

"ZANGEZUR COPPER MOLYBDENUM COMBINE" CJSC

# PROCUREMENT POLICY

## CONTENTS

1. **Introduction**
2. **Basic Principles**
  - 2.1. Value for Money
  - 2.2. Economy
  - 2.3. Efficiency
  - 2.4. Principle of Fairness
  - 2.5. Transparency
  - 2.6. Quality of the procurement processes
3. **Business Ethics**
4. **Conflict of Interests**
5. **Procurement Planning**
  - 5.1. Purpose of Procurement Planning
    - 5.1.1. Core principles
  - 5.2. Procurement Plan
  - 5.3. Risk Management in the Procurement Process
6. **Requirements for Contractors and Suppliers of Goods and Services**
7. **Delegation of Authority**
8. **Procurement Procedure**
9. **Stakeholder Engagement**
10. **Environmentally and Socially Sustainable Procurement**
  - 10.1. Promoting sustainable development of the socio-economic and ecological environment
11. **Complaint management**
12. **Training and Development of Personnel**
13. **Innovation and Process Improvement**

## KEY TERMS AND ABBREVIATIONS

**ZCMC**  
Zangezur Copper-Molybdenum Combine CJSC

**Policy**  
ZCMC Procurement Policy

**RA**  
Republic of Armenia

**Proposal**  
A commercial offer (CO) or a bidder's proposal for the supply of goods, works or services

**Employee**  
An employee of ZCMC who is in an employment relationship with the organization, or a representative of an external contractor (outsourcing agency) authorized under a service agreement for procurement services, who, in accordance with their official duties, carries out procurement activities on behalf of and in the interests of ZCMC

**Guideline**  
ZCMC's Procurement Guidelines, Standard Operational procedures and working Instructions

**VfM**  
Value for Money

**TCO**  
Total Cost of Ownership



## 1. INTRODUCTION

ZCMC Policy is developed to regulate the procurement processes of goods, works and services, including consulting services, necessary for the effective operation of ZCMC.

The Policy is a fundamental document governing the procurement activities of ZCMC. The core objectives, tasks, principles, and standards for procurement activities outlined in the Policy take precedence over the provisions of any other internal documents regulating procurement processes.

The procurement activity of ZCMC is carried out in compliance with requirements of current legislation of RA, current Policy, and other ZCMC documents that regulate the organization and conduct of procurement, conclusion and execution of contracts.

Principles and rules outlined in the current Policy are intended to monitor, guide, and serve as a reference for the personnel authorized to carry out procurement functions, and for the staff involved in procurement-related processes within associated functions.

In case of any discrepancies or inconsistencies between statements of the current Policy and other documents regulating the procurement process of ZCMC, provisions of the current Policy shall prevail.

Considering special requirements for the procurement needs of ZCMC, the current Policy shall not apply to the following activities:

- Selection of brokers for the purchase and sale of securities and foreign currency assets,
- Purchase and sale of securities and foreign currency assets,
- External legal services,
- Specific procurements for which a special procedure has been approved by a decision of the executive body of ZCMC.

The purpose of ZCMC's procurement activities is acquisition of appropriate goods, works, and services for stated objectives in a timely manner and with suitable costs and quality characteristics, while balancing overall institutional requirements of economy, efficiency, value for money, transparency, accountability, and environmental and social sustainability.

*\*This Policy is executed in three originals—in Armenian, Russian, and English—all texts being equally authentic. In the event of discrepancies in interpretation, the Armenian text shall prevail.*

## 2. BASIC PRINCIPLES

The purpose of the core procurement principles is to enhance transparency of the procurement process and related decision-making, as well as to establish a setting for fair competition, to prevent corruption risks, and to achieve efficient use of funds.

### 2.1. VALUE FOR MONEY

Procurements must ensure optimal VfM. This means gaining maximal operational benefits through use of dedicated resources for that purpose. This may include not only the initial costs but also Total Cost of Ownership over the lifecycle of the procured items, product quality, and timeliness. To achieve VfM, the procurement process must ensure an alignment of methods and procedures used by ZCMC with stated objectives.

### 2.2. ECONOMY

Procurements are carried out in accordance with the principle of cost-effectiveness, which implies achieving the best balance between price and quality under optimal procurement conditions.

When making decisions, the following factors are considered:

- The cost of goods, works and services,
- Payment terms and schedule,
- Quality and warranty obligations,
- Delivery timelines and consistency,
- Other relevant non-price selection criteria, given that they do not compromise the economic and financial efficiency of the procurement.

### 2.3. EFFICIENCY

The organization and optimization of procurement activities aim to ensure the effective and timely fulfillment of needs with minimal use of administrative resources and time spending, aimed at achieving ZCMC's priority targets.

### 2.4. FAIRNESS

The principle of fairness is defined by three key provisions:

- a. Providing equal opportunities to all procurement participants,
- b. Fair distribution of rights and duties between ZCMC and procurement participants,
- c. Establishing reliable mechanisms for handling procurement-related complaints and ensuring accessible means of legal remedies.

## 2.5. TRANSPARENCY

The principle of transparency in procurement lies in ensuring openness and accessibility of information at all stages of the procurement process. Adhering to this principle means that information about the conduct, results of procurements, and concluded contracts must be public, clear, and equally accessible to all interested parties.

Transparency is achieved through:

- Publication of procurement information in publicly available sources,
- Clear and unambiguous presentation of procurement conditions (ToR – Terms of reference),
- Documentation of the procurement process.

## 2.6. QUALITY

The organization of the procurement process aims to ensure the timely and efficient acquisition of requested resources and the delivery of final outcomes at an appropriate level to achieve strategic and operational objectives, considering prevailing conditions (cost, time, and quality balance), risks, and the complexity of the particular procurement.



### **3. BUSINESS ETHICS**

ZCMC's procurement activities must adhere to the highest standards of business ethics and ensure fair and equal treatment of suppliers and potential suppliers of goods, services, and works. ZCMC will strive to work with suppliers who demonstrate the good practices in environmental management (including energy efficiency and resource conservation, waste reduction, and the implementation of recycling and reuse processes), as well as in human resource management (e.g., ensuring equal opportunities, compliance with safety and occupational health applicable regulations and standards, and provision of decent working conditions).

Employees involved in any procurement must ensure compliance with ZCMC's Staff Code of Conduct.

ZCMC also expects all its suppliers of goods, services, and contractors to uphold the highest ethical standards.

### **4. CONFLICT OF INTERESTS**

A conflict of interest is a situation in which the interests of any party may improperly influence that party's performance of its official duties, responsibilities, contractual obligations, or compliance with applicable laws and regulations.

ZCMC will take appropriate measures to prevent and resolve conflicts of interest involving personnel, suppliers, and consultants. These measures may include, but are not limited to, rejecting cooperation proposals or commercial offers if ZCMC determines that a conflict of interest has affected or potentially may affect the integrity of the procurement process and its compliance with this Policy and other regulations and standards approved by ZCMC.

This matter is regulated in detail by the [ZCMC Code of Conduct](#).

### **5. PROCUREMENT PLANNING**

Procurement planning is a key element of effective supply management and must be carried out in alignment with production schedules, corporate objectives, and ZCMC's strategic priorities.

#### **5.1. PURPOSE OF PROCUREMENT PLANNING**

The purpose of procurement planning is to ensure the timely and economically justified acquisition of goods, works and services necessary for the uninterrupted operation of ZCMC, while minimizing the risks of shortages, excess inventory, and non-targeted expenditures.

### 5.1.1 Core principles

- **Needs forecasting:** Procurement must be based on reliable data driven production plans, maintenance schedules, seasonal demand fluctuations, and other relevant factors.
- **Stakeholder alignment:** All procurement plans must be coordinated with internal clients , as well as technical and financial departments.
- **Timing and volume optimization:** Planning should consider opportunities for order consolidation, logistics optimization, and cost reduction through economies of scale.
- **Flexibility and adaptability:** In the event of changes in production priorities or market conditions, procurement plans must be promptly reviewed and adjusted.

### 5.2. Procurement Plan

The procurement plan may include the following information:

- The estimated cost of procurements,
- Proposed procurement methods,
- Types of procurement documents and contracts to be used,
- Methods for approval of procurement results, etc.

### 5.3. RISK MANAGEMENT IN THE PROCUREMENT PROCESS

The identification, assessment, and management of risks associated with the procurement process are an integral part of procurement planning.

ZCMC will systematically develop and implement measures to mitigate and manage identified risks, including:

- Supplier monitoring, which includes, among other things, conducting due diligence involving the assessment of anti-corruption risks, screening against sanctions lists, establishing and analyzing beneficial ownership structures, and other relevant checks,
- Evaluation of the reliability, business reputation, and financial stability of potential suppliers,
- Analysis of market conditions and associated logistics risks,
- Development of alternative scenarios and channels for supply.

## **6. REQUIREMENTS FOR CONTRACTORS AND SUPPLIERS OF GOODS AND SERVICES**

ZCMC's strategy is to establish legally sound, financially sustainable, mutually beneficial, and long-term partnerships with contractors and suppliers of goods and services.

ZCMC's procurement procedures may include qualification requirements related to experience, resources, and key areas of activity. Such requirements must be justified and formulated in a manner that does not create undue advantages for specific participants or restrict equal opportunities for participation.

## **7. ALLOCATION OF AUTHORITY**

The respective authorities of the departments responsible for organizing and participating in procurement are governed by ZCMC's internal regulations.

## **8. PROCUREMENT GUIDELINE**

The procedure for conducting procurements, evaluating proposals, approving evaluation results, contract award processes, the list and description of procurement methods, descriptions of procurement documents and their requirements, as well as procurement threshold values, are defined in the Guideline.

Single-source procurement refers to any contract concluded without a competitive bidding process, in cases and procedures specified in the Guideline.

## **9. STAKEHOLDER ENGAGEMENT**

ZCMC encourages the establishment of open dialogue with internal and external stakeholders, including employees, suppliers, local communities, and regulatory authorities, in order to consider their interests and minimize social risks.

## 10. SOCIALLY AND ENVIRONMENTALLY SUSTAINABLE PROCUREMENT

ZCMC's environmental and social frameworks reflect its institutional objectives to eliminate environmental and social risks and to ensure environmental and social safety and sustainability.

ZCMC aims to operate as an environmentally and socially responsible enterprise.

To translate this objective into effective practical outcomes, ZCMC must ensure that procured goods and services it procures comply with applicable legal and other requirements. These requirements include international environmental agreements ratified by the country in which the goods and services are procured, and prioritize long-term and reusable use, energy efficiency, low environmental impact, waste minimization, use of recyclable materials, and reduction of environmental harm.

ZCMC will incorporate environmental and social aspects, standards, and requirements into procurement planning, specifications, technical requirements, terms of reference, and scopes of work. These will be reflected in requests for proposals, invitations to bid, and procurement documents issued by ZCMC. Applicable evaluation criteria to implement these policies will be included in technical assessments and considered during proposals analysis and evaluation.

ZCMC requires that contractors and suppliers of goods and services comply with applicable local and international social standards and requirements that ensure good working conditions, occupational safety, fair wages and benefits, respect for diversity, and other labor standards.

### 10.1. PROMOTING SUSTAINABLE DEVELOPMENT OF THE ENVIRONMENTAL AND SOCIO-ECONOMIC CONDITIONS

ZCMC encourages and applies provisions aimed at supporting and promoting the activities of suppliers of goods, works, and services that contribute to the sustainable development of the socio-economic and environmental conditions in target regions or specific sectors of the business-economy identified in ZCMC's strategic sustainability goals, provided that such suppliers meet the established procurement criteria and sustainability provisions.

The methodology for applying and evaluating criteria aimed at sustainable development of the socio-economic and environmental conditions is outlined in the Guideline.

## 11. COMPLAINTS MANAGEMENT

Complaints related to the procurement process may be reviewed by ZCMC at any stage of the procurement cycle. Complaints must be addressed objectively and in a timely manner, in accordance with the principles of transparency and fairness.

The complaint management procedure is outlined in the Guideline.

## 12. TRAINING AND DEVELOPMENT OF PROCUREMENT STAFF

ZCMC ensures regular training and professional development of employees involved in the procurement process to enhance their competencies and maintain a high level of professionalism. This includes training on new procedures, technologies, and sustainable procurement practices to ensure their proper implementation in practice.

## 13. INNOVATION AND PROCESS IMPROVEMENT

ZCMC encourages the adoption and implementation of modern information systems to automate procurement processes, aiming to optimize operations and enhance transparency and efficiency.

ZCMC recognizes the growing potential of new procurement methods such as such as e-procurement, and is committed, where feasible, to promoting the use of these methods to improve the transparency and effectiveness of the procurement process.

