

Communication on progress achieved in 2015

Samruk-Energy JSC

Currently, "Samruk-Energy" JSC is the largest diversified power holding company that is successfully integrated into the international energy mix by creating value for shareholders, employees and society as a high-tech power supply guarantor of Kazakhstan and supplier of Eurasia. It is guided by the principles of environmental safety and lean production. By the end of 2015, the installed capacity of Samruk-Energy power plants amounted to more than 32% of the total installed capacity of Kazakhstan's power system, and the share of overall volume of coal production in Kazakhstan amounted to approximately 35,6%.

Taking into consideration the company's significant influence on the development of all sectors of national economy, the Company joined the UN Global Compact on October 6, 2011. Since the entry, the Company has followed the 10 principles of the Global Compact in its operational strategy and everyday activity.

Current Communication on progress achieved in 2015 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.

The Company and its subsidiaries and affiliates fully respect human rights fixed by the legislation of the Republic of Kazakhstan at an international level. The main aim of the Company in terms of sustainable development in relationship with personnel is to exercise human rights accordingly.

Ombudsman has been appointed in 2011. No cases of addressing the Ombudsman were established in 2015.

In 2015, the Company did not have any incident related to the employees' human rights abuse.

In 2015 "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.

Objectives of the Company comprise improvement in productivity, decent remuneration and ensuring safe working conditions. These goals demonstrate a commitment to social responsibility to shareholders, employees and local communities.

To regulate and protect economic, social and professional interests of the employees, and to ensure the terms and conditions of labor contracts, there are 16 trade unions consisting of more than 90% of the employees (more than 19,000 persons) operate in Samruk-Energy JSC.

Social protection and protection of personnel rights are the main concern and responsibility of the trade union organizations. They are the authorized employee representatives in social partnerships. There are collective agreements in 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. Collective-contractual mechanism of the Company is improved on a yearly basis.

Along with the trade union organizations, the standing Commissions on Settlement of Social and Labor Disputes were established in 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.

In 2015, the Company didn't have any incident related to discrimination of employees.

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.

Being one of the biggest energy companies in Kazakhstan, Samruk-Energy JSC recognizes its important role in the processes of sustainable development for the community. Environmental protection and reasonable use of resources play a significant role in the Company's activity and its subsidiaries and affiliates. Priority directions of development and goals of the Company's activity in the sphere of environmental protection are reflected in a long-term Development strategy and Environmental policy of the Company.

The Company strives to minimize threats on flora and fauna. Special attention is paid to regions where energy assets of "Samruk-Energy" Group of Companies are located over the territories of national parks and reserves.

The Company plans to gradually reduce the production effects on environment by implementation of new technologies and application of renewable energy sources.

Group of companies "Samruk-Energy" is making efforts to improve energy efficiency. Priority actions regarding this include the improvement and modernization of outdated electrical equipment, increasing efficiency in the production, transmission and distribution electricity and thermal energy, as well as instilling mentality of prudent attitude among the population to the consumption of electricity and thermal energy.

It is no coincidence that the major successes of "Samruk-Energy" JSC in recent years are the achievements in the development of "clean" technologies. A 45 MW Yereymentau WPP project was presented during nationwide teleconference on the results of country's industrial and innovative development program on December 11, 2015. Installed capacity utilization factor of the wind farm is higher than that of conventional heating sources. Special climate conditions of the region were considered in the design of power plant. The plant uses technology of cold package (WPP operating temperature is up to -45°C) and remote process management. This plant's operation will provide facilities for the International specialized exhibition "EXPO-2017" on the symbolic theme - "Future Energy" with "green" electricity.

The use of "clean coal technologies" that will improve the efficiency of power facility, reduce fuel consumption and specific emissions of greenhouse gases (carbon dioxide) and pollutants (ash, nitrogen and sulfur oxides) are to be used as part of a coal-fired generation development.

In collaboration with American company Primus Power, Samruk-Energy had started the pre-investment phase of electricity storage systems installation to stabilize the operation of electricity grid, including integration of wind and solar power plants. It is planned to replicate the system with production setup in Kazakhstan.

In addition, given that one of the key objectives of the long-term development strategy is an innovative development, in the framework of VIII Astana Economic Forum, "Samruk-Energy" JSC signed a memorandum of understanding with Stanford University's research center to join the industry program Stanford Energy 3.0. Cooperation will contribute to strengthening our position in the power industry and economic advancement through transfer of new technologies.

"Samruk-Energy" JSC developed and approved the Program for energy saving and efficiency across the Group of Companies in 2014 within the work on improvement of energy efficiency carried out by the Government of Kazakhstan. The purpose of the Program is development of measures for the rational and cost-effective use of energy resources through the application of innovative technologies for:

- reduction of production costs;
- improvement in reliability of power supply to consumers;

- elimination of capacity gaps in power plants;
- enhancement in the efficiency of fuel use in power plants.

Energy audits involving specialized accredited organizations are conducted in all Samruk-Energy subsidiaries in accordance with Law "On energy saving and improving energy efficiency".

Action plans for energy efficiency including technical, organizational and other activities were developed following the energy audits results. Energy audits have been conducted in 10 out of 12 subsidiaries (dependent) organizations.

The work conducted resulted in substantial reduction in the gap between the installed and available capacity in the Company (by 1, 6 GW compared to 2009, from 2 462 MW to 878 MW) and reduce power losses in power grids (on average by 0, 6%), lowering of electricity cost for power plant's own needs (11%). By the end of 2015, the total consumption of fuel and energy resources (FER) has decreased by 17% compared to 2014 and by 27% compared to 2012.

Implementation of a comprehensive program of environmental protection measures made it possible to reduce ash emissions from 2009 to 2015 by more than 3 times - our plants have reduced these volumes from 108 thousand tons to 30 thousand tons. Electrostatic precipitators were installed at all power units of Ekibastuz SDPP-1 and SDPP-2 with the ash collection coefficient of 99, 4%.

The work carried out in this direction was appreciated by awarding our company the Grand Prix of the President's Award "Paryz" 2015 for achievements in environmental and social responsibility, which the country's President handed in person. High award also reflects Samruk-energy's progress in improving corporate governance, labor protection, and large scale support of domestic producers, sustainable development, energy efficiency and conservation.

Anti-Corruption

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

In 2013 Samruk-Energy JSC has developed and approved Counter Fraud and Corruption Policy. The Policy has been elaborated to form a uniform concept of the Company employees and other persons about non-acceptance of fraud and

corruption of any forms and expressions and to minimize the risks of fraud and involvement of the Company into corruption.

In 2015, all employees of head office and subsidiaries of the Company have been acquainted with the Counter Fraud and Corruption Policy by 100%.

Monitoring of the negative publicity in the media in relation to officials and employees of "Samruk-Energy" and subsidiaries, the facts of fraud and corruption is conducted on an ongoing basis.

At the end of 2015, there were no facts of frauds and corruptions in Samruk-Energy Group of Companies.