



Samruk-Energy JSC

UN Global Compact

Communication on progress achieved in 2016

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Today "Samruk-Energy" JSC (hereinafter – the Company) is a largest diversified power holding company successfully integrated into the international energy mix, creating value for shareholders, employees and society as a high-tech power supply guarantor of Kazakhstan and supplier of Eurasia, guided by the principles of care about environment and lean production. As of year-end 2015 the installed capacity of Samruk-Energy power plants amounted to more than 31% of the total installed capacity of Kazakhstan's UPS, the share of overall volume of coal production in Kazakhstan amounted to about 35,8%.

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 10 principles of the Global Compact in its strategy and everyday activity.

Present communication on progress achieved in 2016 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; and

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

The Company and its subsidiaries and affiliates fully respect human rights proclaimed at the international level and fixed by the legislation of the Republic of Kazakhstan. The main aim of the Company with regards to sustainable development in relationships with personnel is to exercise the human rights to labor.

The Ombudsman Institute has been established since 2011. No cases of addressing the Ombudsman were recorded in 2016.

At the end of 2016, there were no violations and incompliance with provisions of the legislation of the Republic of Kazakhstan and internal regulations of the Company either by officials of the Company or by employees.

In 2016 “Samruk-Energy” Group of Companies did not have any violation which affected the rights of indigenous people and minorities. The company recognizes equality of rights and opportunities. Employees have a right of association and of assembly and conduct of 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.

Under conditions of competition and the increasing struggle for qualified personnel, modern organizations seek to attract and retain a variety of working resources in every way, believing that every person is unique and irrespective of gender, race, nationality, social and official position, attitude to religion and political beliefs brings his own value.

The Constitution of the Republic of Kazakhstan establishes human rights to life, liberty, inviolability of dignity, freedom of speech and conscience, freedom of association, etc.

Thus, the Company supports and respects freedom of association of workers, as well as their right to collective bargaining. In addition, the Company recognizes the right of employees to elect their representatives, while ensuring that employee representatives shall not be subject to discrimination.

In December 2016 “Ekibastuz SDPP-1 named after Bulat Nurzhanov” LLP (hereinafter - the Partnership) became the silver winner of the Republic of Kazakhstan President award in the Republican competition on social responsibility

of business "Paryz" in the nomination "Best collective agreement" among large businesses.

There are 16 trade union organizations in the Company's group, members of which are more than 80% of employees of subsidiaries and the Company.

In addition, the entities of the Company's Group are committed to preventing any form of discrimination and forced labor, bearing in mind that every employee has equal opportunities to exercise his labor rights.

In order to implement the provisions of the Address of the Head of the State to Kazakhstani people "Kazakhstan-2050": "Mangilik El" on creating a barrier-free environment for people with disabilities, disabled people are employed at "Samruk-Energy" JSC subsidiaries.

According to results of 2016, the Company's Group employs 164 employees with disabilities.

In accordance with the Constitution of the Republic of Kazakhstan, the Company exercises social rights, freedoms and duties of women, expressed in providing equal opportunities with men.

During 2016 Samruk-Energy Group strictly complied with the requirements prohibiting the employment of persons under 18 in jobs involving harmful and (or) dangerous working conditions, as well as prevented any type of discrimination against employees, business partners and violation of rights of minorities and indigenous people.

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 activity of the Company 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.

Moreover, “Samruk-Energy” JSC Sustainable Development Guidelines (hereinafter – Guidelines) was approved in December 2016, which provides for the application of sustainable development aspects through introduction of best practices in production, environmental initiatives, occupational safety and social sector.

According to the approved Guidelines, a number of activities of the Company in the field of environmental protection and energy efficiency may be highlighted:

- use of clean coal technologies;
- development of renewable energy sources;
- performance of accepted climate obligations;
- implementation of specific plans and strategies aimed at reducing the "carbon footprint";
- improvement of energy efficiency.

The implementation of a comprehensive environmental activities program in 2016 ensured a reduction in specific emissions of pollutants by 1 kWh or by 3% compared to 2015.

Ash emissions from 2009 to 2016 have decreased by more than 3 times and by 7% compared to 2015. Electrostatic precipitators with ash removal ratio of 99.4% were installed at all power units of "Ekibastuz SDPP-1 named after Bulat Nurzhanov" LLP and "Power plant Ekibastuz SDPP-2" JSC, wet ash collection technology with efficiency 99,2 - 99,5% is applied at the thermal power plant of “APP” JSC.

The work on disposal of accumulated ash and slag wastes is carried out at the power plants of “Ekibastuz SDPP-1 named after Bulat Nurzhanov” LLP and "Power plant Ekibastuz SDPP-2" JSC.

A system of dry ash removal from electrostatic precipitators of No. 1, No. 2 power units’ boilers was commissioned, this system was implemented using FLSmidth technical solutions, as well as TURBUFLOW® transport technology and is able to release dry ash up to 100-200 tons / hour.

Dry ash may be used in production of concrete and other building materials instead of quartz sand. Ash-slag wastes of power plants are used in construction of roads in Pavlodar region.

Also in 2016, works on reclamation of exhausted parts of power plants’ ash dumps were conducted.

The Company plans to consistently pursue the minimization of production activities impact on environment through introduction of new technologies and the use of renewable energy sources.

"Samruk-Energy" JSC group of companies makes efforts to increase the efficiency of using fuel and energy resources through modernization of obsolete equipment and introduction of new equipment and technologies with higher renewable energy sources utilization factor.

Today, the Company can undoubtedly be recognized as a major player, managing energy and coal enterprises in the territory of the Republic of Kazakhstan with a clear vision of its development.

In accordance with Development Strategy of “Samruk-Energy” JSC and the Concept on transition of the Republic of Kazakhstan to the "green economy", the Company increases the share of alternative energy sources. The Project on construction of 45 MW Ereymentau Wind Power Plant (hereinafter - WPP 45) including expansion in capacity up to 300 MW was implemented in 2015. The project was presented in the course of national teleconference as a result of the country’s industrial and innovative development program. Operation of WPP 45 will reduce emissions of greenhouse gases, saving from combustion of 110 thous. tons of coal annually and will provide facilities of the International Specialized Exhibition EXPO-2017 on the symbolic theme “Future Energy” with “green” electricity.

The use of "clean coal technologies" is envisaged as part of coal mining development, which allows increasing power plants performance, reducing fuel consumption and specific emissions of greenhouse gases (carbon dioxide) and pollutants (ash, nitrogen oxides and sulfur).

According to the agreement on strategic partnership signed between “Samruk-Energy” JSC and Primus Power Corporation in October 2016, EnergyCell energy-storage system (battery) with a capacity of 25 kW was tested at the premises of 2MW solar power plant in Kapshagay.

In addition, as regards the introduction of environmentally friendly technologies, the Company works together with Stanford University as part of Stanford Energy 3.0 scientific and industrial program. In collaboration with scientists of the university, the main areas for development have been identified - advanced processing of power coals; CO₂ capture and storage; energy storage. All these developments will be accomplished in relation to “Samruk-Energy” JSC and will be implemented as the pilot projects are completed.

The Energy Saving and Energy Efficiency Program of “Samruk-Energy” JSC Group of Companies was updated in 2016, which was developed in 2014 as part of the work conducted by the Government of Kazakhstan to improve energy efficiency.

The main objectives of the Energy Saving and Energy Efficiency Program are to reduce the energy intensity of the gross commodity product, the consumption of fuel and energy resources (FER), and rational and economically viable use of fuel and energy resources based on application of new technologies.

As a result of activities implementation, according to the outcome of the whole term of the program’s implementation, the reduction in specific energy consumption amounted to 3.4%

In accordance with the Law "On energy conservation and energy efficiency improvement", energy audits were carried out jointly with specialized accredited organizations at all “Samruk-Energy” JSC subsidiaries which are included in the

state energy register. In 2016 energy audits were conducted in “Shardarinsk HPP” JSC and “Almatyenergosbyt” LLP. Action plans for energy saving, including technical and organizational activities aimed at efficient use of fuel and energy resources were developed on the basis of energy audits results.

Actions taken allowed to significantly reduce the gap between the installed and available capacity in the Company by 1.4 GW compared to 2009 (from 2 462 MW to 1 061 MW), to reduce electricity losses in power grids (at an average by 1,5%) and electricity consumption for own needs of power plants from 8,58% to 7,52% or by 149 mln. kWh.

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.

As part of the Policy, Anti-corruption Action Plan is developed and approved on an annual basis, which is executed in accordance with established time frame.

The Policy on notification of alleged violations was developed and approved In 2014, according to which requests are submitted to confidential mailbox and helpline of the Company and its subsidiaries. Email address of confidential mail and helpline are available on the Company's website.

Monitoring of the negative publicity in mass media in relation to officials and employees of "Samruk-Energy" JSC Group of companies on fraud and corruption is conducted on an ongoing basis.

At the end of 2016, there were no facts of frauds and corruptions in “Samruk-Energy” JSC Group of Companies.