

CONTOURGLOBAL®



PROCEDURE

Ref. No. OP_PD_15_001

Revised on 28 May, 2022.

Approved on 14 December 2022

Title: CONTOURGLOBAL HYDROCASCADE CJSC
PROCUREMENT PROCEDURES

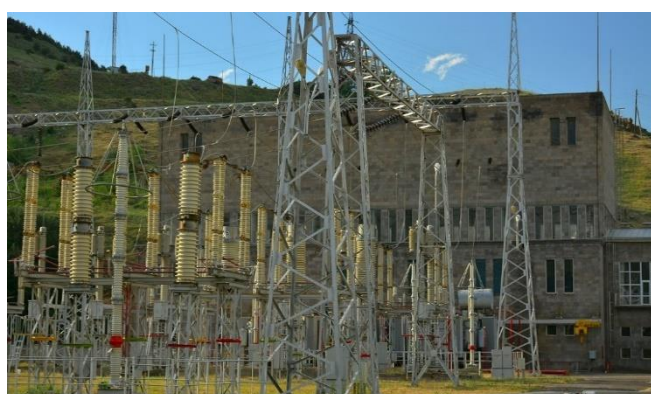
ContourGlobal Hydro Cascade CJSC

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PROCUREMENT PROCEDURE



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1 OBJECTIVE OF THE DOCUMENT AND FIELD OF APPLICATION

The present procedure settles the order of planning, preparation and organization of the procurement activities, the award of contracts/POs as well as the coordination among the departments when carrying out these activities with the purpose of providing efficiency when spending resources on the ensuring the provision of the necessary supplies, services or works. The document gives information for the obligations and the responsibilities, the delimitation of the duties, organization and management of the procurement process and the award of contracts/POs.

The procurement processes described in this document and their performance shall be performed in a transparent and non-discriminatory manner, ensuring optimal publicity and competition with the ultimate objective of achieving quality and efficiency.

2 AUTHOR OF THE DOCUMENT

The Procurement Department together with Legal Department is responsible for the drafting, interpreting and updating of the present document.

The document has been approved by the Board of ContourGlobal Hydro Cascade CJHC.

3 REFERENCES

The following local legal acts and ContourGlobal policies and procedures are taken into consideration in the preparation of the present document:

- Relevant Clauses of the Law “On Procurement” of the Republic of Armenia applicable to ContourGlobal Hydro Cascade CJSC
- Requirements of procurement procedures including Procedure for submitting a report on purchases made by public organizations and monitoring compliance with the established procurement requirements adopted by the Public Regulatory Services Commission of Armenia applicable to ContourGlobalHydro Cascade CJSC
- Code of Conduct and Business Ethics of ContourGlobal
- Anti-Corruption Policy of ContourGlobal
- Anti-Corruption Compliance Guide
- Policy for Engaging Suppliers and Third-Party Service Providers of ContourGlobal
- Supplier Code of Conduct
- Supplier Guide to UNGC Principles
- Vendor Masterfile Procedure
- Signature Memo electronic software contract approval procedure
- Rules for electronic tenders

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- Manual for participation in electronic tenders

4 DEFINITIONS AND ACRONYMS

4.1 DEFINITIONS

Bill of Quantity an itemized list of goods/materials/works/services to be delivered, their quantities and unit prices.

Company ContourGlobal Hydro Cascade CJSC represented by the Director.

Department-Requisitioner a specialized department, which states a necessity for a delivery of goods, performing services or works and, respectively, prepares the purchase requisition and the technical specification.

Financial proposal The price for the particular goods/services/works offered by the vendor including the delivery terms and time, payment conditions, warranty period and other order related specific information.

Ordering department Procurement Department

Procurement Plan a document containing all procurement of goods, works and services planned to be carried out for the respective calendar year with implementation timeframe and responsible person.

Purchase order A legally binding (when the confirmation of the recipient is attached to it) document prepared, approved and issued in the SAP system, based on which the Company approves the purchasing of particular goods or the performance of works or services.

Purchase Requisition a written request made by a department-requestor, including description of required goods, works, or services, which have to be procured, and their characteristics, technical specifications and quantities as per approved template.

Request for quotation a written invitation issued to a qualified supplier or third party service provider for submission of a complete technical and financial proposal according to the technical specifications and scope as defined by the Requisitioner.

SAP system enterprise management system covering a wide range of business processes including vendor master management, supply chain management, warehouse management as well as subsequent accounting processes.

Technical Proposal the specific operating and functional characteristics of the goods/services/works offered by the vendor including description of material, working conditions, operation and maintenance instructions and other relevant information.

Technical Specification detailed description of the technical requirements of the Company listing the required specific operating and functional characteristics of the goods/services/works to be delivered by the supplier or third party service provider including description of material, working conditions, operation and maintenance instructions and other relevant information.

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Tender public procurement procedure carried out in an open, competitivenon-discriminatory manner allowing equal access to submission of technical and financial proposal to all qualified companies with the objective of efficient and quality procuring of goods/works/services for the needs of the Company;

Vendor any qualified registered company, physical person or other type of Third Party provider in the capacity of manufacturer and/or supplier of goods/works/ services for the needs of the Company;

Coupa- an electronic portal for procurement opportunities of CG. The Coupa Supplier Portal (CSP) is a free tool for suppliers to easily do business with customers who use Coupa. All prospective suppliers and vendors must get registered at the following address- Coupa Supplier Portal - https://success.coupa.com/Suppliers/For_Suppliers/Coupa_Supplier_Portal to get access to procurement opportunities.

5 ROLES AND RESPONSIBILITIES

The Director of the Company:

- Approves and signs contracts for procurement of goods, works, and services. The Company Board of Directors approval is required for entering into one time contracts with the total amount exceeding 100 000 USD or equivalent in other currencies or such or 500 000 USD aggregate cost or equivalent in other currencies or such for the whole year for ongoing services provision or works performance contracts that are not included in the annual budget;
- Approves the purchase requisitions for provision of goods, works or services not directly related to the O&M of the Company;
- Approves all tender related documentation pertaining to tenders not directly related to the O&M of the Company;
- Approves the procedures on planning, organizing and carrying out procurement activities;
- Approves the annual procurement plan;

The Plant Manager of the Company:

- Approves the purchase requisitions for provision of goods, works or services related to the O&M of the Company;
- Approves the technical specifications and Bills of Quantity for provision of goods, works, services;
- Approves all tender related documentation pertaining to tenders related to the O&M of the Company;

Refurbishment Project Manager of the Company

- Approves all purchase requests associated with the provision of goods, services or procurement activities that are directly related to refurbishment project.

The Head of the Engineering Team of the Company:

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- Checks, if necessary, changes and adjusts the technical specifications and Bills of Quantity for provision of goods, works, services;
- Manages the performance of the contracts for repair and maintenance of equipment;

The Departments and HPP's of the Company:

- Prepare Annual procurement plan;
- Prepare Purchase Requisitions;
- Prepare Technical Specifications and Bills of Quantity;
- Review Technical proposals;
- Accept delivery of goods and/or performance of works/ services;

The Head of Procurement Department of the Company

- Manages and controls daily the organization and the carrying out of procurement activities;
- Ensures the transparent, competitive, non-discriminatory performance of procurement activities in line with ContourGlobal's policies and procedures and international best practices;
- Ensures the timely, quality and efficient execution of procurement activities;

The Procurement Department of the Company

- Plans, organizes and carries out the procurement activities;
- Consolidates annual procurement plans of operating departments;
- Coordinates and communicates with the separate business units of the company and the vendors;
- Organizes the exchange of information when carrying out procurement activities;
- Manages the purchase requisitions of the separate business units, sends requests for quotation to vendors and negotiates financial and commercial terms;
- Ensures that proper due diligence has been performed on all vendors that the company engages, obtains Third Party Compliance approval and coordinates with the Corporate Compliance Officer;
- Informs vendors of ContourGlobal policies related to engaging Suppliers and Third-Party Service Providers, collects and archives relevant statements of compliance;
- Ensures that valid vendor data is input for the creation/change of vendor data in SAP system;
- Enters and processes information into the MM module of SAP: prepares POs and sends the approved POs to vendors;
- Keeps an archive of all tenders, POs, contracts, compliance checks, COUPA approvals and other supporting documentation;
- Implements the Policy for Engaging Suppliers and Third-Party Service Providers;
- Supervise the contractual terms

The Accounting, Finance and Control Department of the Company:

- Performs a three-way match between presented invoices, acceptance-delivery protocols, approved Purchase Orders/contracts;

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- Prepares written instructions for all payments, which have to be made from all bank accounts and tracks the payment process;

The Legal Counsel and regulatory officer of the Company:

- Reviews standard form documents for the carrying out of Public Procurement Tenders;
- Prepares template contracts for conclusion with selected vendors;
- Reviews all legal documentation pertaining to the signing of new contracts;
- Provides legal advise and support on an as-neede basis;

An inspection will be carried out on an annual basis of the Purchase requisitions, Purchase orders, purchase prices and the procedures followed by an appointed employee (internal auditor), who is independent from the Procurement Department, so that their observing is guaranteed. The internal auditor will be independent from the Head of the Procurement Department and will report directly to the General Director.

6 PROCUREMENT PLANNING

The process of procurement planning is carried out at the time of the preparation of the budget for the following year. Each year, by the end of September, the operative departments (Maintenance, Operation, Administration and Capital Projects Departments, HPP's) prepare lists with the necessary goods for delivery, carrying out of services and works for the following calendar year. This list should contain at least the following information:

1. Description/name of the activities or the materials for delivery;
2. Expected quantities or work volume for the following year;
3. Date for issuing the Technical Specification;
4. Due date for delivery of the materials or a date for commencement of the activities for carrying out services or works;
5. Expected total order amount;
6. Cost center from the budget;
7. Responsible technical person for preparing the Technical specification and implementation;

The Head of each department is responsible for the preparation of the technical specification, the raising of purchase requisitions as well as for cooperation and coordination of orders and contracts placement with the Procurement Department.

The prepared procurement plan for the needs of each department are sent to the Procurement Department, by the end of September at the latest.

The Procurement Department prepares a consolidated procurement plan in conformity with the approved annual budget, which is to be approved by the General Director of the Company. A copy

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of the approved procurement plan is given to the heads of departments for information and implementation.

The procurement department publishes the procurement plan for each financial year on the public website of the Company until February 15 of that year. The changes to the procurement plan are published within 5 working days after its approval.

The control on the performance of the procurement plan is carried out by the Procurement Department.

7 PROCUREMENT PROCESS

The procurement process includes issuing of technical specification detailing the requirements of the Company; creating and approval of Purchase Requisitions; setting the requirements for the candidates and proposal content; carrying out of collection of proposals and tender process; review and evaluation of the proposals, verifying Vendor Compliance, preparing, approving, and issuing POs/contract to selected vendors; record keeping; receiving and accepting of the completed/performed deliveries/works/services;

7.1 TECHNICAL SPECIFICATIONS

The technical specification is a document containing a full description of the Company's requirements for the delivery of goods, the performance of works or services, including operating characteristics or functional requirements, as it facilitates the accurate determination of the order's subject. Technical specifications are prepared by the Department-Requisitioner, are then placed on the electronic platform of the Company for review by the working group. The working group shall be consisted of all managers (including, but not limited to Environment, Health and Safety managers). The final version signed off by all managers on BOX are then approved by the Plant Manager of the Company and submitted along with PR to procurement department for performance of relevant procurement process.

The **technical specifications** need to list any and all requirements including but not limited to:

- Quality Management Systems such as but not limited to ISO 9001, ISO 14001, OHSAS 18001
- Standards, quality inspections/tests and certifications, approvals related to the delivered goods/materials and performance method
- Operating characteristics or functional requirements which allow the exact determination of the order's object; the functional requirements could contain requirements for environmental protection;

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The technical specifications should give the candidates equal access to participation in the selection process and should not create unjustified or discriminatory obstacles in the competition.

7.2 PREPARATION AND APPROVAL OF REQUESTS FOR DELIVERY, SERVICES OR WORKS (PURCHASE REQUISITIONS)

Purchase Requisitions for delivery, services or works are prepared as per electronic template in SAP system approved by the Head of the Department-Requisitioner. The requisitions must contain at least the following information:

- Short description of the subject of delivery, service or works
- Account assignment category
- G/L account
- Cost center from the budget
- Material number in case of stock items
- Required quantity
- Unit of measure of items/works/services to be ordered
- Expected unit price estimated based on analyzing the amount of previous contracts/POs with the same/similar subject taking into account the inflation rate or can be based on current market data
- Expected currency of order
- Required delivery date
- Material group
- Plant
- Storage location
- Name and signature of the person who has prepared and is responsible of the coordination of the requisition
- Attached technical specification

All issued requests are approved by the General director, Plant Manager or refurbishment project manager of the Company, agreeing with the managers of financial, planning and efficiency departments

7.3 REQUIREMENTS TO THE CANDIDATES AND FOR THE PROPOSAL CONTENT

Any candidate or participant that satisfies the conditions set out in the tender documentation/purchase requisition/technical specification can submit a proposal. Requirements to the candidates are listed in the technical specification and the announcement for tender.

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7.4 COLLECTION AND EVALUATION OF THE PROPOSALS

For the needs of the Company, all purchases which exceeds 50,000 USD or AMD 24,000,000 are made only on the COUPA electronic procurement platform. However, the COUPA electronic procurement platform can be used for submission of financial proposals or auction.

7.4.1 Orders for goods, works, services below 50,000 USD or AMD 24,000,000

When the purchase order for delivery of goods, works or services has an expected amount below 50,000 USD or AMD 24,000,000 a market research is done and minimum of two competitive proposals from qualified vendors, for which there is public information available, shall be collected.

Technical and financial proposals/bids are submitted in hard copy or in electronic file via email or at COUPA electronic procurement portal through the request of quotes.

Proposals are reviewed and approved by a committee consisting of minimum one procurement specialist, the Head of Department-Requisitioner and the technical person raising the Purchase Requisition. For purchasing below 50,000 USD or AMD 24,000,000 the committee is defined by the Head of Procurement Department and is not assigned by a special order of the Plant Manager.

The evaluation of the proposals is carried out in two stages. The first stage pertains to the technical compliance of the proposal. In this phase the committee reviews and evaluates the presented proposals and confirms or rejects their compliance with the technical requirements including delivery time and warranty terms. In case that based on the presented documents, it cannot be determined if the proposal is compliant, the procurement department requests additional details and proofs from the candidate.

After the review and approval/rejection of the technical proposals is completed, the financial proposals of qualified candidates are reviewed by the committee. The ranking of the financial proposals and selection of Contractor shall be based on the lowest price subject to comparable technical proposals. Upon selection of contractor, the relevant Compliance approval process and Risk assessment when necessary is passed in order to obtain confirmation from Compliance department that the vendor can be engaged. Next, a PO is created in SAP system and all proposals received are uploaded in an electronic format attached to the PO. The official PO is printed and submitted to vendor for execution only after all required levels of approval have approved the PO inside the SAP system. All received proposals and related documentation is archived for a period of 3 years on paper or in electronic form.

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At the discretion of the Company for engagements below USD 50, 000 or AMD 24,000,000 for achieving a better competition and terms the procurement can be made excluding COUPA System.

- **Exclusions:** a sourcing event is not required for the following vendor categories: *Advisors appointed by third parties paid by CG, Any other consultant where the work product will be presented to or used by third parties, Bank / Financial Institution, Business Development Consultant, Chartered financial institution, banker, underwriter, or broker acting under government license, Beneficiary of CSR project, Customers / Off-takers, Equipment Inspection / Certification, Freight Forwarder / Customs Agent, Governments, Government agencies, Court, Arbitration or other legal order, Hospitality Providers, Human Resources Consultant, Insurance Providers, JV / Consortium Partner, Land Owner, Landlord, M&A transactions counterparties, Media/Print/Subscr/Online Platforms, Non-Profit Org / COC / Embassy, Postal / Messenger Services, Real Estate Company /Consultant, Registered Agent / Representative, Regulatory Consultant, Surveyors, Training / Education Provider, Transmission Costs, Transportation Company, Travel Agency (no-visa work), Utilities Providers, Visa /Work Permit Services.*
- **Entities required by law** to use a different system/environment for conducting sourcing events shall follow local regulations and will be exempt from Coupa Sourcing events when the local requirements prescribe a different approach.

7.4.2 Orders for goods, works, services exceeding 50,000 USD or AMD 24,000,000

Purchase Orders with expected amount exceeding 50,000 USD or AMD 24,000,000 are carried out in the form of public tender. Based on the approved PR, Technical Specification and Bill of Quantity, an announcement for initiation of a public tender is prepared. The announcement is published in at least three publicly accessible media outlets, one of which can be the website of the Company. A copy of each announcement shall be archived with the rest of tender documentation.

The announcements must contain at least the following information:

- Name, address, telephone number and email of the Company
- Subject
- Unique reference number of the tender procedure
- Short description of the order containing information about scope and size of works/services/deliveries, allocation of activities in lots
- Place and deadline for performance of works/services and/or delivery of goods
- Requirements to participants:

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- Economic capability
- Technical Expertise
- Equipment, storage facilities, response time
- Minimum number and qualification of staff
- Qualification
- Presence of certification under different Quality Management Systems (ISO 9001, 14001, OHSAS 18001) or others
- Experience on performance of similar contracts to be proven by list of completed contracts with official letters of recommendation for successful completion
- Terms of Payment
- Criteria for ranking of proposals and selection of Contractor
- Date, time and place where technical proposals must be submitted. The deadline for submission of technical proposals is determined by the Procurement Department Head based on the complexity of the order as well as its urgency.
- Deadline (date, time, place) for obtaining the Company's documentation based, on which the technical and financial proposals must be prepared
- Information on the use of electronic platform for negotiation of financial proposals
- Confirmation that obtaining of tender documentation and participation in tender process is free of charge for the Participants

The Company shall have the right to request and claim bid bond, as a mandatory requirement, an amount equal to 1% of the price announced in procurement publishment (bank guarantee or deposit amount). The amount of the bid bond a healthy competition among the contest participants and is a deterrent for non-conscientious objectors. The amount of the bond is refunded to all participants who have not won the tender or have not passed the qualification. The amount of the bid bond is not refunded and the fine is charged from the organization that won the tender, but refuses to conclude a contract.

Documentation provided by the Company upon request to potential participants contains the following:

- Technical Specification
- Bill of Quantity
- Requirements for proposals' content
- Templates of Declarations (if required)
- Methodology for review and evaluation proposals
- Rules for Electronic Tender process and Agreement form
- Instruction on electronic tender process
- Sample contract

Upon request from a potential participant, an extension of the deadline for submission of proposals can be granted by the Company. The length of the extension depends on the complexity of the

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technical proposal that needs to be prepared by the participants as well as the urgency of the order. In this case, the Procurement Department informs all potential participants, who have requested documentation for participation in the tender, about the new deadline for submission of technical proposals.

To assess the results of the tender, a committee is assigned by the Plant Manager, to approve the content of the tender invitation, to open, review and assess the submitted proposals, complete and prepare report on tender process. The committee has at least five members, consisting of one representative of Procurement Department, Department-Requisitioner, and Finance Department. The other two members are to be competent on the subject and at least one of them is to be independent from either Procurement Department or Department-Requisitioner. On the committee is assigned at least one spare member to replace a main member in case of absence. The Procurement Department Specialist responsible for the tender serves as a Secretary for the tender and is responsible for the preparation and record keeping of the full tender information/documentation.

A two-stage tender is carried out through COUPA system, with the possibility of opening technical and financial proposals in separate stages manually. In the first stage, the bidders submit the technical proposal as well as the closed/sealed bid of the financial proposal through the system. In the second stage, the bidders whose technical proposal met the requirements of the bidding documents participate in the opening of financial proposals in COUPA system. The tender is conducting in two stages. After the deadline for submission of proposal in accordance with the terms of COUPA system, all technical proposals are submitted to the committee for evaluation. The committee reviews and evaluates the presented technical proposals and confirms or rejects their compliance with the bidding documents, technical requirements including delivery time and warranty terms. In case that based on the presented documents, it cannot be determined if the technical proposal is compliant, the committee requests additional details and proofs from the participant.

After the review and approval/rejection of the technical proposals is completed, the Procurement specialist sends a notification to the selected/qualified participants that the financial proposals will be opened in the COUPA system. The financial proposals are ranked based on price. The Company, at its discretion, may invite the Bidders to any auction in order to obtain competitive prices through the Coupa system. There are three auction methods through the Coupa system: reverse English auction, reverse Dutch auction and reverse Japanese auction.

The Company has the right to apply for one-stage tender in case of orders not exceeding 100,000 (one hundred thousand) USD or 48,000,000 AMD. During one stage, suppliers / contractors must

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submit their technical and price offers/bids at the same time using the Coupa system, taking into account the terms of use of COUPA, as well as the terms and conditions of the bidding documents. The Employer will carry out a detailed technical evaluation of the bids to determine whether the technical details of the bids meet the requirements set out in the bidding documents. The Company will award the contract to the successful bidder whose bid qualifies as responsive and the lowest evaluated bid. The Company, at its discretion, may invite the Bidders to any auction in order to obtain competitive prices through the Coupa system. There are three auction methods through the Coupa system: reverse English auction, reverse Dutch auction and reverse Japanese auction.

In the case of orders exceeding 50,000 (fifty thousand) USD, the Company may use a different mechanism for evaluating bids, including not only the bid price but also other factors that may contribute to the success of the project and its sustainability, such as: delivery or construction period, personnel, equipment lists, environmental and social impacts, operating costs and shelf life, spare parts supply, service and qualification required for local staff training. The bids that are not rejected are considered based on the technical and price offer. The best offer is determined by the pre-announced evaluation method, where all components are expressed in quantity, in points. If the bid of the selected bidder exceeds the amount of financial allocations for that purchase, the Company may offer the selected bidder to reduce his bid through the COUPA system.

In the second stage, as soon as the deadline for submission of bids expires, a protocol is drafted and submitted to the Evaluation Committee, which provides the results of the tender and Contractor's award information. The protocol is signed by all present members of the committee. Within 5 working days after the signing of the Protocol, all bidders are officially notified of the bid classification and selected contractor.

Upon final Contractor selection the protocol signed by the Company Committee members is sent to the chosen Contractor via email or by regular post within 2 working days from signature. The chosen Contractor shall sign the Protocol and send the signed Protocol within 2 working days. After signature of the Protocol the chosen Contractor shall conclude the Contract after receiving the relevant approvals of the company, including the risk assessment through the COUPA system.

The Company shall be entitled to request a contract performance bond (bank guaranty or deposit amount) for transactions exceeding 50,000 (five hundred thousand) US Dollars. The amount of contract secured guarantees a healthy competition between contest participants and is a deterrent for unscrupulous participants. The decision to apply the contract shall be made by the company's general manager by demand of person submitting the technical proposal. Upon the request for a performance bond, a participant selected must provide it within 4 weeks. A contract with an elected participant is concluded if the latter presents the performance bond. The amount of performance bond is set to 10% of the contract price. In all cases, committee members shall exclude and declare absence of conflict of interest in the procurement process regardless of procurement amount.

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- In all cases, the members of the commission must exclude and declare the absence of conflict of interest in the procurement process, regardless of the amount of procurement.
- All tender information and documentation shall be archived for a minimum period of 5 years and attached to the PO/Contract

7.4.3 Procurement can also be conducted from single source through negotiations in the following cases:

- 1) If there has been an urgent need for procurement, and, the application of the other procurement procedure may lead to a violation of the obligations assumed by the public organization, established by law or other legal act provided that such a claim could not have been anticipated.
- 2) it is necessary to carry out the lease or rent of real estate, buy services of electricity, natural gas, drinking water, Supply of Drainage (Wastewater Treatment).
- 3) Goods, works or services to be procured are possible to acquire only from one person, which is conditioned by his IP related rights, special or exclusive rights, or provided by the warranty right contract;
- 4) there has been a need for additional quantities of goods, technological integrity components, designed to replace or replenish the equipment (s) previously supplied by the provider, and the change of the original supplier will oblige the customer to acquire other features, which in the case of exploitation and maintenance may cause incompatibility or disproportionate technical complications
- (5) The buyer shall, upon procurement of goods from any person, decide to make additional purchases of goods from the same supplier, that are not required by the contract, but which are necessary for the performance of the initial contract, provided that,
 - a. the contract of additional goods can not be technically or economically separated from the original contract without creating a significant difficulty for the client;
 - b. the price does not exceed 10% of the total contract price and in the case of construction work 20% of contract price. Additional purchases from the same supplier can be made once, and the price of additional goods may not be more than specified by the contract
 - (c) the purchase price does not exceed the base unit of the procurement;
 - d) procurement is carried out outside the Republic of Armenia.
 - e) intercompany contracts

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6. For the construction of buildings, structures or other auxiliary structures provided for by the project of transmission (transportation) and distribution systems of electric energy, natural gas, a direct sale of a land plot from a state body and (or) a local self-government body is carried out.
7. The contract has not been concluded twice in a row as a result of the procurement procedure. In this case, the purchase from single source is carried out according to the requirements submitted to the participants of the competition.

Goods, works and services may be executed by this procedure if they have been approved firstly by Head of Procurement Department and then approved by a written consent of at least one member of the Board of Directors.

Exceptions can be granted by the function Executive Vice President (EVP), local Finance or Plant Manager on a case-by case basis for Single* or Sole source** vendors, e.g. Accounting Firms / Financial Consultants, Law firms / Notaries, IT Providers, Original Equipment Manufacturer, with supporting justifications approved firstly by Head of Procurement Department, Legal Counsel and by a written consent of at least one member of the Board of Directors.

*Single source vendor: when a particular vendor is purposefully chosen even when other vendors are available.

**Sole source vendor: when only one vendor for the required item is available.

7.4.4. Procurement under Capital Investments Program regulated by Republic of Armenia Public Services Regulatory Commission (herein referred to as PSRC)

The procurement of the services, goods and works that shall be included in the Capital Investments Programs of the Company and shall be approved by PSRC has to additionally comply to Appendix No2 to Decision N273A dated August 19, 2020 of PSRC, i.e. *Requirements of procurement procedures of public organizations and its amendments*. Any and all procurement activities related to expenditures under the Company Capital Investments Programs, shall be therefore carried out in line with the principles and requirements of this normative legal act.

Decision N273A dated August 19, 2020 of PSRC, i.e. *Requirements of procurement procedures of public organizations and its amendments* are integral part of this procedure.

7.4.5 Black list

Any Bidder who fails to sign the offered contract or submit any security stipulated under the contract may be included in the blacklist for 3 years. Any Bidder who fails to pass the risk assessment of the Company will be put on compliance blacklist until decision is made by compliance department to remove the bidder from the list. Any bidder who fails to complete the contract on time and with quality can be included in the black list for three years by the discretion of the

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company. Such decision should be signed by the plant manager, legal council and the General manager of the Company.

7.4.6 Contract approvals

All the contracts must be reviewed and approved s in COUPA system before signing.

7.5 PREPARING, APPROVING AND SUBMITTING PURCHASE ODERS TO SUPPLIERS

Purchase Orders (PO) are prepared on behalf of the Company in an electronic format in the SAP system by a specialist from the Procurement Department after the contractor of the order is selected and all terms on the delivery of the goods, the performance of the service or the works are agreed and the contract is bilaterally signed.

The orders generated have a unique sequential number, which guarantees their uniqueness and gives the opportunity for a check-up, if necessary.

The purchase order contains at least the following information:

- Unique number and a preparation date
- Name and address of the supplier
- Reference note to the proposal/ signed contract and the information included in it (if any)
- List of the requested items, including the required quality characteristics and the necessary quantities
- Unit prices of items to be ordered
- The category of the budget for the activity, according to which the Purchase order will be allocated
- The required date and term for delivery
- Warehouse/location/site where the delivery should be supplied
- Payment Terms and timeframes of the transaction

Approval of Purchase Orders is done according to the AM01 SAP Approval Matrix.

The approval of Purchase Orders is valid only if executed in SAP system. All relevant documents including signed contract, technical specification, proposals, report, Compliance and COUPAApproval are appended to the PO.

The approved POs are sent to the selected contractor by fax, e-mail or post from the Procurement Department Specialist. The contractor confirms the receiving and the accepting of the order by e-mail, fax or telephone.

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A copy of the approved Purchase Order is sent to the requisitioner.

Amendments of Purchase Orders are performed in SAP system. Such actions related to increase in the ordered quantities or prices are subject to re-approval as per the AM02 Approval Matrix in SAP system.

7.6 RECORD KEEPING

7.6.1 The Procurement Department prepares an electronic (attached to the SAP PO) or paper-based file for each PO/Contract containing all documents collected, prepared and issued for the assigning of the respective PO/contract, namely:

- Technical Specification and Bill of Quantities
- Purchase Requisition
- Request for quotation
- Technical and financial proposals of all candidates
- Report and other tender documentation
- PO/Contract
- Copy of Compliance approval
- Copy of COUPA approval
- Delivery documents
- Protocols for acceptance of goods/works/services
- Invoices
- Warranty cards/Certificates of Quality/Technical Passports

All persons who initiate or participate in the organization and procurement processes are required after the assigning of the respective PO/contract to provide a copy of all documents received and compiled during the process to the Procurement department to comply with the obligations to complete the file as well as for monitoring and control purposes.

7.6.2 For the purposes of maintaining proper record of all procurement activities, Procurement Department maintains the following reference documents simultaneously and containing equal information in electronic and hard copy format:

- List of all Procurement tenders containing reference number, subject, deadline for submission of proposals and contract number to be filled out after contract signing. The reference number of the tender is assigned by the procurement specialist and it is a unique number consisting of a sequential number of the tender plus the year, in which the tender is initiated. A new sequence is started at the beginning of each calendar year.

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- List of all Contracts containing contract number and date of signing, subject, Contractor name and address, Contract amount in AMD and USD, contract terms, and payment terms; The contract number is assigned by the General Director Assistant and it is a unique number consisting of a sequential number of the contract for the year in which the contract is signed. A new sequence is started at the beginning of each calendar year.

7.6.3. The Procurement Department prepares a weekly progress report, which includes the following information:

- General progress of procurement activities
- Subject, value and contractor of the signed contracts for the relevant period
- Number of awarded orders for the period
- Total value of the awarded orders/contracts year-to-date;
- Activities for the improvement of the organization and for organizing the performance of the contracts

The progress reports are sent to the General Director and to the Plant Manager of Hydro Cascade CJSC for information.

7.7 COMPLIANCE

In performing all their duties and activities, all managers, staff, personnel, partners, contractors of ContourGlobal strictly follow the procedures and principles set out in ContourGlobal's Anti-Corruption Policy, Anti-Corruption Policy Compliance Guide, the Supplier Code of Conduct and Code of Conduct and Business Ethics.

Under company policy, all suppliers and third party service providers must undergo compliance due diligence. All suppliers and service providers must be onboarded through the COUPA Risk Assessment module: <https://eu.hiperos.com/Account/Login?ReturnUrl=%2fDashboard%2fHome>

The information required in the system such as: the bank account details should be fill out by the vendors only.

The Procurement Department completes all necessary checks to verify supplier compliance in line with the CG Policy for Engaging Suppliers and Third-Party Service Providers prior to Contract signing or PO issuing. Compliance Department issues a final approval that all due diligence checks have been performed through issuing a statement of confirmation with a unique reference number.

All employees have a continuing duty to be alert to suspicious circumstances raising corruption, fraud, ethical or compliance concerns, and **MUST immediately** report such information to the Chief Compliance Officer. In addition to reporting suspicious circumstances to the Chief Compliance Officer, the reporting employee must inform immediately also the Board of Directors of the Company. Based on reported events, the Board of Directors shall form a working group consisting

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of at least five members that will have the obligation to promptly follow up with relevant corporate functions on the final resolution of the reported circumstances.

All compliance checks documents shall be saved in the file of the respective PO/contract.

8 CONCLUDING A PROCUREMENT CONTRACT

The Legal Counsel prepares and provides different types of contract templates to the procurement department. If the contract to be entered into is non- standard (no template prepared for that purpose), or there are specific requirements imposed to that particular contract, the procurement department applies to the Legal Counsel for either preparing and providing a new template contract or reviewing the draft contract provided by the other party for that specific case at the discretion of the Legal Counsel.

After completion of the tender process or evaluation of proposals pursuant to this procedure, all contract details are inserted into the provided by the Legal Counsel template contract relevant for that particular case by the Procurement Specialist. The completed contract is sent for review by the Head of Procurement department and after the review of the Head of Procurement Department it is sent to the Legal Counsel for final review. After the Legal Counsel completes the review and revisions, the draft contract is sent to the selected vendor for review and confirmation by the responsible Procurement Specialist. Along with the draft contract, the CG Anti-Corruption Policy, Anti-Corruption Compliance Guide, the Vendor Certificate with relation to Sanction Laws and the Supplier Code of Conduct for signature and stamp on his side is sent to the vendor. In case of proposed revisions from the vendor on the draft contract and/or some terms of the contract, the proposed revisions are discussed and negotiated with the vendor by the procurement specialist. The procurement specialist may involve the Legal Counsel in the contract revisions negotiations if needed. The accepted by the Legal Counsel and the procurement department revisions are inserted into the contract, which is considered as final agreed contract.

After receipt of the signed and stamped by the vendor CG Anti-Corruption Policy, Anti-Corruption Compliance Guide, the Vendor Certificate with relation to Sanction Laws and the Supplier Code of Conduct, the Procurement Specialist, who is responsible for compliance approval process initiation and follow-up, launches the compliance approval process in COUPA if the vendor has not passed the compliance approval in past. Upon compliance approval and receipt of the compliance approval confirmation email from the CG compliance department as well as confirmation from the CFO that the contract price is within the approved budget, the final agreed and confirmed with the vendor contract and its attachments are inserted into Signature Memo COUPA portal by the Legal Counsel who is responsible for initiation and follow-up of COUPA process. Upon receipt of the COUP Approval confirmation, the contract is submitted for signing to the relevant signatory as described in chapter 5 of this procedure. Once two originals of the contract are dully signed and stamped, the

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contract is sent by the Procurement Specialist to the selected contractor for signing and execution. The bilaterally signed and stamped contract must be numbered, scanned and uploaded to the relevant COUPA in the portal by the Assistant of the General Director.

As described above, a PO is created in SAP system reflecting the relevant contract information and the cost allocation details provided in the approved Purchase Requisition. The scanned bilaterally signed and stamped contract, all relevant financial proposals, Compliance and COUPA approval emails are attached to the SAP PO. SAP PO is approved according to the SAP/PO approval matrix.

9 PERFORMANCE CONTROL ON THE CONCLUDED CONTRACTS

9.1 PERFORMANCE CONTROL ON CONTRACTS OR ORDERS FOR DELIVERY OF GOODS

Each delivery of goods is received in a warehouse located on the territory of Goris Administrative Building by the responsible manager of the Warehouse, without being accepted. The Warehouse responsible manager and PR creator signs the consignment note accompanying the delivery to confirm the adjustment of the quantity of goods to PR. One copy of the so signed document remains with the Warehouse specialist; at least one copy remains for the supplier. Based on the the consignment note a protocol of acceptance is prepared which is signed by warehouse manager, person who created the PR, head of procurement department and is approved by plant manager. The warehouse specialist carries out the registration of the delivery in the SAP system, in accordance with the relevant purchase order, goods / spare parts / materials, and after registering them in the SAP system, after the goods are physically checked by a technically competent person and the Head of the Department-Requisitioner, who signs the acceptance protocol. The check consists of making a comparison of the quality, quantity and the technical characteristics of the delivered goods with the technical specification of the delivery.

The documentation accompanying the relevant delivery, i.e. CMR, goods receipt note, invoice, acceptance certificate etc. is forwarded to procurement department, where a check of the correspondence in terms of ordered quantity and unit/total price is performed.

If discrepancies between the ordered and the delivered goods are established, then the procedures detailed below should be observed. This discrepancy should be confirmed at the same time by the Warehouse responsible receiving the goods and by the supplier. If the discrepancy is due to technical mistake in some of the documents or in the data entered in the system, then the documents should be corrected and the data should be changed.

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In case of a confirmed **shortage in the delivery**, then the missing units should be additionally delivered or if they are not necessary, they should be removed from the PO. In both cases the supplier should be informed whether to deliver the missing goods aiming to observe the Order or to issue a credit note, in order to account the reduction of the order. The information for the delivery should be updated with the relevant corrections.

In case the **delivery exceeds the approved quantity**, with more than beforehand set admissible limits of variation in SAP, the exceeding quantity shall be returned to the supplier or if these additional quantities are necessary, then they have to be authorized in SAP system through relevant approval matrix. The returning of goods should be carried out with a special document.

In the event that there is a mismatch between the delivered and ordered quantity that is approved by the Company, the Purchase Order is updated reflecting the actually delivered quantities. Otherwise, the delivery or invoice is rejected until the Supplier meets the conditions of the Purchase Order.

In the event that the presented by the supplier invoice does not match the PO quantity or amount, the supplier issues a credit note for the incorrect document and presents a new invoice with the correct purchase order information.

9.2 CONTROL ON CONTRACTS AND ORDERS FOR CARRYING OUT SERVICES AND WORKS

The contracts and the orders for carrying out construction or services such as repair works and maintenance of facilities in the Company are managed by the General Manager and the Plant Manager. They appoint a person responsible for the contract, who has the duty to issue the contractor work permits for the work, to monitor on a daily basis whether the works are carried out in a safe way and in accordance with the technical requirements for performance of the works, to accept the performed works and to prepare written statements according to the contracts management procedure.

The acceptance of services, construction and repair works is carried out by means of a two-sided acceptance certificate signed by the technical specialist responsible for the contract and the Head of the Department-Requisitioner on behalf of the Company. The works are physically inspected prior to signing the certificate. The acceptance certificate becomes effective after its approval by The General Manager or Plant Manager and a representative of the Contractor. The acts of repair, construction, installation and repair of the equipment shall be approved by the head or production manager by the contractor's responsible representative, the person who made the procurement request, the construction object manager and the procurement unit manager.

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The Procurement Department keeps a list with suppliers which, due to some reason, have not observed the quality standards or other standards during their delivery or provision of works and services. If the discrepancy is through the supplier's fault, this is entered into the file of the supplier.

If there is non-performance of clauses of the contract, the head of the Department-Requisitioner notifies the Procurement and the Legal Departments, which together with Accounting, Finance and Control Department take the necessary measures to seek responsibility from the contracting party.

10 PAYMENT OF INVOICES

All invoices are processed for payment from Accounting, Finance and Control Department as per the relevant procedure.

No payments are executed without an approved PO and the executed Contract. The payments are made within the periods foreseen in the Purchase Order/Contract after the necessary approvals based on an acceptance certificate, confirming the performance of the PO/contract. The payments are made by Accounting, Finance and Control Department.

Once an invoice is received, it is matched by the responsible accountant against a PO/Contract and an acceptance protocol for delivered goods/services/works. The acceptance protocol is signed at least by the technical specialist responsible for the raising of the purchase requisition and supervision and acceptance of performance, the Head of the Department – Requisitioner and the Head of the Procurement Department.

If the three-way match described above is confirmed by the responsible accountant, the invoice is entered into the SAP system and the relevant invoice is processed for approval. Invoice approval and payment are regulated by a separate procedure.

11. DECLARING THE TENDER VOID OR UNSUCCESSFUL

The tender results conducted in accordance with this Procedure may be declared unsuccessful and void in the following cases:

1. No offers have been submitted;
2. Offers submitted are not in compliance with requirements set in the tender invitation and tender requirements or local legislation requirements,
3. The requested works, goods and services are no longer necessary due to emergency situations,
4. The Company has revealed false and/or fraudulent information or documents submitted by the tenderers,

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5. The chosen Contractor has not passed the ContourGlobal compliance check and/or a conflict of interests has been revealed,
6. All tender participants refuse to conclude the contract within the term foreseen in this Procedure,
7. In other cases foreseen in the legislation of Armenia.

12 APPENDICES**APPENDIX 1: CONTOURGLOBAL ANTI-CORRUPTION POLICY****APPENDIX 2: ANTI-CORRUPTION POLICY COMPLIANCE GUIDE****APPENDIX 3: SUPPLIER CODE OF CONDUCT****APPENDIX 4: SUPPLIER GUIDE TO UNGC PRINCIPLES**



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DECLARATION

From

.....
.....

[Counterparty] declares:

- Not to have performed activities that presented a conflict of interest with this Agreement (or the title of the Agreement)

[in case of an individual]

[Counterparty] declares:

- Not to have been in charge of a public office or entrusted in public service in the last 24 months with activities that involved, directly or indirectly, any companies belonging to ContourGlobal. Equally, as far as [Counterparty] knows it, these activities have not been carried out by their relatives.

[in case of a Company]

[Counterparty] declares:

- The top management (Chief Executive Officer, etc.)/ managers and their relatives (spouses and immediate family) not to have been in charge of a public office or entrusted in public service in the last 24 months with activities that involved, directly or indirectly, any companies belonging to ContourGlobal.

-No portion of the sum invoiced herein has been paid to any government official for any unlawful purpose and all lawful payments to government entities for licenses, permits or other services are supported by receipts or appropriate documentation

Date:

Place:

Signature:

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CORRUPT PRACTICES POLICY COMPLIANCE STATEMENT

I, _____, a contractor/ supplier of ContourGlobal (the “Company”), confirm that I have read and understand the Company’s *Corrupt Practices Policy* and the *OPIC Anti-Corruption Policies and Strategies Handbook* (collectively, the “Policy”).

I further confirm that I agree to abide by the Policy and to review its terms prior to engaging in any activities that could possibly be in violation of the Policy. If I have any questions concerning any proposed matter within the scope of the Policy, I will present them to the Company’s General Counsel for review, prior to engaging in any such transaction or activity.

ACKNOWLEDGED AND AGREED:

Signature

Date: _____