

Communication on progress achieved in 2012

Samruk-Energy JSC

Samruk-Energy JSC (hereinafter the "Company") is the largest electricity company of the Republic of Kazakhstan. The mission of company lays in ensuring a reliable and qualitative thermal and electrical energy supply to consumers in all sectors of the economy and the population (by energy supply and modernizing existing and building new power plants and electricity distribution networks of the company in accordance with modern technology, environmental requirements and international standards).

Taking into consideration the significant influence of the company on the development of all sectors of country's economy on October 6, 2011, the Company joined the UN Global Compact, following, within its sphere of influence, the ten principles of the Global Compact in its strategy and everyday activity.

Present communication on progress achieved in 2012 is a statement of continued support of UN Global Compact. It describes actions taken in accordance with 10 principles and their results.

Human Rights

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

Principle 2: and make sure that they are not complicit in human rights abuses. Observance of human rights by Company and its subsidiaries is one of the key principles of human resource management, which is based on the existing Kazakh legislation and the Code of Conduct requirements.

In this regard, the policies and procedures of Samruk-Energy Group of Companies are being developed considering the rights of employees, customers and business partners. Basic regulative documents outlining procedures to consider human rights are the Code of Business Ethics, Internal Labor Routine Rules, Rules for Granting Leaves to Employees, and Regulation on Business Trips. To maintain and monitor inquiries and complaints concerning the human rights of employees, legal entities and any interested parties of the Samruk-Energy Group of Companies the position of Ombudsman was introduced.

In the Samruk-Energy Group of Companies there are presented hotlines and electronic and physical boxes for complaints and suggestions, personal blogs of Company's leaders. For example, in 2012 the internal complaints of employees, received on blog Chairman of the Board, physical boxes for complaints and suggestions, and reconciliation commission were registered in the "Bogatyr Coal", JSC "Almaty power plant", JSC "Ekibastuz GRES-2" and LLP "AlmatyEnergoSbyt".

The Company does not participate in the programs, which violate human rights, and is not cooperating with organizations that engage in such violations. In addition, the Company respects religious views and political preferences of the employees, provided that they are within the law. The Company also does not preclude participation of its employees in political, religious and social activities during their personal and business hours.

In 2012, there were no any cases of violation of human rights and discrimination in the Group of Companies of Samruk-Energy.

Labor

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

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

The main objectives of the Samruk-Energy Group of Companies include productivity improvement, decent remuneration and safe working conditions. These goals demonstrate a commitment to social responsibility principles for shareholders, employees and local communities.

The employees have the right to form associations and handle collective negotiations within the existing legislation. In 2012, there were no cases of violations involving rights of native and indigenous peoples in the Group of Companies of Samruk-Energy. The Company recognizes the principle of equality of rights and opportunities.

Collective bargaining agreements are signed with the majority of employees of Samruk-Energy Group of Companies containing social guarantees, benefits and compensations. In 2012 95% employees have signed collective bargaining agreement. What is more, in 2012 there was a significant increase in financing of social benefits set out in collective bargaining agreements of Company's subsidiaries. The degree of satisfaction of staff of the Group in 2012 was 83%.

The Group is against child labor and does not allow contractors to use child labor. During 2012, the Group of Companies strictly complied with the requirements prohibiting the employment of persons under the age of 18 to work with harmful and (or) hazardous working conditions, and tried to avoid any kind of discrimination against employees and business partners.

The Company provides all employees with equal opportunities to realize their potential in the workplace, gives an impartial and fair evaluation of their results, selects employees and moves them up through the ranks solely on the basis of their professional skills and knowledge. In 2012, there were no cases of discrimination based on race, sex, language, religion, national origin, social status, status as indigenous people, marital status, sexual orientation, and other discriminations discovered within the Samruk-Energy Group of Companies.

Environment

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

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

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

Being one of the largest energy companies in Kazakhstan, JSC "Samruk-Energy" is aware of its important role in sustainable development processes. Environmental protection and rational resource management play an important role in the activities of the Samruk-Energy Group of Companies.

To avoid the risk of poisoning by the polychlorinated biphenyls (hereinafter – the PBs), which are used as dielectric fluids in transformers, capacitors and other electrical, our country signed the Stockholm Convention on Persistent Organic Pollutants (hereinafter - the POP). In accordance with the Convention provisions, the Republic of Kazakhstan, as one of the parties of the Convention, will have to carry out the following activities:

- prohibit the import, export and production of POP-containing substances in the Republic of Kazakhstan;
- stop using the equipment containing the PBs (i.e. transformers, capacitors or other receptacles containing liquid stocks) by 2025;
- take measures to reduce unintentional releases of POP;
- take efforts to develop appropriate strategies for identifying sites contaminated by POP;
- inform the public about the dangers of POP on human health and the environment.

In order to minimize negative impacts on the environment and reduce waste production the Company seeks to use renewable energy sources more, particularly wind and solar power plants, this will significantly reduce harmful emissions into the atmosphere.

Adherence to the above measures under the Convention will improve environmental condition as a whole, which will generally have a positive impact on the health of citizens of the Republic of Kazakhstan.

Samruk-Energy Group of Companies uses its best endeavors to promote energy efficiency. Priority activities in this regard are the improvement and modernization of old-fashioned electrical equipment, increasing efficiency in the production, transmission and distribution of electricity and heat, as well as in stilling the conservation mentality to the population in respect of consumption of electricity and heat.

In order to implement the priority activities and minimize the environmental impact the Group have made following actions:

1. Installation of electrostatic filters at the power units № 4 and № 8 of Ekibastuzskaya GRES-1 with ash collection coefficient of 99.6% and higher (currently scrubber ash collection rate is 88%)
2. Installation of new generation emulsifiers on boilers of CHP - 2, 3 with ash collection coefficient of not less than 99.4%
 - CHP-2 - set on two boilers.
Environmental effects: reduced dust emissions up to 2135 tons.
 - CHP-3 - set on one boiler
Environmental effects: reduced dust emissions up to 1000 tons.
3. Modernization of the burners on the boiler units of the departments on CHP-1, 3 in order to match the level of emissions of nitrogen oxides in accordance with the requirements of the Technical Regulations.
 - CHP-1 –set up on one boiler
Environment effects: Экологический эффект: reduced concentration NOx up to 680 mg/m³, reduced emissions up to 50 tons per year from one boiler.
 - CHP-3 – set up on two boilers

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Environment effects: reduced concentration NO_x up to 680 mg/m³, reduced emissions up to 50 tons per year from one boiler.

4. Protection and rational use of water and soil resources at JSC “AIES” CHP-1. Repair and replacement of ash lines, repair of pumping equipment in boilers, turbines, chemical houses, wastewater treatment plants.
5. JSC «AIES» CHP-2
Restorative and repair works of ash removal systems, of industrial purposes’ systems, and of the clarified water storage tanks.

Company plans to:

1. Install electrostatic filters (in 2013 – in all existing at the time units of Ekibastuzskaya GRES-1) with ash collection coefficient of 99.6% and higher (currently scrubber ash collection rate is 88%);
2. Use of low-emission burners to reduce nitrogen oxide emissions to 500 mg/m³ at a technical rate of 650 mg/m³ and in the future – up to 200 mg/m³ by means of reduction of nitrogen oxides (selective non-catalytic reduction system –SNCRS);
3. For coal thermal power stations, which mainly use Ekibastuz coal with an ash content of 43% and more – transfer to the burning of mixture of Ekibastuz coal and relatively low-ash coals (Shubarkolskiy, Maykubensky, etc.);
4. Increase productivity at thermal power plants and central heating and power plants based on the implementation of automated process control systems (APCS);
5. Upgrade of hydropower and hydraulic equipment at Shardarinskaya HPP with the increase of installed capacity (now – 100 MW) by 16 percent or more; electricity production – by 57 million kWh/year;
6. Increase the accuracy, reliability and timeliness of commercial energy accounting, obtaining full energy balance for each of the power plants by implementing automated electricity metering system (AMR).

The Samruk-Energy Group of Companies seeks to reduce the amount of water loss. The main volume of water after its usage in production processes and during mechanical, physical, chemical and biological treatment is returned to the environment. Local water and environmental authorities regulate water intake issues, paying special emphasis to the level of water in the regional ecosystems where subsidiary and affiliated organizations of JSC “Samruk-Energy” operate. The reduction in loss of water used in technological process is a priority in the medium term perspective.

In order to minimize environmental pollution Samruk-Energy Group performs systematic work on the modernization of technological process, including:

- Reduction of harmful emissions and improving environmental conditions in Almaty in the framework of the project “Expansion and Reconstruction of Almaty TES-1 with the installation of CCGT”;
- Installation of smoke filters to restrain considerable part of particulate pollutants to the atmosphere at power plants;
- at gas turbine power plants (GTPP) - introduction of combined cycle with an increase in power generation per unit volume of gas by 35% or more and an increase in efficiency of up to 55%;
- Construction of renewable energy sources, particularly wind and solar power plants.

Environmental safety and sound management of natural resources, including water, play an important role in the activities of the companies of JSC “Samruk-Energy”. Prior to discharge into water sources of the Republic of Kazakhstan, discharges from generation stations are assessed in terms of exceeding the maximum allowable contaminants in wastewaters. As a result of this analysis, all of the emissions produced by Samruk-Energy Group of Companies comply with the environmental legislation of the Republic of Kazakhstan.

In 2012, in the course of Samruk-Energy Group of Companies’ activity there were cases connected with fines for non-compliance with the environmental legislation of the Republic of Kazakhstan.

In 2012 Samruk-Energy Group of Companies was fined kzt 8 120 992.

Anti-Corruption

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

In its everyday activity “Samruk-Energy” JSC adheres to the principles of fairness, integrity, transparency and accountability and the company is against any form of corruption. The Company expects that third parties will make similar commitments.

For the prevention of corruption in the Group, some subsidiary and affiliated organizations perform measures to identify unscrupulous activities of the Group departments. However, the results of inspections conducted in 2012 show that the cases of direct or indirect violation of internal policies and conducting unfair practices were not observed.