

Communication on progress achieved in 2017

Samruk-Energy JSC

"Samruk-Energy" JSC is the largest diversified power holding company that is successfully integrated into the international energy mix. It is guided by the principles of environmental safety and lean production. By the end of 2017, the installed capacity of Samruk-Energy power plants amounted to more than 31% of the total installed capacity of Kazakhstan's unified energy system, and the share of overall volume of coal production in Kazakhstan amounted to approximately 38%.

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

Current Communication on progress achieved in 2017 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.

The institute of Ombudsman was established in 2011. No cases of addressing the Ombudsman in respect of human rights abuse were recorded in "Samruk-Energy" JSC group of companies in 2017.

In 2017 "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.

Main objectives of the Company comprise improvement in productivity, decent remuneration and ensuring safe working conditions.

To regulate and protect economic, social, labor and professional interests of employees, and to ensure the compliance with terms and conditions of employment contracts, 23 trade unions comprising more than 90% of employees (more than 12,000 persons) operate at the Company's group.

Ensuring social protection and protection of employees' rights and interests are the main concern and responsibility of the trade union organizations which 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. To respond in a timely manner to the needs of employees, achieve a balance of interests of the parties to social partnership is the task that the trade unions of the Samruk-Energy group of companies address.

Along with the trade union organizations, the standing Commissions on Settlement of Social and Labor Disputes were established at 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 2017, 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 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.

The use of "clean coal technologies" is envisaged as part of development of coal production; this will allow increasing the efficiency of power plant, reducing fuel consumption and specific greenhouse gas (carbon dioxide) emissions and harmful substances (ash, nitrogen oxides and sulfur).

Taking into account that innovative development is one of the key tasks of the long-term Development Strategy, scientific research work is carried out in cooperation with Nazarbayev University to develop the technology of furnace devices of boiler units for burning high-ash coals of Ekibastuz coal field and depleted coal / coal by-products.

In order to ensure efficient and environmentally responsible use of fuel and energy resources, the Energy Conservation and Energy Efficiency Program for 2015-2025 was developed and implemented at Samruk-Energy group of companies. Energy audits were conducted in accordance with the Law “On Energy conservation and Improving Energy Efficiency” in all subsidiaries of Samruk-Energy JSC, involving specialized accredited organizations.

Action plans for energy conservation including technical, organizational and other measures based on energy audits results were developed. As a result of the implemented activities, following the results of 2017, savings of fuel and energy resources consumption in the amount of 38.7 thousand tons of equivalent fuel was obtained.

The implementation of a comprehensive program of environmental measures and increase in the output of renewable energy sources resulted in a reduction in the specific pollutant emissions per unit of manufactured products by Samruk-Energy JSC group of companies. Specific emissions as regards amount of pollutants made 0.0088 kg / kWh, which is 10% lower than in 2016.

As for "Fuel generation" sector, the specific emissions of fly ash decreased by 11%, SO₂ - by 11%, specific NO₂ and NO emissions decreased by 10.6% and 8.3% respectively.

It should be noted that 2017 for the company was held under the auspices of EXPO "Future energy". "Samruk-Energy" JSC took an active part as a global partner of the international exhibition "Astana Expo-2017", as well as it offered participants of the exhibition to get acquainted with the thematic corporate pavilion where the information about the potential of alternative energy, implemented RE projects could be obtained.

“Samruk-Energy” JSC exposition was held under motto "Natural sources - clean energy". At the opening ceremony, Almassadam Satkaliyev, Chairman of the Board of "Samruk-Energy" JSC conducted a tour of the stand and spoke about the company's role in the development and introduction of low-carbon technologies in Kazakhstan.

To present the scale of existing wind turbines, a fragment of gondola layout was presented, where a video and information on the future stages of expansion of Ereymentau wind farm up to 300 MW was shown.

Useful information about the global energy potential, resources, types of sources, the world demand for energy which reaches 16 TW per year and the

Republic of Kazakhstan's place in the global energy balance was available on "Samruk-Energy" JSC stand.

The session "Future Energy - Prospects for the Development of Global Energy" in the thematic block "Balance of the Energy Trilemma: Security, Accessibility and Environmental Sustainability" was held in 2017 as part of the World Congress of Engineers and Scientists (WSEC-2017), under the chairmanship of "Samruk-Energy" JSC.

At the invitation of Samruk-Energy, WSEC-2017 was attended by Stanford University professors, leaders of start-up companies and energy experts from the United States, Britain and Russia, as well as over 1,000 delegates from 50 countries.

The work of the Congress under the theme "Future energy: innovative scenarios and methods for their implementation" provided an opportunity for the public to get acquainted with the opinion of the Nobel Prize winners, leading scientists of universities, academicians and representatives of various companies on current trends in the development of world energy.

The 6th meeting of Kazakh-Korean Business Council (KKBC) was held in July in Astana city; the meeting organized by Samruk-Energy and the Federation of Korean Industries was aimed at strengthening business ties between countries and establishing direct contacts between business communities. During the panel sessions, representatives of businesses were acquainted with the investment climate in Kazakhstan, the prospects for cooperation in the field of support of alternative energy sources and the development of joint projects. The parties discussed actual aspects of mutually beneficial cooperation and the possibility of implementing new projects in various sectors.

Anti-Corruption

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

"Samruk-Energy" JSC updated Anti-fraud and Corruption Policy in December 2016. The Policy was developed in order 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.

The text of the Policy in Kazakh, Russian and English languages was placed on the web-site of “Samruk-Energy” JSC.

In 2017, all employees of “Samruk-Energy” JSC got acquainted with the Anti-fraud and Corruption Policy by 100%.

Every year, Samruk-Energy employees are tested for knowledge of the Anti-fraud and Corruption Policy. Officials and employees of Samruk-Energy and subsidiaries are tested for knowledge of fraudulent and corrupt practices on an ongoing basis.

The Action Plan for counteracting corruption in "Samruk-Energy" JSC is developed annually. All activities are conducted in a timely manner.

At the end of 2017, there were no facts of frauds and corruptions in Samruk-Energy Group of Companies.