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# “Samruk-Energy” JSC Development Strategy for 2022-2031 Public version

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**Nur-Sultan**

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## **1. Purpose and field of application**

“Samruk-Energy” JSC provides the dominant share of electricity generation in the RK market, always adhering to public interests of ensuring reliable, smooth supply of energy resources. A shortage of electric capacity is looming in the sector because of accelerated reduction of available capacity reserves amid consumption growth (on average 4% in 2017-2020, or by 600 MW annually) (*Source: Kursiv №31 (899), Thursday, 19 August 2021*). This is why the Company plans to commission new coal-fired capacities to meet the growing demand for electricity.

At this, it is worth noting that Kazakhstan, like the whole world, is embarking on the stage of 4th energy transition to the widespread use of renewable energy sources, which over time will largely supersede fossil fuels - gas, oil, coal. Recognizing the importance of the agenda and risks associated with operations based on coal generation, the Company will be committed to minimize adverse environmental impact and achieve carbon neutrality until 2060. To accomplish this, various activities are planned to be conducted, including construction of renewable energy facilities, the transfer of certain assets to gas, the use of best available technologies of carbon capture and storage, accumulation, tree planting, digitization and energy efficiency. Additionally, in the long term, beyond the Development Strategy planning horizon, the Company will also consider additional industries such as hydrogen energy and geothermal sources in order to contribute to the national goal of achieving carbon neutrality.

This Development Strategy is a basic document for planning and implementation of the Company's operations for the period 2022-2031.

The Strategy looks at a state policy in strategic planning of national energy security system. Moreover, when creating the Strategy, Samruk-Energy sticks, but is not limited to, to sustainable development principles described in the United Nations Global Compact, Samruk-Energy Sustainable Development Guidelines and includes the elements set out in “Sustainable Development” Chapter of Samruk-Energy Corporate Governance Code

## **2. Analysis of current situation**

Aspects of both external and internal environment were reviewed in order to perform a comprehensive analysis of current situation, which enabled to identify the challenges and opportunities at the global, national and corporate levels. Moreover, the Company's strategy is based on current positions of Samruk-Energy, relying on key trends in energy industry that impact the conditions for functioning of the society.

### **2.1. Analysis of external environment**

As of today, the Company faces a number of key external challenges resulting from behaviour of external environment and its development trends.

#### **2.1.1. Key external challenges**

1) Tightening of environmental legislation requirements.

The new RK Environmental Code (hereinafter - the Code) imposes requirements for 1 st category enterprises for transition to integrated environmental permits (hereinafter - IEP) and introduction of best available techniques (hereinafter - BAT).

BAT Guidance is planned to be developed until July 1, 2023, and conclusions on BAT are planned to be approved at the end of 2023. The failure to abide by the Code entails a gradual increase of tax rates on environmental emissions. In addition, from January 1, 2023, 1<sup>st</sup> category enterprises are obliged to install an automated emission monitoring system at their main static sources of emissions for online data communication to the RK Ministry of Ecology, Geology and Natural Resources.

As part of combating climate change, Kazakhstan has introduced a quota system for GHG emissions in order to control greenhouse gas emissions (GHG) and reduce them. The legislation involves the possibility of obtaining additional quotas should there is a shortage of quotas resulted from an increase in electricity output.

Among other things, a consistent trend towards reduction of environmental pollution has been observed across the globe. The commitments made by the Republic of Kazakhstan, as an active participant in international relations in environmental studies, and Samruk-Energy, as an environmentally and socially responsible company, necessitate a proactive response to environmental protection trends.

2) Establishment of electricity balancing market.

It was instructed to secure the establishment of online balancing market in 2022 at the RK Government meeting.

The introduction of online balancing electricity market involves the creation of economic signals for entities of the wholesale electricity market to comply with their own daily schedule for production / consumption of electricity and participate in the elimination of power imbalances in the power system.

According to the model for operation of the balancing electricity market proposed by the authorized state body, the concept of a "balance provider" is introduced -meaning an entity of the wholesale electricity market that assumed responsibility for financial settlement of both its own imbalances and imbalances of other entities of the electricity market in the balancing electricity market in accordance with concluded agreements.

3) Regulatory measures on development of centralized electricity trading.

As part of legislative changes on development of competition, the Agency for Protection and Development of Competition proposes to amend the Law of the Republic of Kazakhstan "On Power Industry" as regards establishing the share of electricity subject to mandatory sale through centralized bidding.

In addition, the RK Ministry of Energy proposes to introduce a model of the wholesale electricity market with aggregated demand, which involves the creation of a wholesale market Operator, which would perform the roles of a single purchaser and a center for financial mutual settlements for electricity (according to the demand for electricity following the biddings, all electricity produced by power plants shall be purchased by the Operator of the wholesale market and will be sold to wholesale consumers).

4) Establishment of Common Electricity Market of Eurasian Economic Union

The establishment of common electricity market of the EAEU involves the creation of a system of relations between the entities of the wholesale electricity markets of the Union member states on the basis of parallel operating electricity systems associated with the purchase and sale of electricity (capacity).

The full-scale operation of the common market is expected from January 1, 2025 after establishment of the common gas market. As a result of establishment of the common electricity market of the EAEU, the Republic of Kazakhstan will receive not only simplified access to the markets of the Union member states, but also increase the openness of the internal market for external suppliers of electricity.

5) Implementation of national and infrastructure projects.

“Samruk-Energy” JSC subsidiaries continue their works aimed at implementation of investment projects in Almaty city and Almaty region as part of execution of the instructions of N.A. Nazarbayev, RK First President - Elbasy, as well as instructions of Kassym-Zhomart Tokayev, the RK President, mentioned in the Address to the people of Kazakhstan on September 1, 2021.

As part of implementation of the project for Almaty CHP-2 modernization, construction of a new combined cycle gas turbine unit (CCGT) with an installed capacity of up to 600 MW was approved at a meeting chaired by the RK Prime Minister.

In addition, “Samruk-Energy” JSC subsidiary performs the works under the project “Reconstruction of Almaty CHP-3 on the basis of a CCGT unit with an increase in the capacity of the station to 450 MW”. With respect to the project, in addition to transfer to gas, it is planned to operate the station in a maneuverable mode in order to cover peak consumption loads in Almaty city and Almaty region.

Furthermore, as part of gasification of Almaty energy complex, it is planned to implement the project "Expansion of CHP-1 with construction of a 200-250 MW CCGT unit". As part of the project, it is

planned to expand Almaty CHP-1 with construction of a 200-250 MW CCGT unit to ensure reliable supply of heat and electricity to Almaty city.

Implementation of the above-mentioned projects will ensure the reduction of emissions of harmful substances into the atmosphere of Almaty region from AIES’s energy sources.

The Company’s subsidiary - “AZhC” JSC is planning a project for reconstruction of cable lines and substations in Almaty city and Almaty region.

The reason for implementation of the project for reconstruction of power networks in Almaty city and Almaty region is their physical deterioration, which leads to an annual increase in accidents, frequent power outages, undersupply of electricity, additional costs for emergency recovery works.

5) Implementation of Transformation Program.

The global society is rapidly moving towards a new type of economy, where digital technologies are becoming key for its creation. In modern conditions, information technology and transformation are the main factor of technological change and a condition for ensuring competitiveness both at the level of individual enterprises and at the country level.

The Company implements a number of project as a part of Transformation program that allow reaching a new level of digitization in terms of quality at the group of companies, as well maintaining competitive advantages under conditions of integration and establishment of common energy markets.

**2.2. Analysis of internal environment**

“Samruk-Energy” JSC was established in accordance with the resolution of the general meeting of shareholders with the aim of implementing a long-term state policy aimed at retrofit of existing generating facilities and commissioning of new ones. “Samruk-Energy” JSC was registered on May 10, 2007. The Fund is the sole shareholder of “Samruk-Energy” JSC as of October 2021.

Samruk-Energy’s core businesses include management of energy assets in the Republic of Kazakhstan, as well as providing assistance in upgrading existing and construction of new generating facilities, introduction of new technologies in the energy sector of the Republic of Kazakhstan.

The installed capacity of Samruk-Energy power plants as of December 31, 2020 amounted to 6.22 GW, of which 4.5 GW accrue to TPP, 0.83 GW to CHP and 0.89 GW to HPP and renewable energy sources. Capacity constrains of generation facilities on average in 2020 amounted to 0.77 GW.

**2.2.1. Key internal challenges**

1) The need to dramatically improve the operating efficiency of the Company and increase the profitability indicator, taking into account the use of best available technologies, digitization and transformation.

2) Lack of human resources and expertise in view of future trends

3) Uncompetitive tariffs

“Samruk-Energy” JSC is constantly working to improve its trade and sales policy, striving to create a favorable and transparent pricing mechanism for all its consumers, excluding discriminatory conditions and principles, as well as ensuring the reliable operation of power plants and the fulfillment of financial obligations.

4) High level of debt burden on the Company is because of implementation of the investment program

The Company’s SWOT-analysis based on analysis of operating environment, internal and external challenges is provided in table 2.

Table 2. SWOT-analysis of «Samruk-Energy» JSC

Strengths	Weaknesses
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<ol style="list-style-type: none"> <li>1. Vast expertise in implementation of RE projects.</li> <li>2. Availability of RES and HPP assets in the Company's portfolio.</li> <li>3. Effective energy capacities in relation to the general level of deterioration of capacities in the Republic of Kazakhstan.</li> <li>4. Support from the state and the Fund.</li> </ol>	<ol style="list-style-type: none"> <li>1. High deterioration level of capacities</li> <li>2. Implementation of social projects without a sufficient return on investment in invested capital.</li> <li>3. High level of debt burden.</li> <li>4. Regulatory environment in tariff setting.</li> <li>5. Low opportunities for managing quotations.</li> <li>6. Limited export supplies of coal due to the substitution of Ekibastuz coal in traditional markets, and low characteristics cause noncompetitiveness in other markets.</li> <li>7. Availability of large reserves of thermal coal.</li> </ol>
<b>Opportunities</b>	<b>Threats</b>
<ol style="list-style-type: none"> <li>1. Gradual reorientation of global oil companies as part of decarbonization of business into “green” projects - an opportunity to attract to the Company’s RE projects.</li> <li>2. The trend for electrification of sectors of the economy (road transport, railway transport, etc.).</li> <li>3. Expanding market share owing to growing demand, ensuring competitiveness, and changing the market model in the future.</li> <li>4. Enhancing export capacity.</li> <li>5. Optimization of the balance of capacities in accordance with market needs (TPP, CHP, HPP, RES)</li> <li>6. Development of RE generation together with a strategic partner, including technologies in greenhouse gas reduction, carbon capture and storage (CCS).</li> <li>7. Development of “clean” coal technologies incl. through its preparation.</li> </ol>	<ol style="list-style-type: none"> <li>1. A global trend towards reduction of funding for projects that do not contribute to "greening" of the economy.</li> <li>2. Maintenance and expansion of related generation.</li> <li>3. Tightening of the RK environmental legislation, including the risk of an increase in payments for emissions by 2, 4, 8 times in case of refusal to switch to integrated environmental permits (IEP).</li> <li>4. Increasing access to the market of the Republic of Kazakhstan through the development of the common electricity market of the EAEU.</li> <li>5. More expensive major investment projects, which results from the weakening of national currency.</li> <li>6. Volatility of commodities in world markets.</li> <li>7. Unstable geopolitical situation in neighboring countries.</li> </ol>

### 3. Vision and mission

The power industry is the basic infrastructure sector of the economy, on which the efficiency of the production complex, the service sector, as well as the quality of life of the Republic of Kazakhstan population depend. The Company has the task of creating a balanced development model, including the optimal ratio of energy supply to domestic consumers and exports, while combining high economic efficiency, innovative improvement and advanced standards of social responsibility. The strategic mission of the Company is created bearing in mind this task.

**Vision:** An efficient high-tech operating energy company with high social and environmental responsibility - the leader in Kazakhstan’s energy sector.

**Mission:** Create value for shareholders, meet growing demand through reliable energy supplies, high-tech development, environmental friendliness, guided by the principles of sustainable development.

### 4. Key priorities

Implementation of three key priorities such as sustainable development, responsible investments, effective and proactive portfolio management will secure the accomplishment of mission and vision of the company.

In order to effectively implement the mission and strategic goals, taking into account the challenges and opportunities at the global, national and corporate levels, the key priorities of the Company have been identified through the lens of ESG.

The global trend towards the transition to a “green economy”, the growing ESG requirements of stakeholders simultaneously pose both challenges to the Company and the opportunity to be a key responsible link in the electricity market on the way to a transition to a low-carbon economy. As such, the Company seeks to contribute to the structure of the national economy, makes efforts to develop renewable energy sources, reduce emissions into the atmosphere as much as possible and improve the ecosystem.



At this, the basic stability of the Company is secured by conventional generation and coal business, focused on the use of high-tech solutions for preparation and deep processing of coal, catching emissions, introducing the principles of lean production, as well as the reliability and trouble-free electricity supply, dynamic growth rates of production volumes and a focus on diversification.

Ensuring the compliance of production activities with sustainable development principles, the consistency of its economic, environmental and social goals for sustainable development and the creation of economic value in the long term are defined as priorities by the Company.

The Company will improve its sustainable development management system focused on ESG standards and best practices. The company structures its activities in three areas, corresponding to the concept of sustainable development and ESG: Environmental, social, corporate governance and economic development.

## 5. Key initiatives

Achievement of strategic goals must be ensured from the perspective of certain key priorities for sustainable development, responsible investment and effective and active portfolio management. Focus on priorities as approaches to the implementation of strategic goals will allow applying tools and mechanisms that meet external and internal challenges and opportunities, as well as the most effective use of available resources.

In this regard, in order to implement the strategic goals of the Company, 19 main initiatives (table 3) have been identified taking into account key priorities. All initiatives were developed in accordance with the initiatives of the Fund.

Table 3. Key priorities

		Sustainable development	Responsible investments	Effective portfolio management
<b>Strategic goals</b>	<b>Reduction of net carbon footprint</b>	1. Environmental responsibility 5. Decarbonization	2. R&D 3. Green financing 19. Launch of new directions	4. resource saving
	<b>Increase in productivity</b>	6. Human resources development 7. Social responsibility 15. HSE best practices	11. Equipment retrofit 12. Innovation development	8. Increase of electricity sales in domestic and foreign markets 9. Increase coal sales in domestic and foreign markets 10. Existing facilities performance improvement 13. Digitization 14. Advancement of business processes
	<b>Growth of net asset value</b>	16. Financial stability improvement 18. Corporate governance	17. Implementation of investment projects	18. Corporate governance

## 6. Strategic goals

To achieve the vision of the Company and adhere to strategic directions, the Company will focus on implementation of three strategic goals such as:

1. Reducing the net carbon footprint.
2. Increase in productivity.
3. Growth of net asset value.

## 6.1. Strategic goal: Reduction of net carbon footprint

Reducing the net carbon footprint will shift the focus from fossil fuels to renewable energy and low carbon emission sources. Today, the future of energy in the world is associated with the development of alternative energy sources, such as wind, sun, geothermal and nuclear energy. Such pursuit about reducing harmful emissions into atmosphere and minimize the negative results of human activities on the environment.

In the latest Message to Kazakhstani people dated September 1, 2021, K-Zh. Tokayev, the Head of State noted: “The world is moving towards the greening of industry and economy. Today these are no longer just words but specific decisions represented by taxes, duties, and technical regulation measures. We cannot remain on the sidelines, all this influences us directly through export, investment and technology transfer. Without any exaggeration, this is the issue of Kazakhstan’s sustainable development. For this reason, I have set the goal of achieving carbon neutrality by 2060. We have to work in this direction very efficiently” (*Source: The President's message to the people. Full text: [https://forbes.kz//process/poslanie\\_prezidenta\\_narodu\\_polnyiy\\_tekst/](https://forbes.kz//process/poslanie_prezidenta_narodu_polnyiy_tekst/)*).

Today, with regard to absolute values of CO<sub>2</sub> emissions, Kazakhstan ranks 26th among the Top-30 countries in the world in terms of CO<sub>2</sub> emissions. China, the USA, India and the Russian Federation are leaders in CO<sub>2</sub> emissions.

The company, being the largest electricity producer in the Republic of Kazakhstan, plays a key role in the country's ambitious plans, including the transition to low-carbon development. In this area, the Company plans to implement the following initiatives.

### 6.1.1. Environmental responsibility

In order to reduce the negative impact on the environment, it will be necessary to upgrade equipment, apply advanced technologies in the implementation of new investment projects. An integrated approach is essential along with promotion of a culture of environmental friendliness, obtaining international ratings in the field of ESG, as well as using digital technologies to monitor environmental impact. Taking into account the main priorities of Kazakhstan’s power industry development, the Company will strive to develop and apply clean coal and other best available technologies, as well as technologies for capturing emissions.

### 6.1.2. R&D

The Company is engaged in activities on facilitating R&D, building close relationships with the research community and increasing the practical effect of scientific developments, including with the support of research work by domestic human resources. Particular emphasis has been placed on issues of commercialization of R&D in order to obtain a timely economic effect from scientific developments.

### 6.1.3. Green financing

Being an element of capital market, green financial tools are used for implementation of energy efficient and low-carbon projects. Green bonds, green concessional lending, grants for green projects are the main instruments of green financing. However, the more active sector is green bonds.

As of today, the legal environment required for issuance of green finance tools has been created in Kazakhstan. The Agency for Regulation and Development of Financial Market has developed rules for registering the issue of green bonds, which involve the disclosure of information on compliance with the principles of green financing by issuers.

Thus, the placement of green bonds is possible on KASE and AIX exchanges considering the key elements of International Capital Markets Association (ICMA) green bonds principles and climate bond standards of the Climate Bond Initiative. At present, the AIFC Green Finance Center is developing mechanisms to support issuers in preparing for issuance of green bonds on the Exchange, including



mechanisms for subsidizing an external review - an independent evaluation of green bonds compliance with generally accepted standards and principles in the field of green finance.

The Company plans to use green financing instruments in the short term for promising and ongoing projects.

#### **6.1.4. Resource saving**

The Company will pursue efficient use of resources, including fuel, energy and water. Advanced technologies and innovative solutions will be introduced to reduce the per unit use of resources. The development of a lean culture will be key along with technological re-equipment.

#### **6.1.5. Decarbonization**

The climate agenda involves revision of business models and technological transformation with a focus on low-carbon development.

The process of decarbonization of the Company's operations is aimed at replacing coal-fired gas generation, commissioning new capacities based on alternative energy sources, building renewable energy facilities for its own consumption, energy efficiency, carbon capture, as well as greening and carbon sequestration measures. At the same time, a significant role is assigned to the promotion of ecological culture and a change in thinking towards a lean approach to the environment. Moreover, the transition to low-carbon development will have an impact on investment decisions and procurement activities.

#### **6.1.6. Launch of new directions**

Considering the tasks set before the Company for transition to clean technologies. The company plans to consider the issue in the future (after 2031) regarding construction of a nuclear power plant, as well as possibility of construction of a geothermal power plant.

### **6.2. Strategic goal: Increase in productivity**

Increasing the profitability of the company's sales is one of key main initiatives, under which it is planned to ensure the implementation of a number of activities.

#### **6.2.1. Human resources development**

The personnel policy is based on the goals of the Company's Development Strategy and is designed to contribute to the most efficient implementation of the Company's strategic initiatives.

The personnel policy is a basic document in human resources management and focuses on human resources development and determines the need to develop the competencies of personnel for the successful implementation of the activities specified in the Strategy.

The personnel of the Company is the main asset and its competitive advantage. The scale and complexity of changes in the implementation of the Strategy, as well as the competitive external environment, require employees to acquire new skills, as well as changes in value attitudes and corporate culture. All areas of work with personnel will require significant modernization, development and application of best management practices, which will be achieved by shifting the role of the HR function from an administrative-supporting role to a strategic partner of the Company's business units.

The key elements of the personnel management policy will be areas related to the development of corporate culture, ensuring social stability and high personnel engagement, talent management and ensuring

continuity, effective recruitment of personnel and the development of a system of qualifications and competencies.

At the same time, the personnel management policy is aimed at creating attractive conditions for employees and becoming one of the key and highly-sought employers in the regions where the Company operates. To retain internal talents and attract highly competent staff, as well as improve the quality of "Human Capital", the Company will secure the mainstreaming of selection and recruitment of employees in accordance with the principles of meritocracy and transparency, as well as development of internal competencies and further participation in the implementation of projects "Zhas-Orken" and “Digital Summer”.

This approach will contribute to the accumulation of competencies and skills necessary for business development, achievement of specific results and sustainable development of the Company.

### **6.2.2. Social responsibility**

The company is committed to improve the working environment of employees, safety measures and other social aspects to enhance the well-being of people. The Company also considers the balance between production approaches and social priorities as one of the main tasks in the regions where it operates.

Moreover, as part of the plans for the transition to low-carbon development, it is necessary to apply an integrated approach with analysis of social dimensions. It is necessary to proactively prepare the staff for work under new conditions and, if necessary, carry out timely staff reskilling.

As part of this strategic initiative, the Company will continue to work in the following areas:

- Adherence to the principles of the UN Global Compact.
- Compliance with the principles of meritocracy.
- Introducing high ethical standards, developing a value system and building a corporate culture based on trust, investing in human capital and professional development.
- Provision of social guarantees and social stability in the Company (growth of personnel involvement, regulation of social and labor relations based on the principle of social partnership and social responsibility).
- Social security (prevention of discrimination, prevention of violations of human rights, equal rights and opportunities).

### **6.2.3. Increase in electricity sales in the domestic and foreign markets**

According to the forecast balance of electricity and capacity for 2021-2027 approved by order of the Minister of Energy of the Republic of Kazakhstan, electricity consumption is expected to grow by an average of 2.4%. Thus, the growth in electricity consumption by existing consumers will increase the utilization of the Company's capacities.

Guided by provisions of the legislation, the energy producing organizations of “Samruk-Energy” JSC, first of all, ensure that the needs of domestic market are met, and then export surplus electricity.

As part of the planned implementation of energy transition, the Company plans to diversify its sources of income in accordance with ESG principles by commissioning renewable energy facilities. In accordance with the current legislation, the volumes of electricity produced by RES facilities are guaranteed to be purchased by a single buyer of the market - the Settlement and Financial Center for Supporting RES.

### **6.2.4. Increase in sales of coal in the domestic and foreign markets**

The Company's coal business is focused on providing coal to the increased needs of energy producing organizations in the market of the Republic of Kazakhstan.

Over the past 5 years, the demand for coal has grown from 25 mln. tons to 36.4 mln. tons (+ 45%). In order to meet increased demand "Bogatyr Komir" LLP shipped coal in a volume that significantly exceeded the production capacity of the enterprise, which led to a lag in stripping operations.

To ensure the implementation of plans for coal sales, the project on introduction of continuous and cyclical method of mining is taking place at Bogatyr open-pit mine. As a result, the production capacity of Bogatyr open-pit mine will increase, which will allow to meet the full coal demand of energy producing organizations of the Republic of Kazakhstan.

Starting from 2022, the Company plans to introduce a pilot industrial unit for dry preparation of coal at the Severny open-pit. This initiative will allow the Company to use coal of the third seam, which is of lower quality in terms of its characteristics, in the production of a marketable product for RK consumers.

#### **6.2.5. Existing facilities performance improvement**

Coal-fired condensing power units form the core of generating facilities of the Company. At the same time, the Company comprises 4 HPP with a total capacity of 834 MW, which are sources of clean energy. However, in the short term, despite the Company's participation in renewable energy projects, coal-fired generation will remain in the scope of Samruk-Energy's competences.

In this regard, as part of work on development of generation, the main focus will be placed on existing facilities performance improvement (optimization of production costs, efficiently operation and repair of equipment), innovative development and effective implementation of investment programs.

#### **6.2.6. Equipment retrofit**

In order to achieve a positive economic effect, it is necessary to update equipment and retrofit of production facilities, accelerate the pace of production processes digitization and regularly introduce advanced technologies.

#### **6.2.7. Innovation development.**

In line with its Development Strategy, “Samruk-Energy” JSC plans to expand “Bogatyr Komir” LLP coal business through deployment of coal preparation technology. Promising project will have positive investment indicators when the Ekibastuz coal is enriched to a higher calorific value.

Prepared coal is a commodity traded in international markets. The main regions of consumption of this coal closest to Kazakhstan are Russia and the countries of Southeast Asia, including China, Japan, South Korea, Taiwan, etc., while the main suppliers of these markets are Indonesia and Russia.

In this view, it is planned to implement an investment project on construction of Ekibastuz coal preparation plant in the long run in order to increase the profitability of coal business with entry into the above-mentioned international sales markets.

#### **6.2.8. Digitization**

The Company monitors global technological trends in using digital technologies. Introduction and scaling up the latest applicable technologies will contribute to creation of additional value for assets and products and improvement of management decision-making. Further improvement of commercial, manufacturing and corporate business processes will be carried out using advanced technologies.

#### **6.2.9. Advancement of business processes**

To ensure profitability and improve performance, the Company will continue systematic reengineering and improvement of business processes, including through digitization, with the identification and elimination of ineffective corporate and production processes.

Robotization of routine business processes will be also held by implementing special software in order to free up employees' time resources.

### **6.2.10. HSE best practices**

The purpose of implementing the project for Automation of the process of registration of hazardous actions / conditions and incidents is to reduce workplace injury rate by improving of employees' safety culture through the launch of accessible and transparent automated system for registering and investigating incidents.

Also, the work on cooperation with leading companies and conclusion of memorandums will continue. This activity is meant for exchanging experience with leading companies in the area of occupational safety and health, conducting benchmark analysis, as well as for enhancing communications and continuous improvement in this direction.

### **6.3. Strategic goal: Growth of net asset value**

The Company will improve the working capital management in order to maintain an optimal debt level and mitigate insolvency risk. Reduction of the cost of raised debt capital will be secured by regular work aimed to improve credit ratings.

#### **6.3.1. Improvement of financial stability of the Company**

The Company plans to implement Almaty power center gasification projects in the period 2022-2026, in this connection the debt will increase by 2025-2026 because of planned raising of debt financing.

At the same time, in the medium term, the Company will also strengthen measures to preserve and strengthen financial stability. This strategic initiative will enable Samruk-Energy to effectively manage its debt and achieve an optimal capital structure.

#### **6.3.2. Investment projects implementation**

Samruk-Energy, as part of the transformation program, has introduced the best investment management practices, including:

- management of the portfolio of projects and activities of the Company, which will significantly improve the distribution of financial resources by increasing the share of profitable projects in the total portfolio of projects and activities;
- project management, which enhance control at the stage of implementation of investment projects (budgets, deadlines).

The Company's investment projects should be based solely on principles of commercial viability, long-term interests, and capital return. In exceptional cases, in pursuance of the decision of the Sole Shareholder made according to instructions of the President of the Republic of Kazakhstan, the Company may finance the implementation of such projects, taking into account financial stability, compliance with financial ratios and without any negative influence on credit ratings.

Following the analysis conducted, a list of capital projects was generated, which includes "green" energy transition projects added in the Company's Development Strategy for 2022-2031.

#### **6.3.3. Corporate governance**

The company strives to improve corporate governance to secure sustainable business development and making informed management and investment decisions.

Quality and efficient corporate governance ensures effective risk management and a reliable system of internal control, facilitates access to external capital, reduces the cost of capital and improves the Company's reputation.

For continuous improvement of corporate governance, the Company undertakes to:

- strictly observe the rights of shareholders, investors and other stakeholders;
- clearly distribute powers and responsibilities between the bodies of the Company and units;
- performance improvement of the Board of Directors and its Committees, as well as the Executive Body and its Committees;
- avoid corporate conflicts and conflicts of interest;
- improve the management reporting system;
- seeks to apply the world's best corporate governance practices through further implementation of principles and provisions of the Corporate Governance Code;
- adhere to the principles of information transparency for shareholders and other stakeholders (formalized and transparent policy and procedure for remuneration of directors and executives of the Company, transparent dividend policy, annual publication of report with financial statements and a report on sustainable development, in accordance with GRI standards and IFRS, etc.);
- ensure the availability of effective planning processes, effective systems of internal control, compliance and internal audit, an effective risk management system, an effective sustainable development management system.

#### **7. Referenced regulations, laws and standards**

<b>№</b>	<b>Document's title</b>
1	Development strategy of “Samruk-Kazyna” JSC for 2022-2031
2	Corporate standard for strategic and business planning at “Samruk-Kazyna” JSC group of companies