



**COMMUNICATION ON PROGRESS OF
“SAMRUK-ENERGY” JSC AS PART OF UN
GLOBAL COMPACT FOR 2019**



Communication on progress in 2019

“Samruk-Energy” JSC

“Samruk-Energy” JSC is the largest diversified energy holding company, which is successfully integrated into the international energy mix, forming a highly efficient energy supply system, as well as ensuring the sustainable development of all sectors of Kazakhstan.

The main activities of “Samruk-Energy” JSC group of companies:

Coal mining

“Samruk-Energy” JSC produces circa 40,4% of coal from the total output across the Republic of Kazakhstan. Coal is supplied to power plants of the Republic of Kazakhstan and the Russian Federation, as well as public utility companies of the region.

“Samruk-Energy” JSC coal output in 2019 was 44,9 mln. tons, which corresponds to the 2018 level.

Generation

The group of companies generated 28,5% of the total electricity produced in the Republic of Kazakhstan. In 2019, the volume of electricity production by “Samruk-Energy” JSC amounted to 30 200 mln. kWh or 95,3% compared to 2018 figures.

Renewable energy sources

“Samruk-Energy” JSC comprises facilities generating electricity - Wind and Solar power plants.

The Company's share in the production of electricity using renewable energy sources in Kazakhstan is 17,7% of the total generation.

In 2019, renewable energy generated 342,5 mln. kWh, which is 1,2% lower than 2018 figures.



Transmission, distribution

Electricity is mainly transmitted and distributed through main grids and grids of regional energy companies. The volume of electricity transmission in 2019 was 6 961 mln.kWh, which is 2% more than in 2018.

Wholesale

Generating companies of national importance and major consumers represent the wholesale electricity market. Electricity sales to customers in 2019 amounted to 28,6 bln. kWh. At the same time, the growth in the domestic market amounted to 5,7% compared to 2018.

Retail

Electricity sales in 2019 amounted to 6 218 mln. kWh. or a 5% increase compared to 2018.

Export

966,5 mln. kWh to Uzbekistan and 10,9 mln. tons of coal to the Russian Federation was exported in 2019.

The Company recognizes the importance of its influence on the economy, environment and society and, while striving to increase long-term value, ensures its sustainable development in the long term, and maintains a balance of stakeholders' interests.

The Principles of sustainable development were implemented in the context of three levels:

1. Strategic integration - the principles of sustainable development are implemented into the Strategy (mission, values and strategic goals);



2. Operational integration - all corporate decisions are made by the management of the Company based on the criteria for compliance with sustainable development principles and goals;

3. Cultural integration is implemented through holding training at the Company, posting articles on the corporate portal of the Company, as well as within the framework of the Code of Conduct.

While integrating sustainable development principles in its business, the Company also declares its commitment to following 10 principles of the UN Global Compact in its strategy and day-to-day operations, to which it has joined since October 6, 2011.

The company is aware that global factors affecting sustainable development will inevitably lead to limitations, difficulties and risks in the process of doing business in general. The main goal of the Company is not only to ensure survival in high-risk environments through proper forecasting and planning, but also to turn risks into opportunities and prepare for the unforeseen future.

This Communication on progress achieved in 2019 is a statement of continued support of the UN Global Compact. It describes actions taken in accordance with the 10 principles and their corresponding results.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2: Make sure that they are not complicit in human rights abuses.

“Samruk-Energy” JSC is one of the largest employers in the Republic of Kazakhstan. As of December 31, 2019, the headcount of the Company amounted to 17 741 people.

The Company and its subsidiaries and affiliates fully respect human rights declared at an international level and established in accordance with legislation of the Republic of Kazakhstan. The main aim of the Company in terms of sustainable development in relationship with personnel is to exercise people’s rights to work.

The Institute of Ombudsman has been established at the Company since 2011. The Ombudsman is an independent party whose business principles are



independence, neutrality, impartiality and confidentiality. In 2019, the Ombudsman received 20 appeals. The appeals were of a social and labor nature: issues of the employee's relationship with an executive, wage levels, payment of bonuses and other payments. The Ombudsman settled the specified appeals of employees; comprehensive consultations were provided as necessary. According to 2019 results, not a single case of an appeal to the Ombudsman on human rights violations was reported at "Samruk-Energy" Group of Companies.

The Hotline operates in order all associates across "Samruk-Energy" Group of Companies (employees, agents, joint ventures partners, subsidiaries and other persons providing services to the Company or acting on its behalf) could report any kind of concern. The hotline is available to all associates, all messages are received and processed by an independent company 24/7 through all communication channels.

Messages received through the hotline are transferred to the Compliance Service of "Samruk-Energy" JSC, which provide a professional and confidential review of all appeals. The hotline also accepts anonymous messages. Associates may be concerned about violations committed such as (but not limited to):

Bribery and corruption:

- ✓ Illegal remuneration
- ✓ Fraud
- ✓ Conspiracy
- ✓ Extortion
- ✓ Abuse of power

Unequal conditions of employment and work:

- ✓ Labor disputes
- ✓ Discrimination
- ✓ Labor disputes
- ✓ Harassment
- ✓ Unethical behavior

For fair consideration and decision-making on appeals received through the Hotline, there is a Commission for review of complaints / appeals received through the Hotline at the Company.

The Hot line received 28 complaints in 2019, 15 of which were of social and labor nature.

As part of developed compliance programs, mainstreaming principles of sustainable development, ensuring and protecting human rights is also secured by due diligence of third parties, partners and contractors that enter into relations with the Company. Standard contracts, which enforce existing laws, including anti-corruption clauses, are available.

"Samruk-Energy" Group of Companies has a Code of Conduct, which provides for the ethical conduct of business both for the Company itself and for



persons working with the Company to whom this Code applies. Human rights are also ensured by standards of equal conditions of employment and labor, as well as the prohibition of discrimination and oppression enshrined in the Code of Conduct.

Furthermore, Feedback is available on the company's website for any stakeholders for effective communication with all stakeholders, as well as to ensure the possibility of handling violations. Feedback is intended for any stakeholders who may ask for advice, review, suggestions and any other concerns within the “Samruk-Energy” JSC business. A single mechanism for obtaining feedback from stakeholders has been introduced; a database of complaints and suggestions across “Samruk-Energy” JSC group of companies has been created.

In 2019, “Samruk-Energy” Group of Companies did not have any violation, which affected the rights of indigenous people and minorities. The company recognizes the equal rights and opportunities. Employees have an equal right to associations, assemblies, and collective negotiations within the limits of applicable legislation.

Labor relations

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: Business should eliminate all forms of forced and compulsory labour;

Principle 5: Businesses should stand for full abolition of child labour; and

Principle 6: Businesses should advocate elimination of discrimination in respect of employment and occupation.

Main objectives of the Company comprise improvement in productivity, decent remuneration and ensuring safe working conditions.

There are collective agreements at all entities of “Samruk-Energy” JSC group of companies, which represent the tool enabling to strengthen labor relations in a civilized manner, achieve gradual improvement in labor productivity and conditions, establish additional social guarantee and employee benefits (100% coverage). Collective-contractual mechanism of the Company is improved on a yearly basis. To respond in a timely manner to the needs of employees,



achieve a balance of interests of the parties to social partnership is the task that the trade unions of the Samruk-Energy group of companies address.

To regulate and protect economic, social, labor and professional interests of employees, and to ensure the compliance with terms and conditions of employment contracts, 11 trade unions, which comprise more than 85% of employees of the Company's group (more than 15 199 persons), operate at "Samruk-Energy" JSC group.

Ensuring social protection and protection of employees' rights and interests are the main concern and responsibility of the trade union organizations, which are the authorized employee representatives in social partnerships.

Along with the trade union organizations, the standing Commissions on Settlement of Social and Labor Disputes were established at Samruk-Energy Group for the management of social and labor relationships.

The Company and its subsidiaries and affiliates advocate an abolition of forced and child labors. The Company does not have any activity related to these kinds of labors.

The company does not discriminate against its employees and adheres to an equal approach in obtaining access to training and development programs, in career progression and employment at the enterprises of "Samruk-Energy" JSC group of companies.

To improve practices and procedures for providing equal opportunities at "Samruk-Energy" JSC group of companies and gain best international experience in gender equality issues, international best practice on providing equal opportunities in the energy and power sectors is introduced jointly with the European Bank for Reconstruction and Development. As part of this project, the specialists of the European Bank for Reconstruction and Development conducted the analysis of national legislation, local initiatives in the field of equal opportunities, the Company's statistics, as well as the annual admission / graduation of specialists from higher and professional education institutions in energy majors with a breakdown into men and women, and the best international practices in areas of equal opportunities, etc. Recommendations and the Action Plan for the development of equal opportunities practices were developed based on the mentioned activities. In 2019, the Company signed a Statement of Support



for the “Principles for the Empowerment of Women” developed through a partnership between “UN-Women” and the United Nations Global Compact.

In 2019, the Company did not have a single incident related to discrimination of employees, forced labor and the use of child labor.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Business should undertake initiatives to promote greater environmental responsibility; and

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

It is a common fact that Kazakhstan has chosen for itself the path to sustainable development and becoming one of the 30 most developed countries in the world, respectively, the issue of environmental safety is a priority for us. The Company recognizes that the achievement of environmental safety in the regions where the Company's production enterprises operate largely depends on the economic development strategy implemented by the Company.

A responsible attitude towards environmental issues has been shaped at the Company and its subsidiaries over many years of operation. Taking into account the complexity and seriousness of technologies used, we have no choice but recognize the significance of each of the numerous environmental risk factors intrinsic to power sector, especially in the context of the well-being of present and future generations, as well as plant and animal life in the regions where the Company operate.

The Company makes management and investment decisions based on the multiple-option scenarios of development at all stages of the product life cycle, considering the opinions of all stakeholders, as well as the following environmental priorities:

1) the priority of preventive measures over activities on eliminating environmental negative impacts;



2) the priority of introducing the best available technologies in comparison with measures aimed at mitigating environmental damage from equipment operation.

Guided by the current legislation, sustainability concept, as well as international best practices, “Samruk-Energy” JSC has set its environmental policy. The goals and objectives declared in the Environmental Policy of “Samruk-Energy” JSC (hereinafter - the Policy) were considered in the Company's Development Strategy.

The Policy declares the intentions to do business in compliance with requirements of existing national environmental legislation and international environmental standards; conduct an environmental impact assessment of its business activities; ensure reliable operation of the equipment with minimizing the risks of emergencies that entail damage to the environment; ensure transparency, openness and accessibility of environmental information, progressive reduction of the negative impact of production processes and products on the climate, biodiversity, atmosphere, surface and groundwater and soil, etc.

To manage the environmental aspect, the Company created an environmental management system (EMS). ISO 14001 Environmental Management was implemented at all subsidiaries and affiliates engaged in production activities. We consider environmental care as a contribution to the social development of Kazakhstan’s society, therefore, in 2018, the work on EMS integration with the social management system has begun. Thanks to our experience in working with ADB and EBRD, we plan to improve our management systems to meet the requirements of the International Finance Corporation.

“Samruk-Energy” JSC takes the climate change issue seriously. Therefore, the Company pays considerable attention to the development of renewable energy sources and hydropower plants, implemented energy management systems everywhere, developed comprehensive programs aimed at increasing energy efficiency and energy conservation, and plans to launch a serious project on gasification of Almaty power plants.

Moreover, such subsidiaries and affiliates of “Samruk-Energy” JSC such as “Ekibastuz SDPP-1” LLP, “Ekibastuz SDPP-2 Plant” JSC, “APP” JSC and “Bogatyr Komir” LLP are facilities which are installations, which have been set



a quota and have obligations on reduction of GHG emissions in framework of the national GHG emissions trading system.

Particular attention is paid to the new technologies: “Clean coal technologies” research laboratory was established at the premises of “Nazarbayev University” on request of “Samruk-Energy” JSC; a pilot project for the conversion of flue gas CO₂ to microalgae biomass using various types of soda solutions is implemented in conjunction with “Microalgae Biotechnology” LLP at “GRES-1” LLP; More than 1,5 thousand of industrial lamps available today are planned to be replaced with LED ones at “Bogatyr Komir” LLP.

The implementation of a comprehensive environmental protection program resulted in the following achievements:

1) The share of electricity by using RES and HPP - 9, 5% of the total output of “Samruk-Energy” JSC group of companies;

2) Due to the reduction of unit consumption of equivalent fuel (UCEF) at SDPP-1, unit emission of CO₂ as compared to 2018 was reduced by 1,7% (the indicator was 0, 938g / kWh);

3) Unit emissions of fly ash decreased by 2%, unit emissions of NO_x decreased by 3%.

4) The indicator of ash and slag waste generation per unit decreased by 6% compared to 2018 due to the decrease in coal output and an improvement in UCEF.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

In order to build an anti-corruption culture and shape zero tolerance for any forms of bribery and corruption, the Compliance Service regularly conducts trainings on clarification of the requirements adopted by compliance policies and anti-corruption laws for employees of “Samruk-Energy” JSC group of companies. In addition, the lecture on the subject “Combating corruption at the entities of the quasi-public sector” was hosted together with the Agency of the Republic of Kazakhstan on Combating Corruption, where employees were explained the



requirements of anti-corruption legislation and the main activities of the anti-corruption agency.

In order to extend the provisions of the Code of Conduct to business partners, suppliers and other third parties who work with the Company, the standard business agreements include “Anti-corruption clauses”.

The Compliance Service information page was created on the internal Internet resource of the Company, where training materials and videos on matters regarding the adherence to compliance policies and anti-corruption legislation are posted. A course on compliance policy and anti-corruption requirements is included in the obligatory adaptation training program for new employees.

Moreover, as part of compliance program, all employees and stakeholders are provided with communication tools like Hotline (Speak up) so that they can report their concerns regarding actual and suspected violations of legislation, regulatory requirements and internal ethics documents and compliance. Individuals reporting violations are given the opportunity to send a message on a confidential and anonymous basis, as well as guarantees that they will be prevented from harassment and their rights and interests will be protected. For fair review and decision-making on appeals/complaints, the Company established the Committee for handling complaints / appeals received through initiative informing line. All incoming appeals are reviewed and investigated. Reports on the centralized line of initiative informing sharing are submitted regularly to the Board of Directors of the Company.

Corruption risks at the Group of companies were assessed in 2019. The Board of Directors approved the action plan for eliminating and mitigating corruption risks. According to the results of 2019, all activities were fully performed in a timely manner.

The Anti-Fraud and Corruption Policy is available at the Company. The document was developed in order to create a shared understanding among “Samruk-Energy” JSC employees and other persons about “Samruk-Energy” JSC zero tolerance for fraudulent and corrupt actions in all of its forms, and with a view to mitigate the risk of fraud and involvement of “Samruk-Energy” JSC in corrupt practices.



All employees of “Samruk-Energy” JSC group of companies were 100% familiarized with the requirements of the Code of Conduct, the Anti-Fraud and Corruption Policy, and employees were also tested.

As can be seen from the above, “Samruk-Energy” JSC group of companies reaffirms its commitment to the principle of fighting of all forms of corruption, including extortion and bribery.

Chairman of the Management Board of “Samruk-Energy” JSC



B.T. Zhulamanov

