase package, as well as in the draft contract that is an integral part of the purchase package.

5.13. *Anti-dumping*

5.13.1. To make sure that the contract price or unit prices (in case of a unit price purchase) specified in a bid are reasonable and consistent with the average market price, the Company may include anti-dumping clauses in the purchase package.

5.13.2. If anti-dumping clauses are included by the Company in the purchase package and the successful bidder proposes a contract price or unit prices (in case of a unit price purchase) that are less than the initial (maximum) contract price, initial (maximum) unit prices (in case of a unit price purchase) by twenty-five or more percent, the contract shall be made only after such bidder has provided a performance guarantee of fifteen percent of the initial (maximum) contract price and not less than the amount of an advance payment (if an advance payment is provided for in the contract)

5.13.3. A higher performance guarantee, under Section 5.13.2 of the Purchasing Regulation shall be provided by the successful bidder before conclusion of the contract within the dates specified in the purchase notice, purchase package or draft contract.

5.14. All correspondence between the Company and bidders shall be in the form of electronic documents shared via the electronic platform.

5.15. If documents cannot be technically shared via the electronic platform or the purchase is not carried out electronically, correspondence shall be maintained on official letterheads signed by the

authorized representatives and be sent by courier, mail, in scanned copy via email under the procedure and in the form specified in the purchase package.

5.16. Clarification by the Company of the purchase notice and purchase package

5.16.1. A bidder shall, where required, send the Company a request for clarification of the purchase notice and purchase package via the electronic platform. The bidder may make not more than two requests (the number of questions in one request is not limited) for clarification of the purchase notice and purchase package in respect of one purchase, and the Company may not provide clarification to the third or subsequent requests.

5.16.2. Within three business days from receipt of the request for clarification of the purchase notice and purchase package, the Company shall provide and post a clarification on the electronic platform and specify the subject of the request without naming the bidder who made the request. Clarifications shall not alter the subject of the purchase or essential terms of the draft contract. The Company shall not be required to provide any clarification if a request is received less than three business days before the end date of bid submission for the relevant purchase.

5.17. Bid submission procedure

5.17.1. Bids shall be submitted in accordance with the requirements for the content, format and scope of bids stipulated in the purchase package. The procedure for submission, and the form, of bids for a request for quote in electronic form shall be established in the purchase notice.

5.17.2. The bidder shall be entitled to submit only one bid for each item of a purchase (a lot) at any time from the date when the purchase notice is posted until the end date and time of bid submission stipulated in the purchase notice. If a bidder is found to have submitted two or more bids for one purchase, their bids shall be disregarded.

5.17.3. The bidder shall be entitled to recall or alter the submitted bid before the end date of bid submission. A bid shall be deemed to have been altered or recalled, if an alteration is made or a recall notification is received by the Company, the electronic platform operator via the electronic platform, before the end date of bid submission.

5.17.4. Bids shall no longer be accepted after the end date and time of bid submission stipulated in the purchase notice. Any bids that are received after the end date and time of bid submission shall be disregarded.

5.17.5. After the end date and time of bid submission stipulated in the purchase package, the price quotation submitted with the bid may be changed under the rebidding procedure.

5.17.6. The procedure for submission, amendment and recall of bids for non-electronic purchases shall be specified in the purchase notice and purchase package.

5.18. Cancellation of purchase. Extension of bid submission dates. Invalid purchase

5.18.1. The Company may cancel a purchase at any time before the contract is concluded.

5.18.2. The resolution to cancel the purchase shall be posted on the electronic platform within three days from the date of the resolution.

5.18.3. The Company may resolve to extend the dates of bid submission. Any changes that are made to the purchase notice shall be posted on the electronic platform.

5.18.4. a purchase shall be declared invalid if:

- *no bids are submitted;*
- *all bids are rejected;*
- *only one bid is submitted;*
- *all bids, except one, are rejected;*
- *all bidders declined the contract award.*

5.18.5. The resolution to declare an invalid purchase shall be recorded in the Tender Board meeting minutes.

5.19. *Opening of bids*

5.19.1. The electronic platform shall grant the Company access to the submitted bids at the date and time specified in the purchase notice.

5.19.2. Opening of bids may be recorded in the Tender Board meeting minutes.

5.20. *Rebidding*

5.20.1. The Company shall initiate a rebidding within the dates specified in the purchase notice. To achieve maximum cost efficiency, the Company may resolve to carry out the rebidding within the dates that are not specified in the purchase notice, carry out the rebidding even if rebidding is not mentioned in the purchase notice, carry out a repeated rebidding (including if the successful bidder's bid is rejected after the contract award and until conclusion of the contract for the reasons stipulated in the Purchasing Regulation, purchase notice, purchase package, or if the bidder declined the contract award). The resolution shall be recorded in the Tender Board meeting minutes that shall be posted on the ETP.

5.20.2. The Company shall determine the maximum and minimum price decrement for rebidding purposes.

5.20.3. Bidders whose bids have not been rejected by the time of rebidding shall be admitted to the rebidding. After the contract award, any bidder who declined the contract award shall not be admitted to the repeated rebidding, and their quotation specified in the bid or previously submitted by them in the process of rebidding shall not be factored in in determining the initial price.

5.20.4. Unless otherwise provided for in the purchase notice and/or the electronic tendering platform rules and regulations, a rebidding shall be carried out as follows:

- a new contract (lot) price shall be offered as a result of a gradual decrease by the specified price decrement of the lowest contract (lot) price stipulated (including under the previous rebidding process) in the bids of the admitted (not rejected) bidders; or
- new unit prices are offered as a result of a gradual decrease in proportion to the specified price decrement (in case of a unit price purchase) of the lowest unit prices stipulated (including under the previous rebidding process) in the admitted (not rejected) bids; or
- in case of an auction, the bidder whose bid has been admitted (not rejected) offers new unit prices by gradually decreasing the initial (maximum) lot price or initial (maximum) unit prices (in case of a unit price purchase) by the specified price decrement (in case of a unit price purchase).

5.20.5. Rebids shall be submitted by bidders via the electronic platform.

5.20.6. Upon rebidding, the Company may independently, using the electronic platform software, align the unit prices quoted in the bids with proportionally decreased contract prices or a discount offered by bidders in the course of the rebidding.

5.20.7. In case of a proportional decrease in unit prices, the total price will deviate downward or upward from the contract price offered by bidders during rebidding due to mathematical rounding. Certain unit prices may be increased or decreased by the Company to a certain extent in order to bring the prices in line with the contract price quoted by bidders during rebidding.

5.20.8. If expressly stated in the purchase package, a bidder may be required to submit unit prices adjusted on the basis of the rebidding results.

5.20.9. If in the course of a rebidding, none of the bidders offers a decrease in the price that is within the price decrement established by the Company, the contract (lot) prices stipulated in the bids before the rebidding shall be retained.

5.21. *Review of bids. Evaluation and comparison of bids. Contract award*

5.21.1. After opening bids, the Company shall review the submitted bids in accordance with the sequence of stages, procedure and provisions of the Purchasing Regulation, purchase notice, and purchase package.

5.21.2. In reviewing bids, the Company is entitled to send the bidders requests for clarification of submitted bids in order to eliminate formal and/or technical discrepancies, inconsistencies, inaccuracies in the bids, expand the pool of bidders, ensure equality in the bidding and prevent unfair competition or prejudice to the rights and interests of the bidders.

Request for clarification is permitted only in terms of formal and/or technical discrepancies and cannot lead to a change in the price, purchase subject, technical solution, deadlines for execution, or other material conditions of the bid that affect its evaluation. All submitted requests and received responses shall be subject to recording and storage in purchase materials.

5.21.3. The Company may check the accuracy of documents and information submitted by bidders in their bids in confirmation of their compliance with the purchase package, in any legitimate way, including by collecting relevant information from official sources, including the Internet, requesting information from any legal entities or physical persons who might be in possession of required information.

5.21.4. Upon review of the bids, the Tender Board shall resolve to admit or reject such bids.

5.21.5. The Tender Board shall have the authority to reject a bid at any stage of the purchasing process and until contract conclusion in the following cases:

- *the contract (lot) prices specified in the bid and/or on the electronic platform exceeds the initial (maximum) contract price stipulated in the purchase notice and purchase package;*
- *a bidder and/or their bid fails to meet the requirements set forth in the purchase notice and purchase package;*
- *goods/work/services and/or contract terms offered by a bidder fail to meet the requirements set forth in the purchase notice and purchase package;*

- *the bid is found to contain inaccurate information that the bidder, their goods/work/services, contract terms meet the requirements set forth in the purchase notice and purchase package;*

- *a bidder (legal entity) fails to submit documents on the approval of the purchase transaction if such approval is required under the laws of the Republic of Kazakhstan and the bidder's founding documents;*

- *a bidder fails to submit to the Company, within the specified time from the contract award to the bidder, documents and information that shall be submitted in accordance with the purchase notice and purchase package, except when failure to submit the said documents and information shall form the grounds for deeming the bidder to have declined the contract award.*

5.21.6. The admission of a bid by the Tender Board shall not prevent the bid from being rejected at any stage of the purchasing process until contract conclusion in case of sufficient grounds as provided for in the Purchasing Regulation.

5.21.7. If any bid is rejected on any grounds as provided for in the Purchasing Regulation, the said grounds shall be examined in respect of all the bids that have not been rejected on other grounds.

5.21.8. A resolution to admit or reject a bid shall be recorded in the Tender Board meeting minutes and/or the Tender Board final meeting minutes

5.21.9. The Tender Board shall, in accordance with the procedure and provisions of the purchase package, award the contract to the successful bidder and determine a bidder who is second to the successful bidder.

5.21.10. The contract shall be awarded to a bidder whose bid meets the technical and commercial requirements set forth in the purchase package and who offered the best contract terms as determined on the basis of the purchase notice and purchase package for the relevant purchasing method. A bidder whose bid is the second best in terms of cost and benefit shall be the second best bidder. If several bids are the best, the contract shall be awarded to a bidder whose bid was the earliest received. A bidder whose bid is the best in terms of cost and benefit but is submitted second to the earliest received bid shall be the second best bidder.

5.21.11. If the successful bidder declines the contract award or the bid of the successful bidder is rejected before contract conclusion on the grounds provided for in the Purchasing Regulation, the Tender Board shall resolve to award the contract to the second best bidder. The second best bidder shall have all the rights and responsibilities of the successful bidder. If the contract award to the second best bidder does not meet cost effectiveness and fair competition targets, or there are any other circumstances indicating that the purchase transaction could be more cost effective, the Tender Board may resolve to terminate the purchasing process without contract award.

5.21.12. If the contract is not awarded under the Purchasing Regulation, the Tender Board shall resolve to terminate the purchasing process without contract award, which shall be recorded in the Tender Board meeting minutes.

5.21.13. The Company may inspect bidders and the successful bidder's site to confirm the accuracy of documents and data provided by the bidder in the bid in confirmation of their compliance with the purchase package, and issue an inspection report stating whether the documents and data provided by the bidder in the bid are accurate or not.

5.21.14. The Tender Board may make corrections to Tender Board meeting minutes on its own initiative or on a bidder's request in order to eliminate misspellings, typos, and technical errors, as well as in respect of bids admission or rejection resolutions. A resolution to correct the relevant meeting minutes shall be reviewed at the Tender Board meeting and recorded in the Tender Board meeting minutes. If a resolution to correct the meeting minutes is initiated on a bidder's request, the resolution shall be adopted by the Tender Board within five days from receipt of the request.

Section 6 REQUIREMENTS FOR BIDDERS

6.1. For the purpose of a purchase, the Company shall establish requirements for bidders in the purchase package according to the purchase subject.

6.2. The Company shall establish, in the purchase package, requirements for documents and information submitted by bidders in confirmation of their compliance with the requirements for bidders, purchased goods/work/services and contract terms.

6.3. Requirements for bidders and the list of documents and information submitted by bidders to confirm that they qualify shall be approved by the Tender Board.

Section 7. PURCHASING METHODS

7.1. The following **competitive** purchasing methods may be used to accommodate the Company's needs for goods/work/services on time and in full:

- **tender** (public tender, electronic tender, closed tender): *Is carried out in case of purchase where bids will be compared not only in terms of price, but also other qualification criteria (quality, experience, dates, etc.);*
- **auction** (open auction, electronic auction, selective auction): *shall be initiated for a purchase where it will be reasonable to compare bids only in terms of lowest price;*
- **request for proposal** (electronic request for proposal, selective request for proposal) *shall be initiated for a purchase where bids will be compared not only in terms of price, but also qualification criteria (quality, experience, dates, etc.), and a tender cannot ensure that delivery will be in the required time;*
- **request for quote** (electronic request for quote, selective request for quote) *shall be initiated for a purchase where it will be reasonable to compare bids only in terms of lowest price, and an auction cannot ensure that delivery will be in the required time..*

7.2. The following **noncompetitive** purchasing methods may be used to accommodate the Company's needs for goods/work/services on time and in full:

- **sole source purchase**
is a purchasing process that is performed under exceptional circumstances set forth in the Purchasing Regulation, where the Company offers a contract to one contractor/vendor only or accepts a contract offer from one contractor/vendor only.

7.3. The resolution to use a purchasing method shall be made by the Tender Board.

7.4. A purchase notice, purchase package (with the exception of electronic requests for quote and sole sourcing), and draft contract that is an integral part of the purchase notice and purchase package shall be posted by the Company on the electronic platform within the following timeframe:

in case of a tender or auction:

- within 15 calendar days before the end date of bid submission;

in case of a request for proposal:

- within 7 business days before the end date of bid submission;

in case of a request for quote:

- within 5 business days before the end date of bid submission.

The date of posting a purchase notice and the end date of bid submission shall not be within the minimum timeframe of purchase notice publication.

7.5. In case of a **tender or request for proposal**, the purchase package shall include bids evaluation procedure and criteria. The Company may set out the following bids evaluation and comparison criteria in the purchase package:

- *the contract/unit price;*
- *delivery dates;*
- *functional (consumer properties) and/or quality characteristics of goods/work/services;*
- *the qualifications of bidders and their subcontractors/subvendors;*
- *the materials and equipment of bidders and their subcontractors/subvendors;*
- *the human resources and qualifications of bidders and their subcontractors/subvendors;*
- *bidder's similar experience, current workload;*
- *bidder's business reputation;*
- *bidder's financial standing;*
- *other evaluation criteria.*

7.5.1. An evaluation procedure and the weight of evaluation criteria shall be set out by the Company in the purchase package considering the subject and terms of the purchase.

7.5.2. A bidder whose bid meets the requirements set forth in the purchase package and scores the highest in bids evaluation and comparison shall be the successful bidder of a tender or request for proposal. A bidder whose bid is second to the best bid and scores the second highest shall be the second best bidder.

7.5.3. If several bids score equally in bids evaluation and comparison, a bidder whose bid is the earliest received shall be the successful bidder. In this case, a bidder whose bid is second to the best bid and also scores the highest, but is received second to the best bid, shall be the second best bidder.

7.6. In case of an **auction**, the Company shall stipulate an auction decrement in the purchase notice.

7.6.1. The auction session shall be carried out under the procedure set out in Section 5.21 of the Purchasing Regulation and the electronic platform rules and regulations.

7.6.2. A bidder who quotes the lowest contract (lot) price during the auction session shall be the successful bidder. A bidder whose bid is second to the best bid and quotes the second lowest price shall be the second best bidder. If no such bid is submitted, the second best bid is a bid that is received after receipt of the best bid.

7.6.3. A bidder may quote the contract (lot) price in their bid, which will be considered by the Company in the event that none of the bidders offers to decrease the initial (maximum) contract price set out in the auction notice by the auction decrement during the specified auction session.

7.6.4. If during the auction session none of the bidders offers to decrease the initial (maximum) contract price set out in the auction notice by the specified auction decrement, a bidder who quotes the lowest contract (lot) price shall be the successful bidder. If no such bid is submitted, a bidders whose bid is the earliest received shall be the successful bidder.

If several bids offer the lowest contract (lot) price, the contract shall be awarded to a bidder whose bid is the earliest received. A bidder whose bid is second to the best bid and who also quotes the lowest price, but whose bid is received second to the best bid, shall be the second best bidder.

7.7. As for requests for quote, a bidder who offers the lowest contract (lot) price shall be the successful bidder.

7.7.1. A bidder whose bid is second to the best bid and quotes the second lowest contract (lot) price shall be the second best bidder.

7.7.2. If several bids quote the lowest contract (lot) price, the contract shall be awarded to a bidder whose bid is the earliest received. A bidder whose bid is second to the best bid and who also quotes the lowest price, but whose bid is received second to the best bid, shall be the second best bidder.

7.8. A contract award resolution shall be recorded in the Tender Board meeting minutes.

7.9. The names of bidders and Tender Board representatives shall not be disclosed in any meeting minutes that are issued in the process of competitive purchasing or contract award.

Section 8 SETTLEMENT OF DISAGREEMENTS RELATED TO BIDDING

8.1. The bidder is entitled to submit a claim to the Company to address any disagreements related to the bidding process.

8.2. Based on the results of review of the claim, the Company shall make a decision on the substance of the claim and notify the concerned parties thereof.

Section 9 SOLE SOURCING

9.1. The Company may, under exceptional circumstances, procure goods/work/services from a sole source:

9.1.1. Goods/work/services are purchased from a contractor/vendor when there is no alternative in a specific region or settlement, or the price of purchased goods/work/services is regulated by the laws of the Republic of Kazakhstan, as well as from entities that carry out business that classifies as a natural monopoly and(or) a regulated business in the field of power supply, natural gas supply, heat supply, water supply, sewage and water treatment, hydrometeorology, and solid household waste/class I & II waste disposal.

9.1.2. Goods/work/services are purchased from the Company's shareholder (member) and/or related party and/or the Company's shareholder (member)'s related party.

9.1.3. Oil, petroleum products are purchased for the Company's own and/or process needs, as well as for sale.

9.1.4. Goods/work/services are purchased in order to deal with emergency response, force majeure and incidents, as well as to ensure safe pipeline operations, equipment maintenance and availability of critical components, equipment, systems, and software, or to accommodate the Company's other urgent needs that cannot be satisfied using any other purchasing method due to time restrictions.

9.1.5. Goods/work/services are purchased for individual and collective needs of the Company's employees and other persons, related to social insurance, training, health promotion, sports, cultural events, organization of and participation in exhibitions, conferences and other entertainment functions, hosting of and participation in meetings, as well as other needs related to business trips.

9.1.6. An additional purchase of goods/work, extension of services, purchase of associated goods/work/services where it is not reasonable to replace the contractor/vendor due to considerations of standardization or requirements to maintain process continuity, working relations, compatibility with goods, equipment, processes or services, taking into account the effectiveness of the initial purchase from the standpoint of the Company's satisfaction, the limited scope of purchase compared to the initial one and competitive price.

9.1.7. Goods/work/services are purchased for security, information (cyber) security, mobilization training (save for physical security and access control).

9.1.8. Purchase of gift sets and promotion products, mass media services, services related to photo and video production and graphic design, sponsorship, recruitment services, services for the manufacture of seals, stamps, and printing plates, facsimiles, letterhead forms, television services (satellite, cable, IPTV), mail and telegraph services, services related to financial reporting, fixed assets revaluation and forecasting and related services, other consulting, financial, and legal services (including attorney and notary services), services of a joint-stock Company registrar, stock (equity) valuation, real estate and title appraisal.

9.1.9. Purchase of work/services delivered by physical persons (excluding sole proprietors) using their own labor, where the identity of the contractor or service provider is of material importance to the Company.

9.1.10. Transactions involving real estate (including residential and non-residential buildings (premises) and land parcels) and related movable property (including sale and purchase, lease/sublease, joint ownership, easements/public easements).

9.1.11. Purchase of design control and supervision by relevant construction design contractors.

9.1.12. Purchase of goods/work/services that are the subject of a contract terminated at the Company's initiative, either unilaterally or in court, due to the contractor/vendor's failure to perform or properly perform thereunder. The quantity of purchased goods/work/services, the contract price must be reduced in proportion to the quantity of delivered goods/work/services under the previous contract. If a new contract is made within 6 months from the date of conclusion of the initial contract, it is not allowed to increase the price (unit prices) compared to the price of the terminated contract (the effective contract if the quantity of goods/work/services is reduced).

9.1.13. Purchase of goods/work/services that were the subject of an earlier invalid purchasing process that did not result in contract award and the price of the contract does not exceed the initial (maximum) price or unit prices do not exceed the relevant unit prices of the previous purchase.

9.2. A resolution on sole sourcing and resolution to award a contract of over \$50,000 excluding VAT at the exchange rate of the National Bank of the Republic of Kazakhstan as at the purchase approval date shall be made by the Tender Board.

9.3. In case of sole sourcing, the Company shall not post any information about the purchase, the purchase notice or draft contract.

9.4. The Company shall send the sole source contractor/vendor an offer and obtain the contractor/vendor's consent to conclude the contract or accept the contractor/vendor's contract offer.

Section 10 CONTRACT EXECUTION AND PERFORMANCE

10.1. The Company shall conclude a contract with the successful bidder selected under the procedure set forth in the Purchasing Regulation, purchase notice and purchase package.

10.2. If approval by the Company's governing body is required, the contract shall be concluded after such approval.

10.3. After signing the final meeting minutes, the Company or the electronic platform operator shall, via the electronic platform, send the successful bidder a notice of contract award (Contract Award Notice) and request to sign the contract using the electronic platform software or under the procedure set forth in the Contract Award Notice, unless otherwise provided for in the purchase package.

10.4. Should the contract be signed using electronic platform software, the Company shall send the successful bidder a filled-in draft contract via the electronic platform for signing. The successful bidder shall sign the contract using the electronic platform software or under the procedure set forth in the Contract Award Notice, unless otherwise provided for in the purchase package:

- *within 10 days from the posting of the final minutes on the electronic platform;*
- *within 13 days from the posting of the final minutes on the electronic platform if the bidder is required by the purchase notice and purchase package to submit to the Company certain documents and information within the specified time from contract award.*

10.5. The bidder may reduce their price quote after contract award and until contract conclusion. In this case the parties shall conclude the contract at the updated price.

10.6. If the bidder who was awarded the contract fails to sign the contract within the specified time or provide a performance guarantee, if the performance guarantee is provided for in the purchase notice and purchase package, the bidder shall be deemed to have declined the contract award and the implications described in the Purchasing Regulation will arise.

10.7. If the successful bidder declines the contract award or the bid of the successful bidder is rejected before contract conclusion on the grounds provided for in the Purchasing Regulation, the contract may be awarded to the second best bidder (a new successful bidder) as specified in the Tender Board meeting minutes.

10.7.1. A resolution to award the contract to another bidder and select the bidder whose bid is second to the best bid shall be recorded in the Tender Board meeting minutes. The contract shall be concluded with the new successful bidder under the procedure and within the timeframe provided for

in the Purchasing Regulation, The time shall be counted from the posting of the final meeting minutes on the electronic platform.

10.7.2. If the Tender Board resolves to carry out a repeated rebidding when the successful bidder declines the contract award or the successful bidder's bid is rejected, such resolution, as well as the date and time of the rebidding shall be recorded in the Tender Board meeting minutes. In this case the successful bidder shall be selected under the procedure set forth in the Purchasing Regulation for the relevant purchasing method, taking into account the price quotations submitted by bidders during the repeated rebidding.

10.8. If a contract is awarded after the delivery date specified in the purchase notice and purchase package, the delivery date shall be postponed by the number of days counted from the contract award date that equals the number of days between the contract award date specified in the initially posted purchase notice and the delivery date set forth in the purchase notice and purchase package. In case of objective circumstances, the contract concluded by and between the parties may provide for different delivery dates than specified in this Section.

10.9. The Company shall supervise the performance of concluded contracts, including in terms of:

- *quality of delivered goods/work/services;*
- *delivery schedule;*
- *other contractual obligations.*

10.10. The Company shall be entitled to change the scope of goods/work/services and performance dates set forth in the concluded contract (including sole source contracts). Such changes shall be formalized in an amendment agreement.

10.11. Bid guarantee release procedure, dates and criteria, if a bid guarantee is provided for in the purchase notice and purchase package, shall be described in the purchase package.

10.12. The dates of payment for delivered goods/work (deliverables)/services shall be determined in the draft contract that is an integral part of the purchase package.

Section 11 PURCHASE INFORMATION

11.1. The Company shall post a procurement plan for at least a year on CPC's official website. Should a demand in purchase arise that is not contemplated by the procurement plan, the Company shall update the procurement plan accordingly.

11.2. For the purpose of a purchase (with the exception of sole sourcing), purchase information shall be posted on the electronic platform along with the purchase notice, purchase package, draft contract that is an integral part of the purchase notice and purchase package, updates to the purchase notice and purchase package, clarification of the purchase notice and purchase package, meeting minutes issued in the purchasing process, final meeting minutes, and any other information that shall be posted on the electronic platform in accordance with the Purchasing Regulation.

11.3. Purchase information constituting trade secret and any other information restricted by the laws of the Republic of Kazakhstan and/or the Company's internal regulations on the legitimate grounds of access restriction (classified information) shall not be posted on the electronic platform or

the Company's website. The information specified in this Section shall be issued to bidders after signing non-disclosure agreements.

11.4. Any meeting minutes issued in the purchasing process shall be posted by the Company within three days from signing thereof.