

**Approved by**  
**Managing Director**  
**for Economy and Finance**  
\_\_\_\_\_ **Ryskulov A.K.**  
" \_ " \_\_\_\_\_ **2023**



# **JSC Samruk-Energy** **"Green" Bond Report**

**January 2023**  
**Astana city**

## Introduction

On November 25, Samruk-Energy JSC (hereinafter referred to as Samruk-Energy) made a debut placement of "green" bonds by public subscription on the stock exchange of the Astana International Financial Center - Astana International Exchange in the amount of 18.4 billion tenge with a coupon rate of 11.4% per annum and a tenor of 6.5 years.

Proceeds from the placement were used to finance "green" eligible projects in accordance with the Green Bond Principles (GBP) of the International Capital Markets Association (ICMA).

Halyk Finance JSC acted as the lead manager and bookrunner for the issue and placement of "green" bonds of Samruk-Energy.

The debut issue of "green" bonds was implemented with the support of the Green Finance Center, which provided the necessary consulting support and provided an independent opinion on the compliance of the bonds with the principles of "green" bonds (Second Party Opinion). The Chairman of the Management Board of Samruk-Energy spoke about the importance of investing in "green" energy in order to implement the Energy Transition Plan provided for by the new development strategy of Samruk-Energy.



“Halyk Finance, having advanced experience in arranging transactions to raise funds in the debt capital market, is grateful for the opportunity, through the placement of the debut issue of green bonds of Samruk-Energy, to develop new instruments in the Kazakhstani debt market aimed at promoting the principles of ESG. We expect that the size of the ESG bond market in general and green bonds in particular in Kazakhstan will continue to grow against the backdrop of encouraging the implementation of sustainable development practices and the setting of goals related to ESG and Green metrics, both among issuers and investors, - commented the Chairman of the Management Board of Halyk Finance.

“This is a landmark event on the eve of the 30th anniversary of the independence of the Republic of Kazakhstan, when the first Kazakh issuer from the manufacturing sector enters the green rails, realizing its importance as an engine for sustainable development. The active use of sustainable financing instruments and the growth of the local sustainable securities market is the main indicator of our work as a development institution that introduces financial instruments for sustainable development, such as green and social bonds,” said the Director General of the Green Finance Center.

Bonds of Samruk-Energy became the first securities where the portfolio company of Samruk-Kazyna NWF JSC acted as an issuer and which comply with the green principles of the AIFC Exchange. Support for investment projects that bring environmental and social benefits to society is one of the strategic directions for the development of the AIFC. The issuance of green bonds on the AIFC exchange by the largest electric power holding is a landmark event that will serve as a new impetus for the development of ESG investment in Kazakhstan, as well as for the activation of companies from the brown sectors of the economy. “Kazakhstan, like the whole world, is entering the stage of the 4th energy transition to the widespread use of renewable energy sources, which over time will largely replace fossil fuels - oil and coal. Global trends towards the transition to a "green economy", growing stakeholder ESG requirements are challenges for Samruk-Energy. In this regard, the company has determined the Development Strategy for the transition to a "green" economy and is confidently moving towards its implementation. We thank the Green Finance Center, Halyk Finance and the AIFC Stock Exchange for their well-coordinated work,” said the Chairman of the Management Board of Samruk-Energy.

## **Information about the issue of "green" bonds**

By the decision of the Management Board of Samruk-Energy, Minutes No. 31 dated November 10, 2021, the Company's "Green" Finance Policy (hereinafter referred to as the Policy) was approved, which defines the main criteria for "green" eligible projects.

In order to finance the Project JSC "Shardara HPP" on August 24, 2012 there was received a loan in the amount of 25,870,000 thousand tenge. This loan implies a volatile rate based on the inflation rate. As of October 1, 2021, taking into account the growth of inflation in the Republic of Kazakhstan during 2021, the interest rate on the loan was at the level of 13.76%.

Thus, refinancing the loan of Shardarinskaya HPP JSC through the issuance of "green" bonds will reduce interest costs, as well as mitigate the risk of a further increase in the financing rate.

At the same time, in accordance with the Policy, one of the acceptable categories is renewable energy, including hydroelectric power plants of higher capacity with an environmental certificate and greenhouse gas emissions not exceeding 100 grams of CO<sub>2</sub>e/kWh. Thus, the project on "Modernization of the Shardara HPP" is one of the eligible projects.

As of December 31, 2022, the share of "green" bonds in the total asset portfolio of Samruk-Energy was 5.85%.

## Key parameters of "green" bonds of Samruk-Energy

<b>Type of bonds</b>	<i>Coupon "green" bonds ("green bonds ") without collateral (hereinafter referred to as the "Bonds")</i>
<b>Format</b>	<i>In accordance with the laws of the Astana International Financial Center (hereinafter referred to as "AIFC") with a listing on the AIFC Astana International Exchange (hereinafter referred to as "AIX") in the " Wholesale bonds" format .</i>
<b>Maturity of bonds</b>	<i>6 ½ years from the date of placement</i>
<b>Currency</b>	<i>Tenge.</i>
<b>nominal cost</b>	<i>The nominal value of each Bond is 100,000,000 (one hundred million) tenge</i>
<b>Number of bonds</b>	<i>190 (one hundred and ninety) pieces</i>
<b>Issue volume</b>	<i>19 000 000 000 tenge</i>
<b>Area</b>	<i>AIX</i>
<b>Coupon rate</b>	<i>Interest rate: fixed, determined based on the results of the first held trading on AIX (subscription/ bookbuilding) for the placement of the Bonds, as a cut-off rate determined by the Issuer, but not more than 11.4 (eleven point four) % per annum of the nominal value of the Bonds.</i>
<b>Use of funds received as a result of the placement of bonds</b>	<i>To finance "green" projects / refinance liabilities for implemented "green" projects.</i>

## Distribution Information

<b>ISIN (International Securities Identification Number)</b>	<b>Type of security</b>	<b>Nominal cost</b>	<b>Coupon/Rate</b>	<b>Date of issue</b>	<b>Maturity</b>	<b>Net revenue</b>	<b>Total placed funds</b>	<b>Total unplaced funds</b>
KZX000000914	Green bonds	100 000 000 tenge	11.4% per annum	25.11.2021	25.05.2028	18 400 000 000 tenge	18 400 000 000 tenge	600 000 000 tenge

Proceeds from the issue of "green" bonds 100% were used to refinance liabilities under the Shardara HPP Modernization project.

**Within the framework of the project "Modernization of the Shardara HPP" the main objectives of the project were achieved:**

- Increasing annual electricity generation to meet the growing demand for electricity in the region.
- Increasing the plant's installed capacity from 100 MW to 126 MW by increasing the power output of each of the four turbines from 25 MW to 31.5 MW
- Improving the operating efficiency of turbines and generators by reducing losses
- Replacement of obsolete and worn-out equipment with new modern equipment, ensuring environmental protection measures and full automation of the power plant, and as a result, increasing the reliability and readiness for trouble-free operation of the hydroelectric power plant.
- Improving the efficiency of the station by reducing the direct costs associated with the repair and maintenance of equipment.

## **The project implemented advanced international technological innovations, including:**

- Control of all station equipment based on digital technology
- Monitoring system from one workplace and from a large display from the control room
- Group regulation, automatic regulation of the given power
- High-speed ACEMS, online data transmission to system operators
- Signal and sound control of equipment and auxiliary systems in operation
- Digitization of fire alarm systems
- Automatic fire extinguishing system
- Turbine Efficiency Automatic Installation Control
- Automatic turbine control and management system in a safe cavitation zone
- Under the terms of the Contract, before the expiration of the warranty period, that is, on February 28, 2022, the correct operation of the equipment is the responsibility of the Contractor
- Currently, all of the above innovations are in flawless operation.

### **The effect of the project "Modernization of the Shardara HPP"**

- The service life of the hydroelectric station after modernization has increased by 45-50 years.
- HPP capacity increased by 26%, which means an increase in electricity generation by 26 MW, which will be used to cover the electricity shortage in the Turkestan region and the city of Shymkent.
- The increase in capacity will be obtained without additional negative impact on the environment .
- The safety and reliability of the Shardara HPP is ensured, which will be able to uninterruptedly generate electricity for consumers in the southern regions of Kazakhstan, its production and economic efficiency will increase, and annual costs for repair and restoration measures at hydroelectric units and emergency shutdowns of the station are eliminated.
- The total number of employees is 136 people.



## **"Green" Finance Working Group at Samruk-Energy**

For the purpose of evaluating and selecting projects that fall under financing or refinancing through "green" bonds or "green" loans of Samruk-Energy in accordance with sub-clauses 4.3.2. of clause 4.3. section 4 of the Samruk-Energy Policy in the field of "green" financing, approved by the decision of the Management Board of Samruk-Energy dated November 10, 2021 (minutes No. 31), subparagraph 18) of paragraph 2 of Article 17 of the Charter, there was signed the Order by the Chairman of the Management Board of Samruk-Energy No. 224-P dated November 26, 2021 "On the establishment of a working group on "green" financing of Samruk-Energy".

### **Rights of the Working Group:**

- request from all structural divisions and employees of the Company and its subsidiaries information on issues of "green" financing;
- make decisions within its competence, as well as develop proposals and recommendations aimed at improving activities in the field of "green" financing;
- invite, in accordance with the established procedure, to its meetings to participate in the discussion of issues considered by the Working Group, experts and representatives of the structural divisions of the Company/subsidiary organization of the Company who are not members of the Working Group;
- send information materials prepared on the results of the meeting of the Working Group to interested parties.

## **Composition of the "Green" Finance Working Group at Samruk-Energy**

### **Head of the Working Group**

Managing Director for Economy and Finance

### **Members of the Working Group:**

Director of the Treasury and Corporate Finance Department

Senior Manager of the Treasury and Corporate Finance Department

Senior Manager of the Strategic Planning and Economic Analysis Department

Senior Manager of the Labor Protection and Environmental Protection Department

Director of the Corporate Governance and Sustainable Development Department

Senior Manager of the Corporate Governance and Sustainable Development Department

Project Manager of the Project Portfolio Management Office

Head of the Digital Transformation Office

Senior Manager of the Digital Transformation Office

Senior Manager of the Digital Transformation Office (depending on the project)

Director of the Department "Management of Capital Construction and Repairs" (depending on the project)

Director of Investment Analysis Department (depending on the project)

Chief Expert of the Generation and Fuel Department (depending on the project)

Chief Expert of the RES and Distribution Department (depending on the project)

Director of the Production Efficiency Department (depending on the project)

### **Secretary of the Working Group**

Senior Manager of the Treasury and Corporate Finance Department

## **In-person meeting of the "Green" Finance Working Group**

As part of Samruk-Energy's "green" finance attraction, on December 14, 2021 (Minutes No. 5), the following issue was considered at a meeting of the Working Group:

1. "On the evaluation and selection of "green" eligible projects within the framework of "green" financing.

In accordance with clause 4.3.5 of the Company's Policy in the field of "green" financing, approved by the decision of the Management Board of Samruk-Energy dated November 10, 2021 (Minutes No. 31), the "Green" Finance Working Group of the Company decided:

- 1 . Designate the Shardara HPP Modernization project as a "green" eligible project under "green" financing.