

Statement by the President of the Company (unsigned) to support the 10 principles of the UN.

September 1, 2017

To interested persons:

I am pleased to confirm that JSC «NC «KTZ» reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions for 2014-2017 to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to declare membership of the Global Compact in our internet page and share this information with our stakeholders using our primary channels of communication.

Sincerely,

K.Alpysbayev

President of JSC “National Company “Kazakhstan Temir Zholy”

## **Human rights**

In JSC «National Company «Kazakhstan Temir Zholy» we support the Universal Declaration of Human rights. Furthermore, we have developed a number of major principles and core values that highlight our company's position towards the Universal Declaration of Human rights.

The company has approved such documents as: Strategy of Corporate and Social Responsibility of the JSC «NC «KTZ», the Policy of the JSC «NC «KTZ» - the Corporate Ideology and Business Philosophy, The Code of Business Ethics and number of other documents and policies to adhere to the Declaration of Human Rights.

In JSC «NC «KTZ» we have set up specific services for company's employees, customers and also third parties. Such services include hotline (+7 7172 60 40 70), by which accepted calls from individuals and legal entities.

Also, was established the Institute of Ombudsman. Corporate Ombudsman - a person, facilitate the implementation of the Company's corporate governance best practices in the field of conflict resolution, which acts as the intermediary between workers, groups of workers, authorities, suppliers, customers of the Company to resolve the conflict.

Moreover, the Company guarantees for employees a personal reception from the executives through the operation of the Public reception. Reception of citizens is carried out according to the approved schedule by the President of the Company for the respective year.

## **Working conditions**

JSC «NC «KTZ» has a certificate of compliance with the requirements of the international standard OHSAS 18001: 2007, issued by the international company SGS. The results of internal and external audits, which are conducted annually, confirm that the health and safety management system in JSC «NC «KTZ» functions in accordance with the requirements of the international standard OHSAS 18001: 2007.

By following principle of UN Global Compact, claiming that "Businesses should support freedom of association and the effective recognition of the rights to sign collective agreements" the company is heavily investing in the development of human capital and provide appropriate working conditions, social benefits and guarantees in accordance with the terms of the Collective Agreement, signed between the Company and its labor collective, as well as industry agreement between the Ministry for investment and development of the Republic of Kazakhstan, enterprises of railway transport and the Kazakhstan branch trade union of employees of railway, road, air and water transport.

For the last time in the Collective Agreement was made a number of new positions that provides additional benefits to employees, such as: payment of the difference of social benefits for loss of income due to pregnancy and childbirth; material assistance to employees in connection with the registration of marriage; families of

employees with children of school age - the Day of Knowledge (1 September), children with disabilities - to Day of Disabled Persons, as well as employees - upon the occurrence of events that require significant expenditures, locating at stations of 3, 4 and 5 class, single mothers, single railroad pensioners.

According to the reports of the Center of social partnership of JSC "Samruk-Kazyna" the index of social stability, including the assessment of the level of social moods of production employees (sociological survey of employees) and the assessment of the level of social development of the company (filling by companies the electronic questionnaire - social company's passport), the group of companies of JSC "NC "KTZ" in 2016 is 66% (2013 to 2015 was 58%) and according to the adopted rating scale, it is estimated as the result of "above average".

In order to prevent employee's diseases and ensure safety of transportation process the group of companies held more than 90 thousand mandatory periodic medical inspections each year and about 6.5 million medical examinations, consist of voluntary insurance contracts for of employees in case of illness and their families, according to which the insured annually about 40,000 people.

During 2016 7,970 employees and retirees of the Company received sanatorium rehabilitation, rehabilitated 71% of the production staff. In 2016, the Company adopted a program of healthy lifestyles, the main purpose of which is to introduce the activities of the Company's health-practices, as well as preventive and promotional activities, the Company's employees contribute to failure of bad habits, familiarizing them to the values of physical education and healthy lifestyle. In accordance with the Action Plan approved by the Program, in 2016, at the enterprises of railway transport, 41 sports instructors organized and conducted 177 physical and cultural events with the participation of about 20 thousand railway workers.

Within the framework of housing policy of the Company, covering all regions of the Republic, during the 2014-2016 years of housing sold on preferential terms (installments payments) more than 1 thousand employees.

During implementation of youth policy in 2010-2016 the rotation of personnel was carried out in respect of 709 young workers.

During 2016, within the framework of the implementation of the youth policy:

- 180 young workers participated in the corporate camp "Sen bolmasan kim?";
- 1705 young workers participated in 16 innovative educational trainings in all regions;
- 130 employees from all regions of the country participated in regional games league "KVN KTZ";
- the republican forum of young railway workers.

On the eve of the 25<sup>th</sup> anniversary of Independence of the Republic of Kazakhstan, charitable actions were held to implement the project "25 important good affairs", with the participation of about 800 volunteers from among the young railway workers.

Young workers are provided communication platform to communicate through a system of youth forums, youth camps corporate "Sen bolmasan, kim?", the social network «[www.zhastemir.kz](http://www.zhastemir.kz)».

Within the framework of the charity programs implemented by the Fund for the Development of Social Projects "Samruk-Kazyna Trust", the project on organizing the operation of specialized medical trains "Densaulyk", "Zhardem" and "Salamatty Kazakhstan". During 2016, the trains visited 136 stations, train specialists provided medical assistance to 40,000 people.

During 2016 in Company the occupational injuries decreased by 19%, 25 cases compared to 31 cases in 2015.

To create safe working conditions for workers in Company's planned comprehensive measures fully implemented in the field of safety and health for 2016.

## **Ecology**

Being ISO 14001:2004, ISO 9001:2008 assessed and certified, JSC «NC «KTZ» has always had environmentally friendly approach to operate and run business. The Company operates in a full accordance with national laws on environment, and also international laws, that have been ratified by Republic of Kazakhstan in that regard, and regulated by the Regulations on Environmental Protection.

Within the Company's program "Improvement of environment through energy saving for years 2013-2020" we're reducing emission of greenhouse gases while providing railway services.

In general, for the period from 2008 to the 1<sup>st</sup> half of 2017 the implementation of the Program of energy saving has reduced the cost of fuel and energy resources at the 928 thousand tons of equivalent fuel. Including the introduction of LED outdoor lighting at 99 stations thus reducing power consumption by up to 53.2 million kw or 6.5 thousand tons of equivalent fuel, thus reducing the burden on energy-producing enterprises of the Republic of Kazakhstan.

There are also special rules applied to the carriage of hazardous materials by freight railway companies.

The company has successfully passed the certification audit and received a certificate of compliance with the international standard ISO 50001:2011 (energy management). The implementation of this standard should lead to the reduction of greenhouse gases and related to the environmental impacts and energy costs through systematic management of energy.

## **Anti-corruption measures**

Being a monopolist company, JSC «NC «KTZ» operates its services in full compliance with Natural monopoly law, Railway law and other relative laws and regulations of Republic of Kazakhstan.

Similar principles are also supported and reflected in EU Railway Directive 2001/14/EU of February 26, 2001.

The system of anti-corruption measures in the Company involves performing anti-corruption monitoring, analysis of corruption risks, as well as the adoption of

preventive measures according to the Law of the Republic of Kazakhstan "On corruption counteraction".

Also in the Company was approved Methodical recommendations to identify and prevent fraud in the Company and the Policy to protect employee(s), which reported information on the cases of corruption in JSC «NC «KTZ».

The Policy establishes as follows: no retaliation shall be taken against any employee who reports any suspected violation while acting in good faith. Supervisors or other employees who retaliate against any other employee in violation of this policy are subject to disciplinary action up to and including termination.

There is also a hotline, which could be used to report: +7 7172 60 40 70