

KEGOC Sustainability Report 2017

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LETTER FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear readers,

This Sustainability Report is prepared to disclose the information on KEGOC's economic, environmental and social activity in 2017.

The reporting year became a landmark for the Company - KEGOC has turned 20 years. The Company's development and establishment history has clearly demonstrated that KEGOC is one of the most socially responsible companies in the country, which, in today's world, is indispensable for high-quality results.

At present, KEGOC is a main power network utility of Kazakhstan and plays an important strategic role for the national economy as a System Operator of the Unified Power System of the Republic of Kazakhstan.

The specifics of the Company's operational activities gives it a particular responsibility before the wide range of stakeholders. KEGOC is steadily approaching its strategic goal: to become in 2025 a world-class company and a regional centre of competence in the electric power industry. To this effect, KEGOC's Long-Term Development Strategy defines the main strategic areas that ensure the reliable operation of Kazakhstan's Unified Power System, the company's stable financial position and sustainable development. The strategic sustainability goal is to improve the human resource management system, environmental protection and occupational safety system improvement. SML and WWP network reliability indicators conform to the reliability levels of foreign peers based on benchmarking results.

In 2017 the amount of services provided by KEGOC grew by an average of 9%. The Company achieved its best financial performance. The Company's shares also showed high liquidity and stable growth. Their value in November 2017 reached the maximum of KZT 1,434 per share, almost three times higher than the initial offering price.

The Company proceeded implementing the largest industrial infrastructure project - 500 kV North-East-South Electricity Transmission Project under the Government's Nurly-Zhol programme, which is planned to be completed in 2018.

KEGOC has been successfully implementing the Business Transformation Programme, which includes, inter alia, the establishment of effective administration, creation of favourable investment conditions and support for the introduction of innovative technologies, establishment of the system of incentives and involvement of workers at all levels in production processes. Activities reform and technological advancement shall be first aimed at the improvement of working and living conditions of a person. Thus, in 2017, a new organizational structure of the Company was approved, and the principles of meritocracy were introduced when approving employees for new positions.

Importantly, the business transformation programme process increases the requirements to the personnel promoting its future development. We will continue this work. We are proud that over four years our Company has been a leader in the Samruk-Kazyna group of companies in terms of the social stability rating, which in 2017 was 88%.

The corporate governance rating in 2017 was rated at BB, which corresponds to the Company's goals and demonstrates the compliance of the corporate governance level in all material aspects with most of the established criteria of Samruk-Kazyna's Diagnostics Methods based on best practices of corporate governance.

One of the focuses of environmental management is to take into account the priority of environmental safety as an integral part of national security.

The social component of KEGOC's activity is aimed at rising social responsibility, which among other things include ensuring of labour safety and preservation of the employees' health.

In 2018 the Company intends to keep and increase the achieved grid reliability indicators, improve efficiency based on sustainability priorities, ensure financial stability, increase return on equity, customers' satisfaction with service quality and employees' satisfaction with labour conditions and the incentive system, in short, provide stakeholders with comfortable conditions at all phases of engaging with the Company.

Bakytzhan Kazhiyev

Chairman of Management Board

(102-14)

ABOUT THE REPORT

The KEGOC's Sustainability Report 2017 (hereinafter referred to as the 'Report') is the ninth (since 2009) sustainability report that continues to disclose the annual non-financial reporting of the Company. (102-52) The previous KEGOC's Sustainability Report 2016 was published in June 2017. (102-51) All the Company's reports are available on KEGOC's official website.

This report has been prepared in accordance with the GRI Standards: Core Option and describes the relevant activities of the Company from 1 January through 31 December 2017. (102-54, 102-50) In addition, this report contains information reaffirming KEGOC's commitment to UN Global Compact wherein the Company has been a member since 2013.

Since 2011 KEGOC has engaged an independent external party on a competitive basis to confirm the compliance of the Report's information with the GRI Standards. The Company has contractual relationship with the organization assuring the Report for 2017. The Report's assurance level is limited. The Report shall be approved by KEGOC's Board of Directors prior to publication. (102-56)

The Report Boundaries have not changed compared to the previous Report: KEGOC prepared the Report on a corporate level: the data in this Report include the data of KEGOC's subsidiaries, i.e. EnergoInform JSC and the Financial Settlement Centre for Renewable Energy Sources Support LLP. (102-49)

The full version of KEGOC's consolidated financial statements (including subsidiaries) is available at the Company's website www.kegoc.kz. (102-45)

Any information concerning the plans referred to in this Report is forward-looking and reflects the current views of KEGOC with respect to future events and is exposed to certain risks, uncertainties and assumptions relating to the business, financial condition, operating results, growth strategy and liquidity of KEGOC.

Principles of Report Preparation

During the Report preparation the Company focuses on the following principles:

Materiality – KEGOC's Report covers the topics reflecting the Company's significant impacts on the economy, environment and society. KEGOC analysed the materiality, including questioning the external and internal stakeholders and power industry experts to identify most relevant sustainability-related topics to be disclosed.

Stakeholder Engagement – the Company receives a feedback upon the sustainability reports publication through different channels including publications and messages by emails and telephones given in the Contacts. The gathered comments and recommendations are taken into account in preparing the regular Report.

Sustainability Context – the data in the Report are given in the context of sustainable development defined by KEGOC's Corporate Governance Code including three pillars, namely: economic, environmental and social. KEGOC's long-term development strategy defines the sustainability goals, objectives, main initiatives and strategic KPIs, the information on their achievement in 2017 is included in this Report.

Completeness - the Report includes information on operations of all KEGOC's intersystem electric networks branches (MES branches), the National Dispatch Centre of the System Operator branch (NDC SO), the Executive Administration, and subsidiaries with regard to all significant sector-specific impacts on the economy, environment and society. In some cases the Sustainability Report refers to the Company's 2017 Annual Report, KEGOC's website or other publicly available documents to avoid duplication.

Balance – the Report reflects positive and negative topics of KEGOC's performance. The Report discloses the dynamics of some indicators for the last three years.

Comparability – the Report is prepared in accordance with GRI standards allowing the stakeholders to compare KEGOC's performance with the other organizations.

Accuracy and Reliability – the Report's information is collected based on documented data, and the Report sections relating to economy were prepared based on audited financial statements prepared in accordance with the IFRS.

Timeliness – the Report is prepared on a scheduled basis and published in the second quarter of the year following the reporting year.

Clarity – KEGOC seeks to make the Report understandable and accessible to a wide range of stakeholders.

Stakeholder Engagement and Materiality Assessment

KEGOC defined groups of the affected parties (stakeholders); the Company is engaged in a continuous open dialogue with them and regularly discloses information relating to KEGOC sustainability. The Company approved the Stakeholder Map and the Stakeholder Communication Plan.

Stakeholders	Principles of engagement	Engagement channels
Shareholders	The Company's activity on interaction with shareholders is aimed to protect and respect the rights and legitimate interests of shareholders envisaged by KEGOC Corporate Governance Code and Charter.	Publication of annual and interim reports of the Company, holding general meetings of shareholders, meetings with the investment community. From 1 January to 31 December 2017, there were no claims from the shareholders in relation to activities of KEGOC and its officers. (102-44)
Funding groups	The Company timely and fully fulfils its financial liabilities to investors and seeks for long-term cooperation based on mutual trust.	Publication of annual and interim reports of the Company, submission of periodic reports to international financial institutions (IFI) and information on requests, meetings, missions and visits of the IFI delegations to control the progress of projects implemented through loan proceeds, and placing information on web-site.
Authorities and supervisory bodies	Being a strategic company in the Republic of Kazakhstan and a natural monopoly, KEGOC realizes its responsibility to the state and seeks to fulfil legal and ethical obligations, as well as observe the laws.	Regular reporting, participation in the development of legal acts, programme and sector documents, working meetings, replies to requests, operational meetings.
Professional and expert organizations, public organizations, mass media	KEGOC is a member and participant of international, regional and national sectoral organizations, and focuses on integration deepening mechanisms and coordinated power sector development strategy in the Republic of Kazakhstan and beyond. The Company furnishes creation of goodwill and positive image in mass media through engagement and disclosure of information based on urgency, accuracy, accessibility and harmony principles.	Active participation in energy organizations activity; elaboration of programme and sectoral documents and initiatives, public hearings on investment projects, disclosure of information on the activity on website and in mass media, replies to requests, conducting briefings and press conferences.
Suppliers	During procurement of goods, works and services the Company relies on the following principles: publicity and transparency of procurement process; purchase of qualitative goods, works and services; granting to all potential suppliers equal opportunities provided that disabled people organisations are supported; fair competition among potential suppliers; control and responsibility for taken decisions; minimizing participation of mediators in procurement process.	Fulfilment of contractual obligations, assessment of suppliers. Preliminary discussion of draft tender documentation with potential suppliers, informing of procurement activities.
Consumers	The Company has implemented and adheres to the consumer-oriented principle, has established and secures the mechanism for defining and meeting the consumer requirements.	Regular assessment of customer satisfaction, public hearings, annual report to consumers, meetings with consumers, publication on website of spare capacities access and availability in operations areas.
Human resources	The Company respects and appreciates its employees; it is oriented at needs of the employees, seeks to provide safe labour conditions, adequate level of labour payment	Reporting meetings of management with the staff at year-end and for future plans, questioning the staff on topical issues, informing and getting feedback through

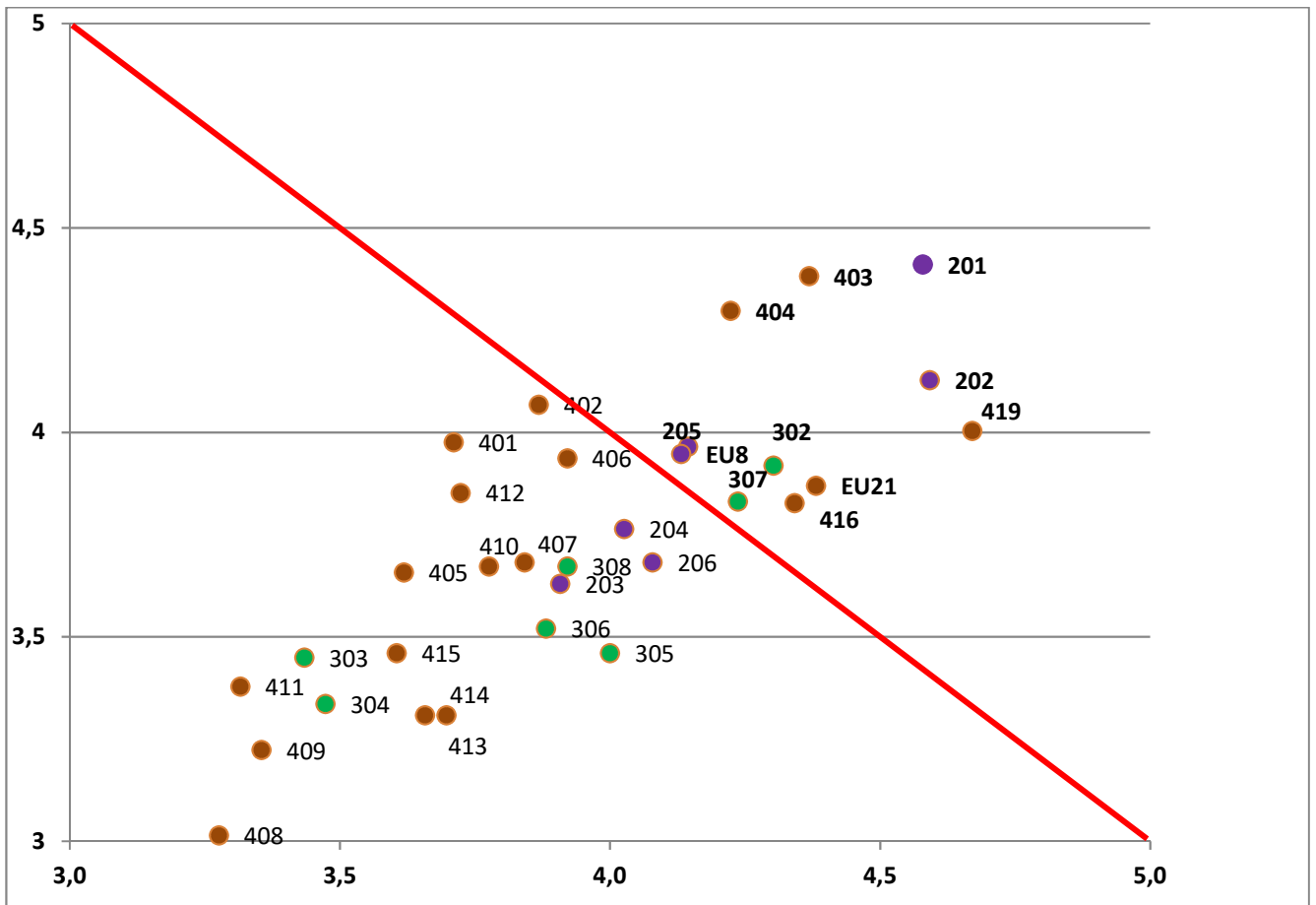
	and social allowances, professional training and advancement to its employees.	internal portal, annual social stability and personnel engagement research, institute of Ombudsman, and hotline.
Subsidiaries	The Company seeks for balanced development of subsidiaries based on efficient corporate governance mechanisms.	The interaction is within corporate procedures. KEGOC governs through the representatives in subsidiary governing bodies and renders methodological support to the subsidiaries activity.
Powers systems in neighbouring states	The Company strives for mutually profitable and efficient cooperation with the Russian Federation and Central Asian countries to ensure parallel operation of the power systems in the Republic of Kazakhstan and neighbouring countries.	Meetings on a regular basis (Central Asia Coordination Electric Power Council, CIS Electric Power Council, Eurasian Economic Union, etc.), coordination of power systems operation modes and regulatory documentation.

(102-40, 102-42, 102-43)

The Company's Report seeks to reflect the relevant and material information for stakeholders. For the purpose of the Report preparation, KEGOC analysed the materiality of topics disclosed in the Report. The material topics considered the fullest list covering sector-specific governance of the Company, economic performance of the Company, observance of human rights, and Company's impacts on the society and environment. Moreover, to define most relevant topics to be disclosed in the Report an evaluation survey was conducted based on a five-score scale of external stakeholders. consumers of KEGOC services - 40 organizations, experts - 36 respondents and internal stakeholders - employees of the Company - 283 people. The stakeholders questioning resulted in the materiality matrix illustrating key topics of KEGOC's activities, interested stakeholders and demonstrating the differences in relevancy of selected topics for internal and external interested parties. Each topic was assigned an average score depending on the level of importance for stakeholders.

KEGOC's Coordinating Council for Sustainable Development and Integrated Management System (hereinafter referred to as the Coordination Council), which includes all the Managing Directors chaired by the Chairman of the Management Board of KEGOC, recognized the topics above the control line in the materiality matrix as top-priority and mandatory for disclosure. **(102-46)**

Materiality Matrix



As in accordance with the materiality matrix the topic '401 Employment' is not subject to disclosure, but is important for the Company's employees and is a priority for KEGOC, the Coordination Council has included this topic in the list for disclosure in the Report. Also, the indicators of the industry standard GRI G4: EU12 of the economic topic 'System Efficiency' and EU28, EU29 of the social topic 'Accessibility' were determined as material for disclosure in the Report. (102-44)

LIST OF TOPICS: (102-47)

Economic topics:

201 Economic Performance

202 Market Presence

205 Anti-corruption

EU8 R&D

Environmental topics:

302 Energy

307 Social and Economic Compliance

Social topics:

401 Employment

403 Health and Safety

404 Training and Education

416 Customer Health and Safety

419 Social and Economic Compliance

EU21 Action plan and response to disasters/emergencies

Compared to the topics (aspects) disclosed in the Report for 2016 the stakeholders questioning defined 'Energy', 'R&D', and 'Customer Health and Safety' as material topics, and 'Indirect Economic Impacts', 'Water', 'Effluents and Waste', 'Diversity and Equal Opportunity' ceased to be material topics to be disclosed in Report for 2017. (102-49)

GENERAL INFORMATION

Kazakhstan Electricity Grid Operating Company (KEGOC) joint-stock company operates the National Power Grid (NPG) of Kazakhstan and is the System Operator of the Kazakhstan Unified Power System. (102-1)

Until 2006, 100 % of KEGOC shares had been owned by the Government. In 2006, state share (100%) was transferred to Samruk JSC (the Kazakhstan holding company for management of public assets) as a payment for the placed shares. In 2008, Samruk-Kazyna JSC (the sovereign wealth fund) was established through merger of Kazyna JSC (the sustainable development fund) and Samruk (Kazakhstan holding for management of state assets). Samruk-Kazyna became a legal successor of Samruk.

On 18 December 2014 as part of the Programme for public offering of shares of affiliates and subsidiaries of Samruk-Kazyna Sovereign Wealth Fund (hereinafter referred to as 'Samruk-Kazyna') on the stock market, KEGOC placed 25,999,999 authorized ordinary shares on the Kazakhstan Stock Exchange through subscription. As on 31 December 2017, the number of authorised and placed ordinary shares of the Company was 260,000,000, of which 234,000,001 shares (90% plus one share) belong to Samruk-Kazyna, the major shareholder, and 25,998,609 shares (9.9995%) belong to minority shareholders, the remaining 1,390 shares (0.0006%) were repurchased by KEGOC. (102-5)

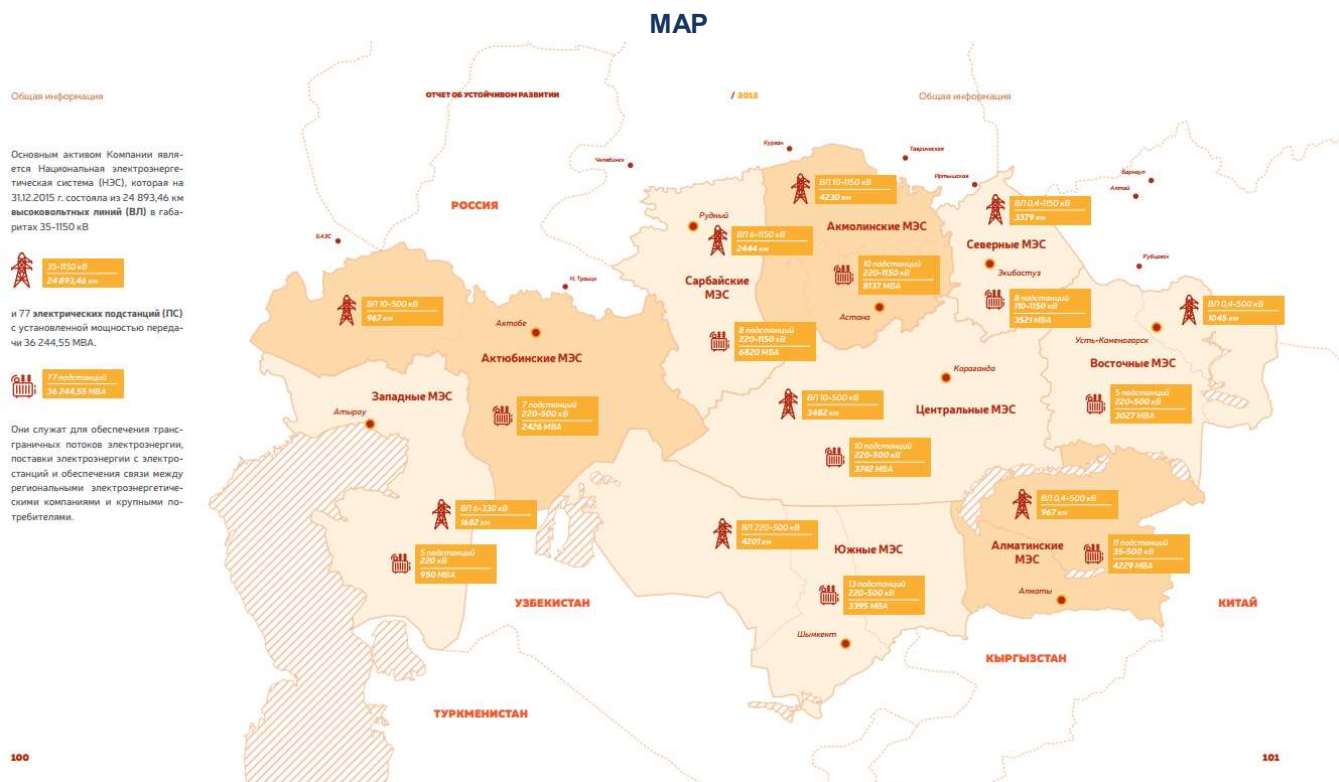
Registered address: 59, Tauyelsizdik Ave., Almaty District, Z00T2D0, Astana, Kzakhstan. (102-3)

In accordance with the laws of the Republic of Kazakhstan in electric power industry, KEGOC as a System Operator of the Unified Power System of the Republic of Kazakhstan is engaged in the following core activities:

- electricity transmission in the national power grid;
- technical dispatching of the electricity supply to the grid and electricity consumption;
- management of the electricity production and consumption balancing. (102-2)

The above mentioned services in Kazakhstan is the area of a natural monopoly, which is why KEGOC's operations shall be regulated by the Law of the Republic of Kazakhstan 'On natural monopolies'.

KEGOC operations cover the entire territory of the Republic of Kazakhstan. (102-4) The structure of the Company includes 9 intersystem electric networks branches (MES branches) and the National Dispatch Centre of the System Operator branch (NDC SO). MES branches render system services in operational control zone of the branch. The NDC SO performs the centralized dispatch control of the UPS of the Republic of Kazakhstan. The centralized operational and dispatch control is organised as direct operational subordination of nine regional dispatch centres (RDCs) to NDC SO; these RDCs are the structural subdivisions of MES branches. (102-6) On 29 December 2016 the Management Board of KEGOC decided to close the Representative Office of KEGOC in Almaty. The state registration of liquidation of the Representative Office in the justice bodies was completed on 2 March 2017. (102-10)



(102-6)

KEGOC's structure Branches

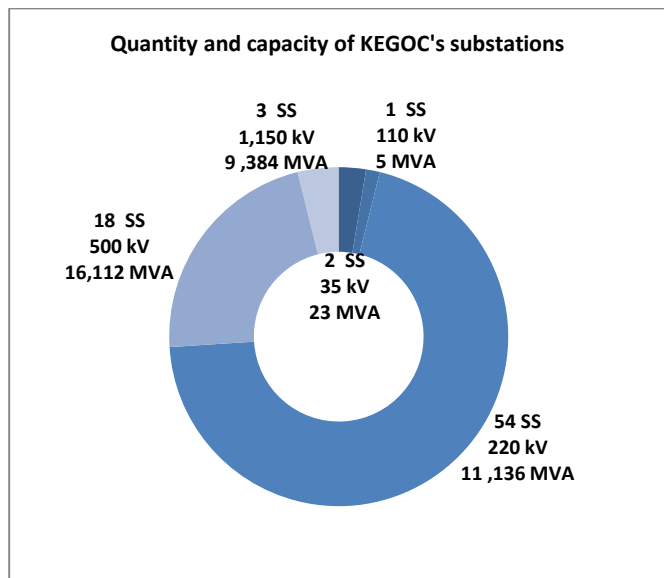
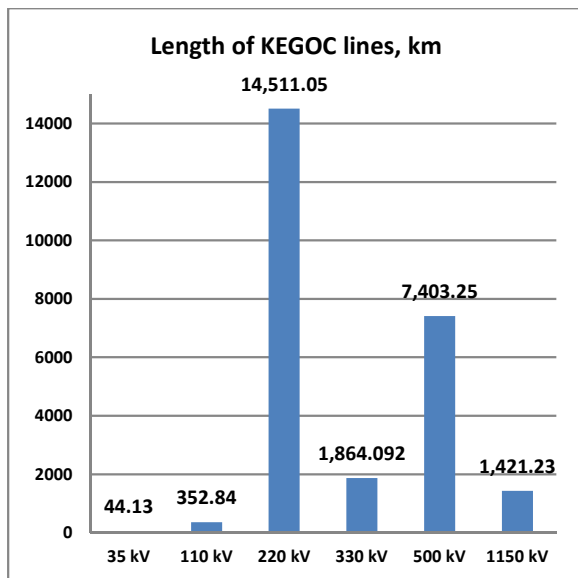
Akmolinskiye MES	Aktyubinskiye MES	Almatinskiye MES	Vostochnyye MES	Zapadnyye MES	Sarbaiskiye MES	Severnyye MES:	Tsentralnyye MES	Yuzhnyye MES
10 SS	7 SS	11 SS	6 SS	5 SS	8 SS	8 SS	10 SS	13 SS
8,136.6 MVA	2,425.5 MVA	4,229.35 MVA	3,694.5 MVA	950 MVA	6,569.9 MVA	3,520.6 MVA	3,741.6 MVA	3,392 MVA
OHTL: 4,230 km	OHTL: 967.39 km	OHTL: 3,551.853 km	OHTL: 1,526.75 km	OHTL: 1,681.5 km	OHTL: 2,444.525 km	OHTL: 3,625.651 km	OHTL: 3,482.19 km	OHTL: 4,201.303 km

KEGOC is a parent company of subsidiaries EnergoInform JSC and Financial Settlement Centre for Renewable Energy Sources Support LLP. Energoinform is engaged in maintenance of National Power Grid equipment and provide telecommunication support for the Company's activities. The Financial Settlement Centre for Renewable Energy Sources Support LLP was established in 2013 to encourage investments in renewable energy sector and increase the share of renewable energy in the Kazakhstan energy mix through government-guaranteed and centralized electricity purchase from all renewable energy facilities (that have chosen such support scheme) in accordance with the fixed rates.

In addition, KEGOC is a co-founder (20 % of shares) of Batys Transit JSC established in 2005 to implement the project for the construction of inter-regional power transmission line linking the North Kazakhstan with Aktoobe oblast.

The detailed information about the MES Branches is available on KEGOC's website at the Company section. (102-7)

The main asset of the Company is the National Power Grid comprising, as of 31 December 2017, of 363 overhead transmission lines of 0.4-1,150 kV totalling to 25,707.248 km (circuits) and 78 electric substations (SS) of 35-1,150 kV with transformer installed capacity of 36,660.05 MVA. They ensure the cross-border electric power flows, transmit electric power from power plants and connect the regional power companies and major consumers. (102-8)



EU1, EU4

KEGOC is a member and a participant of:

Kazakhstan Electricity Association of Legal Entities with major objectives to support all organizations with direct or other relation with power industry; participate in elaboration of state programmes, laws and regulatory acts relating to power industry; support and protect its members' positions in issues where sector interests depend on the decisions of the Government, judicial and other authorities;

KAZENERGY Kazakhstan association of oil, gas and energy sector organizations (KazEnergy) with major objectives to: protect the Association members' interests and rights at state bodies; harmonize legislative framework; create an integrated information network for subsoil users, power generation companies, transporters and consumers of goods and services of the energy sector; develop and support industry-specific cooperation and entrepreneurship projects at local, regional and international level; spread a positive image of the Association, its members and the industry as a whole at the regional and global level; stimulate economic, social, environmental, and scientific-technical activity of the Kazakhstan community;

Atameken National Chamber of Entrepreneurs of the Republic Kazakhstan established to enhance the negotiation power of business with Kazakhstan Government and public authorities;

- **Kazakhstan Electric Capacity Reserve Pool (ECR Pool)** with the main objective to provide contract-based capacity reserves to secure uninterrupted power supply to the consumers-founders in case of unforeseen failures of generating capacities and outages of transmission lines in Kazakhstan;

- **Association of Competition Development Commodity Markets**, which is a non-profit organization bringing together, on a voluntary basis, legal entities to coordinate entrepreneurial activity as well as represent and protect common interests in state bodies, government agencies, international and public organizations in terms of developing competition and commodity markets. Accession to this organization will enable the Company to initiate and promote necessary changes in antimonopoly legislation in KEGOC's interests. The Association's work will result in preparation and participation in preparation of draft regulatory legal acts, development of international non-governmental contacts to exchange the experience, hold workshops, conferences, roundtables and other activities, assist in development of competition and entrepreneurship, prevention of antimonopoly legislation violations;

- **Kazakhstan Taxpayers Association**, a non-profit organization aimed at assisting in protection of legal rights and interests of taxpayers, improvement of their knowledge in order to ensure voluntary and timely payment of taxes. The Association systematizes and analyses taxation problematic issues, proposals and remarks received from the association members. The systematic work will result in dialogues between representatives of the concerned ministries and taxpayers

during roundtables, conferences, forums and working groups as well as the range of proposals on making amendments and addenda to Kazakhstan tax legislation.

In addition, for the purpose to promote establishment of efficient electricity market with the neighbouring countries and develop international cooperation, KEGOC constantly takes part in the work of such international sectoral organizations as:

- CIS Electric Power Council;
- International Council on Large Electric Systems (Conseil International des Grands Réseaux Électriques – CIGRE);
- Eurasian Economic Union (Armenia, Belarus, Kazakhstan, Russia, Kyrgyz Republic);
- World Energy Council;
- EURELECTRIC;
- Executive Assembly of the World Energy Council (WEC);
- United Nations Economic Commission for Europe;
- Central Asia Coordination Electric Power Council. (102-13)

Besides, KEGOC supports and adheres to the principles of the UN Global Compact, one of fundamental international initiatives on commitment to corporate social responsibility principles regarding human rights, labour relations, environmental protection and anti-corruption.

In addition to obligations on full compliance with requirements of Kazakhstan legislation and internal regulatory documents, since 2008 the Company has undertaken a voluntary initiative on implementation and certification of the integrated management system (IMS) according to the requirements of international standards ISO 9001, ISO 14001, OHSAS 18001, and ISO/EAC 27001 since 2015. The certification covers system services throughout the Company including branches and subsidiaries. (102-12)

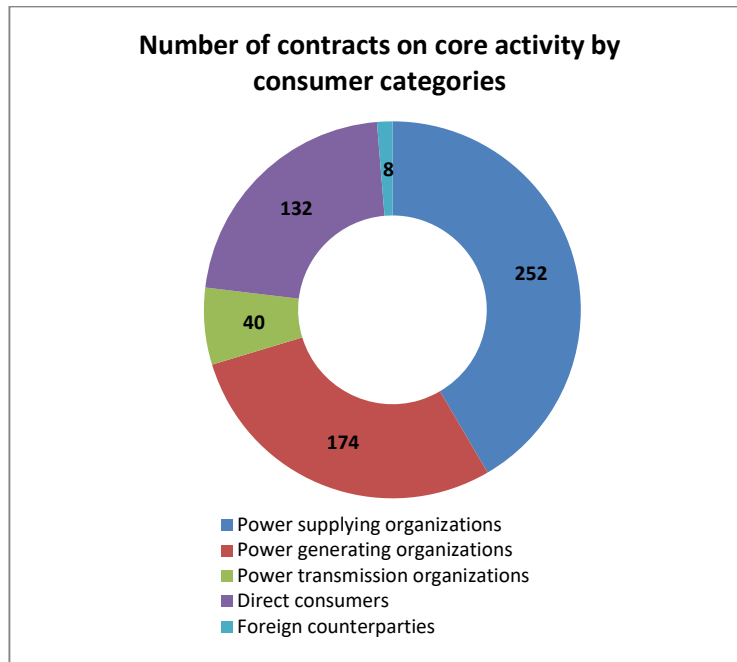
Operating Activity

In accordance with the Law of the Republic of Kazakhstan On Electric Power Industry, KEGOC as a System Operator ensures a non-discriminatory access to the electricity market for all market players. The National Power Grid shall be connected to pursuant to the Grid Code and Rules of Electricity Usage. KEGOC ensures equal access conditions to the National Power Grid for all wholesale electricity market participants. The detailed information on how to access the NPG is available at Our Operations on the Company's official website.

KEGOC's service consumers include legal entities: power generators, power transmission entities, power suppliers and industrial enterprises. (102-6)

In 2017, the full scope of system services was rendered to the wholesale market entities in accordance with the executed contracts and requests from consumers. The total number of contracts and agreements for provision of services to consumers, electricity purchase contracts, that either remain in effect from 2016 or entered into in 2017 made:

Agreements	Quantity
Electricity transmission via trans-regional networks	237
Technical dispatching of the electricity supply and consumption in the grid	93
Management of Electricity Production and Consumption Balancing	250
Supply and transmission of reserve electric power	1
Purchase of electricity to cover losses and economic needs	13
Purchase of power control services	2
Purchase of electricity from the Russian Federation to compensate for the deviation of actual hourly volume of interstate net power flow from the planned one	1
Sale of electricity to the Russian Federation to compensate for the deviation of actual hourly volume of interstate net power flow from the planned one	1
Electricity transmission (transit) services for FGC UES PJSC	1
Power (frequency) control services for UzbekEnergo JSC	1
Purchase of electricity transmission services from Batys Transit JSC to cover losses	1
Purchase of unscheduled electricity	1
Purchase of electricity to manage unscheduled electricity flows (from Kyrgyzstan NPG)	2
Sale of electricity to manage unscheduled electricity flows (for Kyrgyzstan NPG)	2
TOTAL:	606

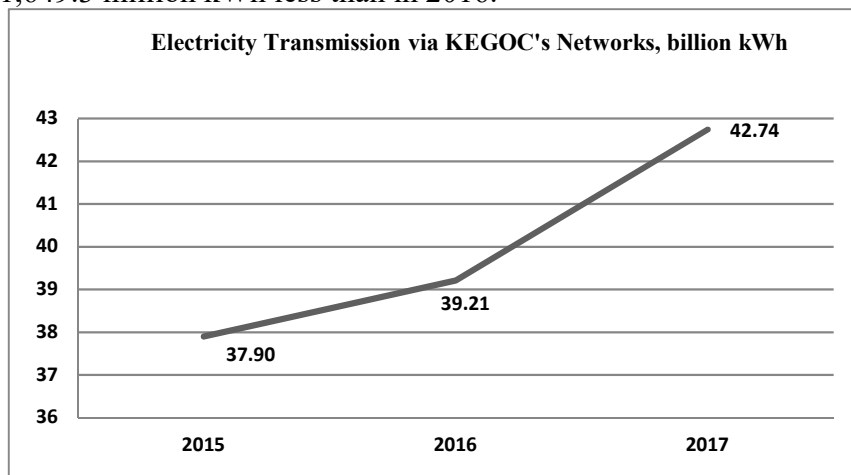


EU 3, 102-6

Electricity Transmission

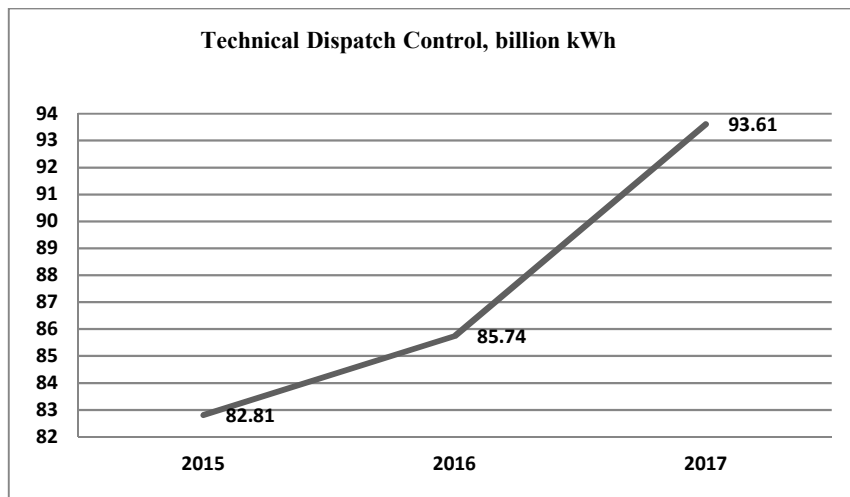
The actual amount of the transmission services in the National Power Grid in 2017 was 42,737.3 million kWh, which is higher than in 2016 by 3,523.8 million kWh or 9.0%. The increase was mainly due to the growth of services for the wholesale electricity market participants, as well as the growth of the amount of exported electric energy.

In 2017, KEGOC and FGC UES in accordance with the contract arranged for electricity transmission (transit) through KEGOC's networks from the Russian Federation through the Republic of Kazakhstan back to the Russian Federation. The amount of rendered services was 1,981.2 million kWh which is by 1,649.3 million kWh less than in 2016.



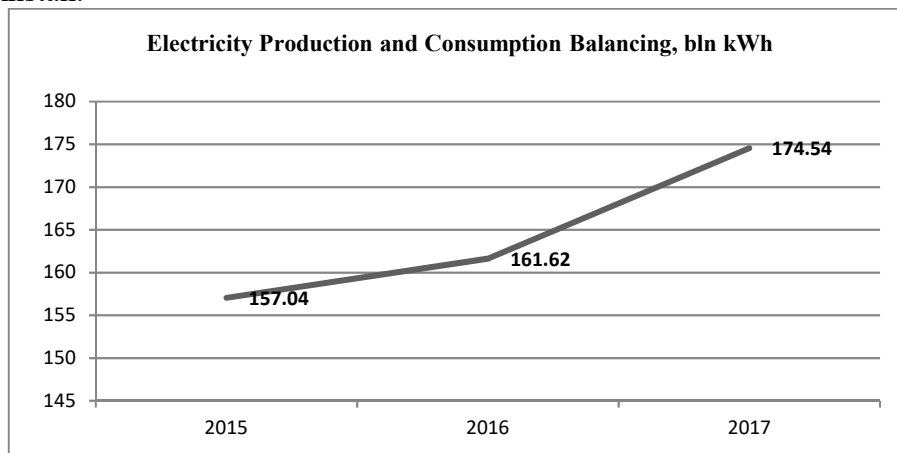
Technical dispatch control

The actual amount of technical dispatching of supply and consumption in the grid in 2017 was 93,610.0 million kWh, which is higher than in 2016 by 7,871.4 million kWh or 9.2%. This growth is caused by higher amount of electricity generation by both regional and major generators.



Management of electricity production and consumption balancing

The actual amount of electricity production and consumption balancing management in the grid in 2017 was 174,534.7 million kWh, which is higher than in 2016 by 12,918.7 million kWh or 8.0%. This growth is caused by higher amount of electricity generation and consumption on the wholesale market in Kazakhstan.



(102-7)

Under international agreements KEGOC performs the electricity purchase/sale transactions with power systems of neighbouring countries.

Thus, in 2017, KEGOC purchased electricity:

- ✓ to balance hourly unscheduled power flows between the energy systems of Kazakhstan and Russia to the amount of 1,020.4 million kWh (including from: Inter RAO (Russian), and internal sources: Ekibastuz GRES-1 LLP, MAEK Kazatomprom LLP, and Batys Power LLP);
- ✓ to balance the unscheduled power flows between the energy systems of Kazakhstan and Kyrgyzstan in the amount of 8.9 million kWh (purchased from the energy system of Kyrgyzstan);
- ✓ to balance the unscheduled power flows from the energy system of Kazakhstan to the energy system of Kyrgyzstan in the amount of 7.7 million kWh (including from: Ekibastuz GRES-1LLP and AES Shulbinskaya HPP LLP).

In 2017, KEGOC sold electricity:

- ✓ to balance hourly unscheduled power flows between the energy systems of Kazakhstan and Russia with the total amount of 1,020.4 million kWh (to Inter RAO (Russia));
- ✓ to balance the unscheduled power flows between the energy systems of Kazakhstan and the Kyrgyzstan in the amount of 7.7 million kWh (to the energy system of Kyrgyzstan). (102-7)

To improve the service quality, KEGOC developed the internal standard 'System Services and Consumers' Claims Management' whereunder all users of system services are sent questionnaires at least once every six months. The questionnaires also appeal to assess the performance of the

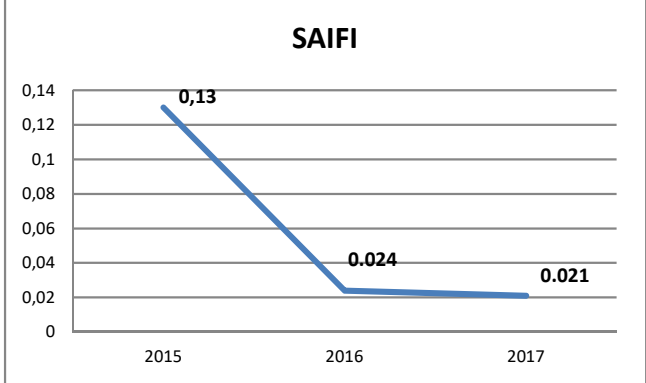
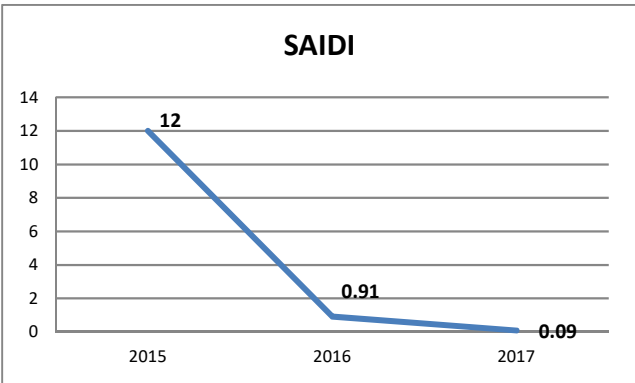
Company's employees, reliability of the provided business and technical information, efficiency of managing customers' claims, the quality of RDC operation regarding the operational dispatch management and make suggestions on improving the quality of KEGOC services. The received responses are analysed to improve the quality of rendered services. In 2017, the average annual consumer satisfaction was rated at 4.61 points on the five-point scale. (102-44) The customer satisfaction is at the target level. The criteria that need improvement are addressed respectively. (102-43)

The Company annually arranges public hearings for consumers and other stakeholders to report on its activities relating to the provision of regulated services (goods, work) in order to strengthen the protection of consumers' rights and ensure transparency of the Company's activities. The basic principles of annual reports are publicity, transparency of the Company's activities and observance of the balance of consumer interests. Thus, on 20 April 2017 KEGOC held public hearings to report on the Company's performance in 2016 to consumers and other stakeholders.

The Company on a regular basis evaluates the compliance of the rendered system services with the legal requirements of the Republic of Kazakhstan. In 2017, there were violations of legislation and regulatory requirements related to the provision of services. The Company was administratively sanctioned for violations of the Law of the Republic of Kazakhstan On Natural Monopolies for failure to implement the investment program and tariff estimates for regulated services; the conclusion of contracts on core activity not corresponding to the approved standard contracts in terms of payment procedure. In accordance with the resolution of the Committee on Regulation of Natural Monopolies and Protection of Competition and the Ministry of Energy of the Republic of Kazakhstan (CRNMPC), KEGOC was imposed the administrative penalty in the amount of 10.891 million KZT. (419-1)

The power industry in the Republic of Kazakhstan is of great importance as the key national industries such as metallurgy and oil and gas production are the highly energy intensive industries. Accordingly, the competitiveness of the production industries in Kazakhstan and the living standards are highly dependent on the reliability and quality of energy supply to consumers. The Company uses sectoral indices when evaluating the network reliability level:

SAIDI - System Average Interruption Duration Index - defines the average one interruption duration per year. **SAIFI** - System Average Interruption Frequency Index - defines the average interruption frequency index.



EU28, EU29

The observed tendency of SAIDI and SAIFI improvement is the result of activities undertaken by the Company to improve the reliability of NPG.

The Company defined SML (System Minutes Lost) and WWP (Percentage of Work Without Problems) indicators to assess the network reliability level. In 2017 SML was 1.04 minutes and WWP was 98.99% which is similar to reliability performance of the peer system operators of electric networks according to the results of completed benchmarking study under the Company's Strategy update.

Investment Activity

In order to increase efficiency, reduce technical losses, increase the reliability of the NPG operation and the capacity of the networks, the Company continues to actively implement investment projects. In 2017 the Company disbursed KZT 57.6 billion (including KZT 5,1 billion of capitalized loan interest) vs. KZT 65.4 billion of the planned capital investments (including KZT 10.8 billion of capitalized loan interest). The Company completed 96.3% of the planned amount of work excluding the capitalized loan interest.

In 2017 the Company continued the implementation of investment projects totalling to KZT 107.6 billion including: construction of 500 kV Shulbinsk HPP (Semey)-Aktogai-Taldykorgan-Alma transmission line under the 'Construction of 500 kV North-East-South transit' project included into 'Nurly-Zhol' government's programme) and Pavlodar Electricity Transmission Reinforcement Project. Over the two years, KEGOC constructed 544 km of 500 kV Shulbinsk HPP (Semey) - Aktogay-Taldykorgan-Alma transmission line of the total length of 883 km, including 380 km in 2017.

The project work also included construction and installation at new 500 kV Taldykorgan and Aktogai substations and expansion of 500 kV Semey and Alma substations. Two 220 kV 125 MVA autotransformers were installed at 110 kV Pavlodar SS under the Pavlodar Electricity Transmission Reinforcement Project.

The Company disbursed 100% of capital investments planned for maintaining the current level of operations in 2017 in the amount of KZT 5.3 billion.

In 2017, the Scientific and Technical Council of KEGOC approved the feasibility study titled 'Inspection and assessment of the technical state of 220-500 kV transmission lines including the development of a feasibility study for 'Rehabilitation of the National Power Grid' project in Aktyubinskye MES, Sarbaiskiye MES, and Zapadnye MES branches of KEGOC. The project includes 26 high-voltage overhead transmission lines geographically located in Kostanaiskaya, Aktyubinskaya, West Kazakhstan and Atyraskaya oblasts.

The project objective:

- extend the service life by at least 30 years;
- improve the transmission conditions;
- increase the permissible transmission capacity and reduce losses.

The Company completed evaluation of the technical condition of the facilities, analysis of the reasons for the line shutdowns, preparation of the technical conclusion, review of the advanced technologies in the electric power industry, and the options for rehabilitation of the overhead lines.

In 2018, KEGOC plans to complete the project for 'Construction of 500 kV Shulbinsk HPP (Semey) -Aktogai-Taldykorgan-Alma transmission line' being a part of 'Nurly Zhol' government programme for 2015-2019 and continue the project for 'Rehabilitation of the National Power Grid'.

R&D

In recent years, the electric power industry is getting a clear understanding of importance and need for R&D for the company development and its long-term competitiveness. The electric power industry is a conservative industry: the service life of the primary equipment extends to several decades characterized by a long period of technology update and requires significant investments with long payback periods. In addition, unlike other industries, companies in the electricity sector are characterized by a low level of R&D. Nevertheless, R&D management is an important tool to ensure the effective growth of all leading international electric power companies.

Understanding the importance of R&D for its development, KEGOC since its establishment has been engaged in R&D, which is aimed at achieving the strategic goals of the Company's Long-Term Development Strategy.

The main objectives of R&D are to:

- create, classify and develop processes of R&D planning and implementation, taking into account their priority and urgency for the technology development in the Company;
- ensure efficient interaction of processes associated with the development and use of R&D products;

introduce R&D results to improve the efficiency and quality of operational business processes; R&D management activities in the Company are regulated by the 'Rules for organization of research and development works', which set uniform requirements for management, planning, registration, monitoring, and acceptance of research and development works implemented at the request of KEGOC. R&D shall be considered as a process comprising the entire life cycle of development: from the statement of priority scientific and technical tasks to assessment and accounting of the actual effect of the R&D results on the practical activities of the Company.

One of the most urgent tasks for KEGOC is to reduce the losses of electric power when it is transmitted via electric networks. Losses or technological consumption of electricity during transmission via networks is an integral physical phenomenon during electricity transportation. One of the main technological losses of electricity is corona loss. Corona losses are caused by corona discharges occurring on the surface of overhead transmission line conductors and depend on the electric field strength, and therefore are observed only on high-voltage lines of 220-500 kV and higher. The length of 220-500 kV lines in the grid of KEGOC is more than 24 thousand km. Correspondingly, the share of corona losses within the total electricity losses in KEGOC networks is significant and amounts to 20-30% depending on weather conditions.

To solve the issue of losses mitigation, KEGOC in 2017 for a total of KZT 74.6 million:

- ✓ continued the work 'Feasibility study of corona losses mitigation in Kazakhstan NPG' with the involvement of NURIS (Nazarbayev University's scientific subdivision). This work studies possible ways to reduce corona losses in 500 kV KEGOC's networks by using the technologies of treating the surface of high-voltage overhead transmission line conductors;

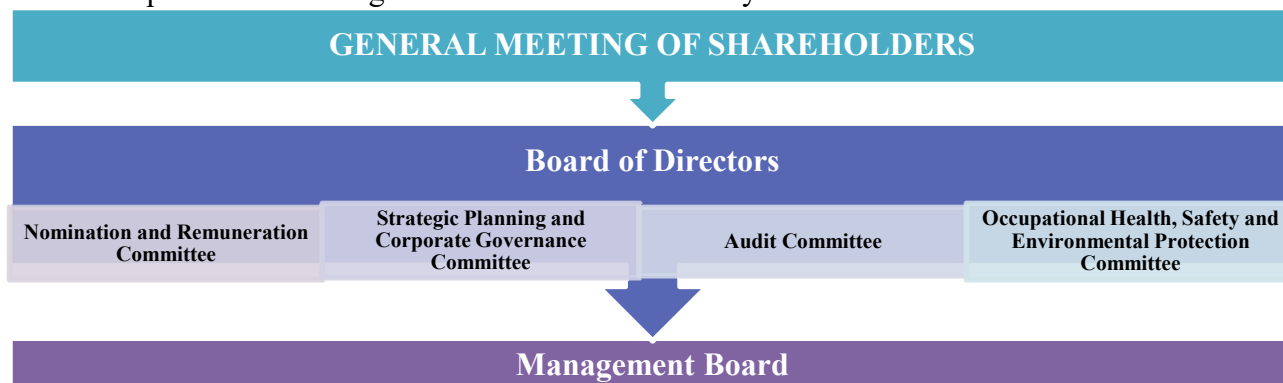
- ✓ together with ORGRES Engineering Center (Russia) KEGOC started a scientific research to reduce electric power losses in 500 kV transmission lines equipped with OPGW. The purpose of the work is to determine the causes and develop counteractions that will reduce electric power losses in 500 kV transmission lines of KEGOC equipped with OPGW that were reported to have high level of losses: L-5170 Ekibastuzskaya - Agadyr and L-5320 Agadyr - YuKGRES.

(EUS)

CORPORATE GOVERNANCE

KEGOC continues systematic work on improving the corporate governance and sets high goals for achieving the level of the world's leading companies. For this purpose, the Company aims to ensure:

- ✓ efficient exercise of shareholders' rights;
- ✓ efficient balanced dividend policy;
- ✓ efficient performance of the Board of Directors and Management Board of KEGOC;
- ✓ sustainability and efficient stakeholders interaction system;
- ✓ proper disclosure of information about the Company to stakeholders;
- ✓ improved risk management and internal control systems.



(102-18)

General Meeting of Shareholders

The General Meeting of Shareholders is the superior body of KEGOC running its activities in accordance with the Law of the Republic of Kazakhstan on Joint-Stock Companies, the Charter and

the Regulations on the General Meeting of KEGOC's Shareholders. In 2017 KEGOC held two General Meetings of Shareholders:

On 12 May 2017 the annual General Meeting of Shareholders was held where:

- claims from the shareholders in relation to KEGOC's activities and its officers and results of consideration of such claims were reviewed.
- the annual financial statements and distribution of the net income were approved; the decision to pay dividends on ordinary shares and the amount of dividends per ordinary share of KEGOC for 2016 was made,
- the new revision of Charter was approved,
- the new revision of Methodology for valuation of shares for repurchase by KEGOC on the unorganized securities market was approved,
- the new revision of the Rules of selection and election of the members of KEGOC's Board of Directors and the Rules of remuneration and reimbursement of expenses of the members of KEGOC's Board of Directors were approved.

On 26 October 2017 the extraordinary General Meeting of Shareholders was held where:

- the interim financial statements and distribution of the net income were approved; the decision to pay dividends on ordinary shares and the amount of dividends per ordinary share of KEGOC for H1 2017 was made;
- amendments to the Regulations on KEGOC dividend policy were approved;
- thresholds and targets of consolidated KEGOC's financial stability coefficients for 2017-2019 were established;
- amendments to KEGOC's Charter were approved.

The Board of Directors and its Committees

In accordance with the Corporate Governance Code the Board of Directors and its committees shall maintain the balance of skills, background and knowledge ensuring the independent, impersonal and efficient decision making for the benefit of the Company and with due account of fair treatment to all shareholders and sustainability principles. The Board of Directors of KEGOC has diversity in terms of experience, personal characteristics and gender composition. The Board of Directors includes four independent directors, which ensures the independence of taken decisions and fair treatment of all shareholders. Members of the Board of Directors are elected by the General Meeting of Shareholders based on clear and transparent procedures with due consideration of the competencies, skills, achievements, business reputation and professional background of the candidates.

From 01 January to 28 October 2016, KEGOC's Board of Directors included the following directors: K. Bektemirov, Chairman of the Board of Directors, B. Kazhiyev, Chairman of the Management Board and A. Spitsyn, L. Sutura, D. Fache and Ya. Bialek, independent directors. Based on the decision of the extraordinary General Meeting of Shareholders of KEGOC dated 28 October 2016 (Minutes No. 5) the Board of Directors is newly formed of eight (8) members to ensure the balanced membership of the Board of Directors with account of fair treatment to shareholders as follows:

Kuanysh Bektemirov, Chairman of KEGOC's Board of Directors, representative of the major shareholder - Samruk-Kazyna, born in 1970, nationality: Kazakhstan.

Anatoliy Spitsyn, independent director, director of the Institute for Strategic Studies of Integration Problems of the Eurasian Economic Community, born in 1939, nationality: the Russian Federation. Chairman of the Strategic Planning and Corporate Governance Committee, member of the Audit Committee, the Nomination and Remuneration Committee and the Occupational Health, Safety, and Environmental Protection Committee of KEGOC.

Luca Sutura, independent director, Chief Financial Officer, member of the Management Board at NEBRAS POWER (Qatar National Energy Company), born in 1971, nationality: Italy. Chairman of the Audit Committee, member of the Nomination and Remuneration Committee and the Occupational Health, Safety, and Environmental Protection Committee under KEGOC's Board of Directors.

Dominique Fache, independent Director, Chairman of RTF Board of Directors, member of the Board of Directors at Sophia Antipolis Science Park, Nice, France, born in 1949, nationality: France. Chairman of the Nomination and Remuneration Committee, Chairman of the Occupational Health, Safety, and Environmental Protection Committee, member of the Strategic Planning and Corporate Governance Committee under KEGOC's Board of Directors.

Janusz Bialek, independent director, Director of the Skoltech Centre for Energy Systems, Skolkovo Institute of Science and Technology, born in 1955, nationality: UK, Poland and Northern Ireland. Member of the Nomination and Remuneration Committee and the Occupational Health, Safety, the Environmental Protection Committee and the Audit Committee under KEGOC's Board of Directors.

Suinshlik Tiyessov, member of KEGOC's Board of Directors, representative of the major shareholder - Samruk-Kazyna, born in 1946, nationality: Kazakhstan.

Zhanna Yegimbayeva, member of KEGOC's Board of Directors, representative of major shareholder - Samruk-Kazyna, Adviser to National Holding Company Baiterek JSC, born in 1953, nationality: Kazakhstan. Member of the Occupational Health, Safety and Environmental Protection Committee of the Board of Directors of KEGOC.

Bakytzhan Kazhiyev, member of the Board of Directors of KEGOC, Chairman of the Management Board of Kazakhstan Electricity Grid Operating Company (KEGOC), born in 1964, nationality: Kazakhstan.

The share of members of KEGOC's Board of Directors hired from the local population (citizens of the Republic of Kazakhstan) is 50%.

The day-to-day activities of KEGOC are managed by the Management Board, an executive collegial body, which makes the decisions on the Company business related issues that are beyond the competence of other bodies.

Determination of the membership, terms of powers of the Management Board, election of the Chairman of the Management Board and its members and early termination of powers shall refer to the exclusive competence of the Board of Directors of KEGOC and rely on principles of transparency, objective assessment of potential, professionalism and competence. Due to transition to the new organizational structure of KEGOC approved on 1 June 2016 by the decision of the Board of Directors of KEGOC dated 24 February 2017, the membership of KEGOC's Management Board was determined as six members who are 100% citizens of Kazakhstan.

Thus, the overall share of senior management (members of KEGOC's Board of Directors and Management Board) hired from the local population (citizens of the Republic of Kazakhstan) is 69 %. The more detailed information on the composition and operation of KEGOC management bodies in 2017 is set out in the KEGOC Annual Report for 2017. (202-2)

Board of Directors

Members of the Board of Directors	Strategic Planning and Corporate Governance Committee	Nomination and Remuneration Committee	Occupational Health, Safety and Environmental Protection Committee	Audit Committee
Kuanysh Bektemirov Representative of major shareholder		Chairman of the Board of Directors:		
Anatoliy Spitsyn Independent Director	Chairman of the Committee			
Luca Sutera Independent Director				Chairman of the Committee
Dominique Fache Independent Director			Chairman of the Committee	
Janusz Bialek Independent Director		Chairman of the Committee		
Suinshlik Tiyessov Representative of major shareholder				

Zhanna Yegimbayeva Representative of major shareholder		
Bakytzhan Kazhiyev Chairman of Management Board of KEGOC		
Rustem Sauranbayev Expert without the right to vote		
Saltanat Satzhan Expert without the right to vote		
Daulet Karimov Expert without the right to vote		

In 2017, the Board of Directors held nine (9) meetings in praesentia and two (2) meetings in absentia, considered and made respective decisions on 155 issues including the issues on sustainability:

- considered annual/interim financial statements, proposals for payment/non-payment of dividends on ordinary shares and the amount of dividends per KEGOC's ordinary share;
- reviewed reports on the implementation of the investment program and major investment projects;
- approved the Annual Report and the Sustainability Report for 2016;
- approved the Action Plan for KEGOC's Corporate Governance improvement and KEGOC's Corporate Governance Code introduction for 2017-2020, including sustainability activities;
- approved the Risk Registries and Risk Maps, the Key Risk and Risk Appetite Management Action Plan and reviewed quarterly sustainability risk reports and risk management activities;
- approved the Action Plan to improve the OSH management system of KEGOC, reviewed the quarterly Health and Safety Reports;
- approved the Rules of social support to KEGOC employees in a new edition.

To review the most important issues, including sustainability issues, and prepare recommendations for the Board of Directors of KEGOC, the following committees, being consultative and advisory bodies of the Board of Directors, were established:

Audit Committee;

Nomination and Remuneration Committee;

Strategic Planning and Corporate Governance Committee;

Occupational Health, Safety and Environmental Protection Committee.

Functions of the committees of the Board of Directors with regard to sustainability issues		
Strategic Planning and Corporate Governance Committee	Audit Committee	Occupational Health, Safety and Environmental Protection Committee
promote sustainability principles	control reliability and effectiveness of the internal control and risk management systems including sustainability risks	review the policy and procedures for ensuring occupational health, safety and environmental protection including the system of reporting to the Management Board and the Board of Directors
define priority directions of activity, strategic planning, including sustainability	control the execution of documents on corporate governance, including sustainability	monitor strategic KPIs relating to the occupational health, safety and environmental protection, and achievement of goals in this area

improve corporate governance and sustainability	evaluate annual sustainability reports of the Company	review results of investigation of major technological failures, group accidents with severe outcomes and provision of recommendations on the necessary measures
implementation of investment programs and major investment projects		compliance of the practice accepted in the Company with the advance practice in securing occupational health, safety and environmental protection

In 2017, the **Strategic Planning and Corporate Governance Committee** held eight meetings in praesentia and reviewed 24 issues including:

- strategic and medium-term planning;
- planning and implementation of investment projects;
- approved the Action Plan for Corporate Governance improvement including sustainability activities, etc.

In 2017, the **Audit Committee** held ten meetings in praesentia and reviewed 71 issues including:

- the Risk Registries and Risk Map including sustainability risks;
- Action plan on key risk management including sustainability risk management activities;
- quarterly risk reports;
- KEGOC's Sustainability Report 2016.

Since 2016, under the Board of Directors, the Occupational Health, Safety and Environmental Protection Committee have been operating for closer consideration of occupational health, safety and environmental protection. In 2017 the Committee held six meetings and reviewed ten issues, including:

- the Concept of development of KEGOC labour safety system;
- The Action Plan to improve the OSH management system;
- quarterly Health and Safety Reports of KEGOC.

In addition, a recommendation was made to include the LTIFR indicator in the KPI motivational map of the Managing Director for Business Asset Management of KEGOC.

KEGOC has a standing Coordinating Council for Sustainable Development and Integrated Management System with the main objectives as follows:

- promote and meet the sustainability principles in accordance with international practice;
- ensure planning on sustainability management issues and IMS when establishing, maintaining and constantly improving management system performance;
- ensure defining the sustainability and IMS responsibility and authorities;
- receive objective evidence on implementing sustainability actions at KEGOC;
- develop and operate the sustainability and IMS information exchange process with concerned parties (stakeholders).
- define requirements of consumers, legislative and regulatory IMS requirements, meet the requirements to enhance satisfaction of consumers.

(102-18)

Business Ethics

The Company operation is based on the fundamental corporate values, such as honesty, reliability and competence of employees, working efficiency, mutual support, respect for others, stakeholders and the Company on the whole. The Board of Directors approved the Business Ethics Code of KEGOC, whereby the Company follows the principles of business ethics: honesty, mutual respect, trust, fairness, integrity, transparency and accountability. The Business Ethics Code defines the general standards of conduct, moral and ethical standards, intolerance to corruption and private

benefit in the performance of official duties. All employees of the Company, including officers, shall study the provisions of the Business Ethics Code on a regular basis, when employed and in case of amendments to the Code. Knowledge of the Business Ethics Code provisions shall be checked annually by mandatory qualification test questions. In 2014, the Board of Directors appointed the Ombudsman. One of his tasks is to ensure compliance with the Business Ethics Code by officials and employees of KEGOC and, if necessary, to explain the Code provisions.

KEGOC adheres to the policy of zero tolerance for corruption in all its manifestations in cooperation with all stakeholders and for concealment of corruption offences. KEGOC makes every effort to prevent corruption and other illegal actions of its officials and employees. Officials and employees involved in corruption shall be dismissed and held accountable in accordance with the procedure stipulated by the laws. **(102-15)**

The Company has adopted and applies the Policy for management of risks of the breach of anti-corruption and other laws of the Republic of Kazakhstan applicable to KEGOC activity, which was represented to all employees of the Company. All employees are regularly informed of the effective anti-corruption policies and methods. KEGOC takes measures to promote dialogue with stakeholders in order to raise their awareness of anti-corruption efforts. **(205-2)** In 2017 there was no breach of anti-corruption laws of the Republic of Kazakhstan in the Company. **(205-3)**

Standard contracts with suppliers of goods, works and services include provisions on compliance with the laws of the Republic of Kazakhstan, including anti-corruption, environmental protection, health and safety, taxation and trade secrets and other confidential information, as well as on prevention or reduction of negative impact of performance on the environment, the economy and society, and the need for actions to cease or prevent such impact. On 8 December 2017, KEGOC representatives (the member of the Management Board supervising legal support and security issues and the head of the Company's Security Service) took part in the international conference 'Modern anti-corruption standards and development of international cooperation' organized by the Agency of the Republic of Kazakhstan for Civil Service Affairs and Anti-Corruption. **(205-3)**

One of the priority lines of the Company is to ensure that KEGOC operations are performed in conformity to Kazakhstan legislation, industry and internal rules. To mitigate the risk of legislation violation, the Company monitors the compliance of KEGOC operations with the applicable regulatory legal acts on a regular basis. In case of identified non-compliances, they are respectively eliminated. In addition, the Company's Internal Audit Service makes an estimate of the laws and regulations compliance control system.

The Board of Directors of Samruk-Kazyna approved the Policy of Initiative Informing of Samruk-Kazyna, and the Code of Conduct of Samruk-Kazyna. In accordance with the approved Policy Samruk-Kazyna introduced a unified 'hotline', which is administered by an independent party. The appeals can be sent 24/7 by one or several of the following ways:

- by dialling 8 800 080 1994 (free of charge)
- to the e-mail to: sk.hotline@deloitte.kz
- by clicking 'Leave an appeal' button on the site: www.sk.deloitte-hotline.com

According to the Policy, the hotline is administered by an independent third party company, which is obliged to:

- receive and process all incoming appeals by phone, on website or by e-mail;
- communicate with the persons expressing concern, where possible, and aid in providing the most relevant information;
- classify all appeals and send them to the persons who investigate violations;
- prepare reports on incoming appeals for subsequent submission to the Audit Committee of the Board of Directors.

In 2017, the Internal Audit Service conducted one investigation, following an appeal made through the 'hot line'. Based on the investigation results the Internal Audit Service submitted a corresponding report to the Compliance Service of Samruk-Kazyna.

Along with a unified 'hotline', KEGOC has introduced a mechanism for filing and reviewing appeals on violations, including on the following issues:

abuse of office;
bribery and corruption;
negligence causing a significant and certain danger to the life and health of employees of KEGOC and subsidiaries, and to the population of the Republic of Kazakhstan;
manipulation of data/reporting by KEGOC and subsidiaries;
financial violations of KEGOC and subsidiaries including suspicion of fraud;
disclosure of confidential information and unauthorized distribution of insider information;
breach or willful violation of regulatory legal acts of the Republic of Kazakhstan, internal documents of KEGOC and subsidiaries;
violation of ethical policies set in the internal documents of KEGOC and subsidiaries;
discrimination or harassment whether they are hidden or explicit;
actions taken to conceal or lead to the concealment of the improper conduct specified in subparagraphs 1) to 8) of this paragraph.

Rules for reporting of violations provide for two ways of forwarding complaints and appeals:

➤ in writing:

by mail to the following address: 59, Tauyelsizdik Ave, Almaty District, Astana, 010010, Kazakhstan, marked CONFIDENTIALLY;

- by sending an e-mail to the e-mail address:

- in the section 'Senior Officer's blog' on the corporate portal.

➤ orally:

- by means of a phone call;

- in person.

KEGOC shall carefully investigate all corrupt and other illegal actions to take appropriate measures. The rights of persons who reported on all corruption actions shall not be prejudiced.

In 2017, four appeals were received including:

- one appeal from suppliers of the Company regarding alleged breaches of contract terms;

- three appeals from potential suppliers for alleged violations of the procurement procedure.

In 2017 all the appeals received were processed and settled. Two appeals received in 2016 were also settled in 2017. (102-44)

No appeals relating to the impact on the enjoyment of human rights and the environmental impact were received 2016. (102-44)

ECONOMY

The economic component of KEGOC's activities is of strategic importance both for the Company and for the economy of the state. It is aimed at increasing the long-term value for shareholders and investors of KEGOC.

Procedures for formation and approval of the Business Plan and Budgets (including the capital investment plan for implementation of investment projects for construction, rehabilitation and modernization of the Company's facilities) are regulated by the Rules for development, coordination, approval, amendment, execution and monitoring of execution of the Business Plan (Development Plan) and Budgets. The Business Plan shall be prepared in a consolidated manner and include plans of the subsidiaries for a five-year period on a rolling basis. Annual budgets shall be approved for the Business Plan implementation. The Business Plan shall be monitored by KEGOC's Board of Directors on a quarterly basis.

Consolidated revenues based on 2017 results amounted to KZT 178,134.8 million and decreased by 5.6% (or KZT 10,581.5 million) compared to 2016 indicators. Operating revenues amounted to KZT 152,379.8 million. The operating revenues growth by 17.2% (or KZT 22,378.4 million) was due to increase in tariffs and regulated services volume, and electricity purchase/sale transactions conducted by FSC RES LLP.

Non-operating revenues in 2017 amounted to KZT 25,755.0 million decreasing by 56.1% (or KZT 32,959.8 million) compared to 2016 mainly due to decrease in the foreign exchange gain, deposit operations, the fixed assets non-repayable receipt, and change in the fair value of long-term trade

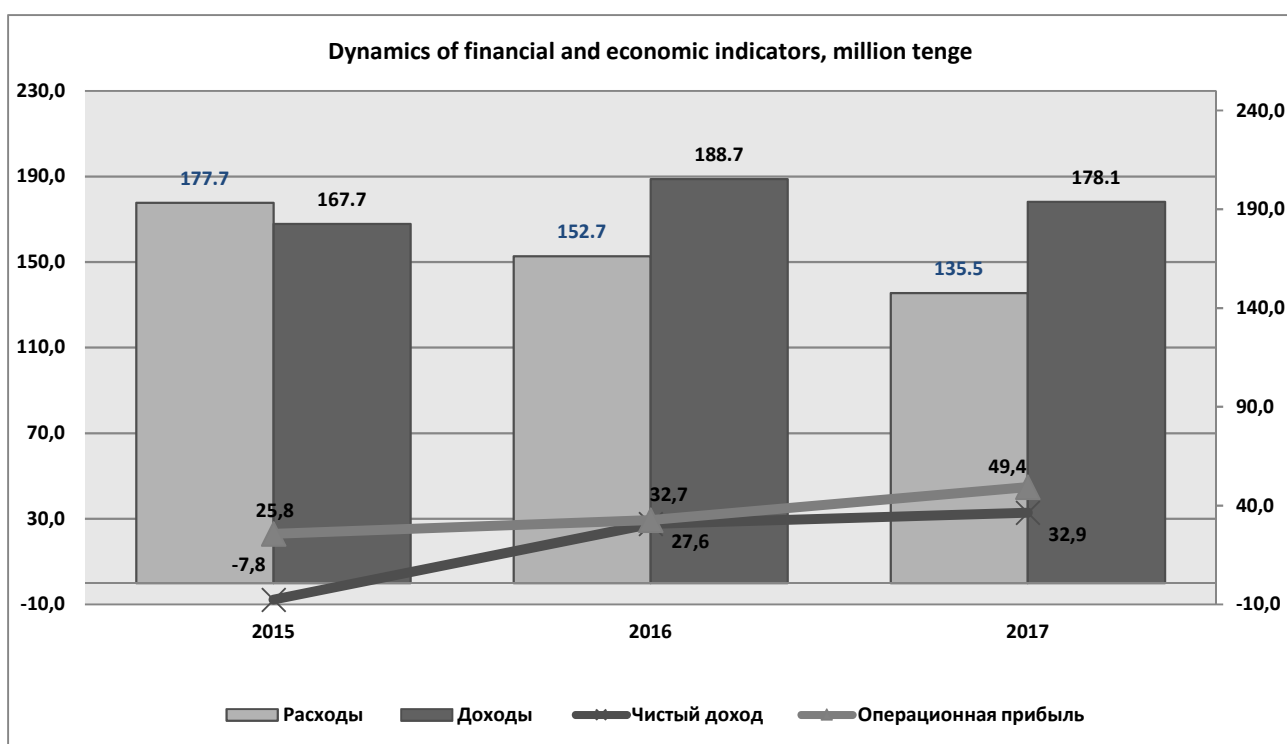
receivables. At the same time, there is an increase in the income from equity participation in other organizations (share of profits of associated enterprises), interest on balances at banks, as well as income in the form of fines, penalties, forfeits under commercial contracts.

Consolidated expenses in 2017 amounted to KZT 135,493.1 million, this 11.3% (or KZT 17,248.3 million) less than in 2016. Cost of sale of services rendered in 2017 was KZT 89,399.4 million, increasing by 12,6% (or KZT 10,010.6 million) compared to 2016 mainly due to higher expenses for purchase of electricity generated by renewable energy sources, technical losses of electricity, purchase of electricity from the power system of the Russian Federation to compensate for imbalances, labour payment for the operating personnel and depreciation.

General and administrative expenses in 2017 amounted to KZT 13,142.4 million, this 25.5% (or KZT 4,498.0 million) less than in 2016. The decrease was mainly due to recovery of expenses for provisions (for doubtful debts under operating activities), decrease in property tax, payroll, consulting, audit and legal services expenses.

Other expenses totalled to KZT 28,180.8 million, reducing by 43.0% (or KZT 21,258.5 million) compared to 2016 mainly due to decrease in currency exchange losses.

According to the 2017 results, the Company's net profit amounted to KZT 32,881.3 million, which is by 19.2% (or KZT 5,291.2 million) higher than in 2016.



	KZT million		
	2015	2016	2017
Total capitalization	512,207.15	537,183.03	535,956.40
equity capital	340,976.61	362,084.07	374,167.60
borrowed funds	171,230.54	175,098.96	161,788.80
Funds from the government	-	-	-
Generated economic value	167,733.45	188,716.28	178,134.83
operating revenues	110,061.46	130,001.43	152,379.82
financial revenues	4,022.45	6,610.13	4,070.33
other revenues	53,649.54	52,104.71	21,684.67
Distributed economic value:	186,570.82	167,607.90	165,151.21
payroll expenses	14,425.24	18,166.63	19,074.97
expenses on taxes and duties	3,037.56	16,803.15	16,611.48

to the national budget			
payments to capital providers	15,846.80	12,539.67	24,421.65
sponsorship and charity support	152.17	-	-
other operating expenses	64,499.28	70,659.13	76,862.35
other non-operating expenses	88,609.77	49,439.31	28,180.77
Economic value of distribution	-18,837.37	21,108.39	12,983.62

(102-7, 201-1, 201-4)

The stable financial performance of the Company allows fulfilling its obligations to stakeholders with regard to the following in a timely and complete manner:

- payment of salary and provision of social support;
- payment of dividends to shareholders;
- fulfilment of investment projects and improvement of quality and reliability of the NPG operation;
- timely payments to suppliers;
- tax payments.

Procurement in KEGOC shall be carried out in accordance with the Rules for procurement of goods, works and services by Sovereign Wealth Fund Samruk-Kazyna Joint Stock Company, and organizations whose fifty per cent of shares (participation quota) directly or indirectly belong to Samruk-Kazyna JSC on the right of ownership or beneficial ownership, approved by the Decision of the Board of Directors of Samruk-Kazyna (hereinafter - the Procurement Rules of the Fund). The procurement process includes: development and approval of procurement plans; supplier selection; execution and performance of the procurement contract. In 2017, the Fund introduced a model of preliminary qualification of potential suppliers, i.e. the process of evaluating potential suppliers for compliance with the requirements of qualification criteria. It improves the quality of procurement, determination of the criticality level of goods, works and services defined in view of their cost and purpose in the activities of customers. The main principles of preliminary qualification of potential suppliers are:

- ensure equal opportunities for potential suppliers to participate in the preliminary qualification procedure;
- enhance procurement efficiency;
- orient potential suppliers on development and improvement of qualitative, technical and operational characteristics, and cost reduction;
- responsibility of the supplier for the submitted documents and information during the preliminary qualification.

When conducting the preliminary qualification, the level of compliance of the potential supplier with the following qualification criteria, including social criteria, is determined:

- 1) the legal component and arrangement of contractual work of a potential supplier;
- 2) a criterion in support of the development of potential suppliers of the Holding;
- 3) resources of the potential supplier;
- 4) ensuring the quality of goods, works, services;
- 5) project and risk management;
- 6) occupational health and safety;
- 7) environmental protection;
- 8) additional industry criteria.

The Company's suppliers are organizations (both residents and non-residents of the Republic of Kazakhstan) that supply goods, perform work and render services to ensure the performance of KEGOC's core business. The Company's suppliers cannot be the organizations that are included in the List of unreliable potential suppliers (suppliers) of Samruk-Kazyna JSC and (or) in the Register of Unfair Participants in Public Procurement, and (or) in the List of False Enterprises. Also, during

procurement through an open tender methods or request for quotations, the Company may have provision for procurement among certain categories only:

- manufacturers of the procured goods, which are included in the Register of manufacturers of the Holding;
- disabled people organisations (disabled individuals engaged in entrepreneurial activities) that produce the procured goods and are included in the Register of disabled persons organizations (disabled individuals engaged in entrepreneurial activities) of the Holding.

The total number of suppliers engaged by the organization and the estimated number of suppliers in the supply chain, the estimated monetary value of payments made to the suppliers is determined based on the results of procurement through open tender and request for quotations. The estimated monetary value of payments made to suppliers through the single-source procurement shall not exceed the amount provided for in the procurement plans (annual, long-term). (102-9)

ENVIRONMENTAL PROTECTION

KEGOC considers environmental activities as an integral part of its day-to-day operations, completely understanding the necessity to keep environmental balance, to ensure environmentally sustainable social and economical development. Environmental responsibility is a key principle of KEGOC Environmental Policy. The goal of KEGOC Environmental Policy is to minimize adverse environmental impact, increase the level of environmental safety, take responsibility for environmental security of Kazakhstan National Grid development, promote energy saving and rational use of environmental and energy resources in the Company's activities. KEGOC Management takes the responsibility for implementation of KEGOC's Environmental Policy obligations on continuous improvement and pollution prevention, as well as obligation to meet applicable legislative and other requirements related to KEGOC in terms of its environmental aspects. All employees of the Company as well as employees of contractors working for the Company shall read and understand KEGOC's Environmental Policy.

The Company implemented the environmental management system (EMS), which is certified for compliance with the requirements of international standard ISO 14001. EMS operates within the integrated management system of KEGOC. The main objective of its implementation and operation is to apply new management methods that would enhance the influence on the environment of the Company's production and economic activities. In 2017 the Company successfully confirmed the compliance of the existing environment management system with ISO 14001 standard.

The environmental (risk) aspects management is a component of the corporate risk management system in KEGOC. In order to prevent adverse environmental impact, KEGOC annually assesses environmental risks and determines mitigating measures which were fully implemented in 2017. For effective management in 2017 the Company developed: the register of regulatory requirements applicable to the identified environmental risks of KEGOC; registers of environmental risks and important environmental risks of KEGOC for 2017. When identifying the risks, all components of the environmental impact of the Company's activities are analysed (energy saving, water, soil, emissions, waste).

'PCB-containing waste', 'transformer oil' and 'waste transformer oil' were identified as critical environmental risks in 2017. The 'PCB-containing waste' aspect is critical due to the fact that polychlorinated biphenyl is a dangerous substance according to the Environmental Code of the Republic of Kazakhstan (red hazard level). The 'spent transformer oil' and 'transformer oil' risks are critical due to the existence of oil-filled equipment.

To manage environmental risks, KEGOC prepared the Environmental Programme for 2017 which defines the necessary environmental measures, as well as costs for their implementation.

Ambient Air Protection

According to the standards MES branches identified stationary sources of harmful emissions (both organized and unorganized emission sources). In order to reduce emissions from stationary sources and mitigate their impact on atmosphere, the MES branches in 2017 conducted the monitoring

of the operations: kept records of hours of operation for each item of equipment and consumption of materials. The environmental monitoring of operations conducted by the qualified organisations shall determine stationary resource emissions through calculations or laboratory measurements.

In 2017 the volume of gross emissions of contaminants from stationary sources amounted to 15.81 tons (the established standard - 20.7 tons).

Emissions from stationary sources in 2017

Name of KEGOC's MES branch	Emissions from stationary sources t/y	
	Plan	Actual
Akmolinskiye MES	2.91	2.91
Aktyubinskiye MES	1.14	0.42
Almatinskiye MES	2.94	0.68
Vostochnye MES	4.68	4.68
Zapadnye MES	0.94	0.25
Sarbaiskiye MES	1.48	1.48
Severnye MES	0.11	0.11
Tsentrálne MES	5.18	5.18
Yuzhnye MES	1.33	0.10
Total:	20.70	15.81

Thus, gross emissions of contaminants from stationary sources (with regard to standard rate) have dropped by 23 %, while the Long-Term Development Strategy of KEGOC planned 3% reduction. The fact of the reduced emissions in Aktyubinskiye MES, Almatinskiye MES, Zapadnye MES and Yuzhnye MES branches was supported by the findings of the environmental monitoring that was conducted by the specialized organisations.

In 2018, according to the UN Framework Convention on Climate Change, Kyoto Protocol, Paris Agreement and environmental laws of the Republic of Kazakhstan, MES branches made an inventory of greenhouse gases emitted as a result of the Company operations in 2017. Greenhouse gas emissions from stationary sources, and mobile sources equated to stationary sources were calculated. The 2017 reports on inventory of greenhouse gases were registered and sent to the territorial environment departments.

In accordance with the Resolution of the Government of the Republic of Kazakhstan 'On approval of the list of greenhouse gases subject to state regulation', the list includes carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and perfluorocarbons (PCFs). Following the results of inventory of greenhouse gases emitted by stationary sources, emissions amount to 143,085 tonne carbon dioxide equivalent a year, in this connection KEGOC does not fall within the requirements for greenhouse gas cap-and-trade according to the National plan for greenhouse gas quota allocation for 2018-2020.

Greenhouse gas emissions from stationary sources of KEGOC in 2017			
CO ₂ tonne	CH ₄ tonne carbon dioxide equivalent	N ₂ O tonne carbon dioxide equivalent	Total emissions in the tonne carbon dioxide equivalent
143.017	0.002	0.066	143.085

According to the Code of the Republic of Kazakhstan 'On taxes and other mandatory payments to the budget' the emissions from mobile sources shall not be measured, reports specify the amount of the used fuel. The vehicles were tested for toxicity and opacity of exhaust gas.

The Company does not emit any ozone-depleting substances influencing the climate change.

EUS
Waste Management

The waste products are generated in the course of operation, repair and rehabilitation of the substation equipment. Waste management in KEGOC is guided by the Environmental Code of the Republic of Kazakhstan and corporate standard CT KEGOC 00-602-11 'Waste management in KEGOC'.

At KEGOC, all wastes are divided according to:

1) the type: production and municipal wastes (solid domestic wastes) generated in the course of life activity;

2) the hazard level (according to the Environmental Code of the Republic of Kazakhstan):

'green' – G index (non-hazardous);

'amber' – A index (hazardous);

'red' – R index (hazardous).

The list of waste and their hazard level is updated as required.

MES branches annually develop or amend the waste datasheets for each type of waste containing the description of waste production processes by their origin, quantitative and qualitative indicators, handling rules, monitoring techniques, environmental impact, waste producers information.

For safe handling of industrial and consumer wastes, MES branches defined the areas for temporary safe and separate waste storage, prepared schematic maps of waste disposal on the territory of facilities with the explication and ensure timely removal for the subsequent disposal.

In 2017, KEGOC subdivisions generated 2,548.7 tonnes of wastes. Costs for waste disposal at landfills amounted to KZT 10.6 million, costs for recycling - KZT 11.5 million (mercury containing waste and industrial waste). Transformer oil and scrap metal were disposed by specialised organisations.

Dynamics of waste production by tonne hazard level

	2015	2016	2017
'green' – G index	2,490	2,722.287	1,739.02
'amber' – A index	905	446.305	809.68
'red' – R index	–	10.530	–

The work on detection of PCBs in the equipment at KEGOC substations continued in 2017; this work was performed in accordance with the Law of the Republic of Kazakhstan 'On Ratification of the Stockholm Convention on Persistent Organic Pollutants' and 'Rules for handling of persistent organic pollutants and wastes containing such pollutants' (approved by the order of the Minister of Environment Protection of the Republic of Kazakhstan). MES Branches updated the PCBs containing equipment registers; the registers were submitted to the territorial environmental authorities within the established deadlines.

The laboratory analyses for PCB in the oil-filled equipment planned and conducted in 2017 did not detect PCB.

Akmolinskiye MES, Vostochnye MES and Severnye MES branches of KEGOC concluded contracts for packaging, transporting and disposal of PCB-contaminated electrical equipment: in Q4 2017, 22 units of electrical equipment were delivered for disposal.

Water and Soil Impact

The Company does not use water in its operational process. Water consumption by the Company is insignificant, so this has no material influence on used water sources. Water is consumed and discharged in accordance with contracts concluded by MES branches with specialized organisations. There are no discharges into water facilities and relief. Water is supplied from artesian wells at seven KEGOC branches; the wells are used according to obtained permissions. The specialised organisations are contracted to permanently monitor the ground water intake facilities in accordance with the Water Code of Kazakhstan.

Potential sources contaminating water and soil at the Company's facilities include transformer oil used in oil-filled equipment, as well as waste waters resulting from domestic use of water. Environmental friendliness is one of high-priority criteria for KEGOC to select an equipment.

The Company smoothly replaces oil circuit breakers with SF6 and vacuum circuit breakers to reduce the volume of transformer oil used at substations of MES branches. The oil free equipment increases reliability, cycles to failure, life duration, fire safety, and excludes pollution of ground water and soil. Oil-filled equipment has oil receiving devices or oil soak pits that prevent oil from spilling on the soil. The containment of oil receiving devices shall be checked on regular basis.

Environmental Actions during Investment Projects Implementation

The Company shall address the environmental issues in a comprehensive way when implementing projects, including investment projects. PESTEL analysis is used to analyze the risks of project implementation, including analysis of social and environmental risks. The results of the conducted environmental impact assessment are taken into account, and the option that does the least harm to the environment and human health is adopted. Identification and assessment of project risks is carried out on a regular basis and at all stages of project implementation, including assessment of impact on:

- ambient air;
- surface and ground water;
- landscapes;
- land resources and soil cover;
- biodiversity, etc.

In order to manage the environmental risks, the design shall provide that the grid facilities must be arranged in the territories well removed from populated areas and designated conservation areas. OHTL routes mainly pass along steppes and semideserts. Should the OHTL cross forest-steppe zone, environmental impact assessment (EIA) shall be prepared to clean glades for the OHTL and take mitigation measures. For the purpose of transparency and availability of the environmental information on the Company's activities, the public hearings of draft EIAs are held. (102-11)

Sanctions and significant fines for non-compliance with environmental laws and regulations were not imposed on KEGOC in 2017. (307-1)

Power consumption

The main objective of energy saving and efficiency improvement at KEGOC is to reduce the consumption of energy resources through reduction of auxiliary energy consumption by KEGOC facilities, reduction of technical electricity loss while transmitting via the national power grid, improvement of the methods used for monitoring of energy consumption, and provision of the Company's facilities with electricity meters and other devices for metering of fuel and power resources, organisation of the information acquisition processes based on the metering devices.

Consumption of fuel and energy resources in 2017

Electricity	10,176,714 GJ
Heat power	84,630 GJ
Fuel	134,10 GJ
including	
motor gasoline	55,40 GJ
diesel fuel	72,041 GJ
natural gas	6,163 GJ
liquefied gas	416 GJ
TOTAL	10,395,454 GJ¹

The electrical power system of Kazakhstan is defined by large concentration of powerful energy sources in the North and long length transit lines (about 1000 km) due to vast territory of Kazakhstan (main transits include Kazakhstan North South transit and Pavlodar oblast - Aktobe oblast transit) (302-1)

¹ The international system of units, MS, was applied to recalculate in Joule.

materially affecting the level of technical losses. Also technical losses in KEGOC grid depend on the operation modes of neighbouring states' power systems (electricity transit, export and import).

The technical losses in KEGOC's networks in 2017 amounted to 2.8 billion kWh or 6.2% of electricity supplied to the grid, not exceeding the standards established by the authorized body.

EU12

The structure of technical losses of KEGOC in 2017 was as follows:

- load losses in lines (65%);
- load losses in transformers (1%);
- corona losses (19%);
- no-load losses of transformers (4%);
- losses in reactors (8%);
- substation auxiliary supply (3%).

KEGOC annually performs activities to reduce technological losses. Based on the results of 2017, such activities resulted in reduced electricity consumption amounting to 4.7 million kWh.

302-4

Loss Reduction Measures in 2017	Outcomes	
	million kWh	GJ
Line tripping under low-load conditions	0.5	1,800
Shutdown of power transformers under low-load conditions	4.2	15,120
Total for KEGOC	4.7	16,920

SOCIAL RESPONSIBILITY

HR Policy

The human resources of KEGOC are the most important strategic factor for the Company's success. KEGOC manages its human resources based on the principles of the Corporate Governance Code, Business Ethics Code, the integrated management system, HR Policy and internal documents relating to KEGOC's HR motivation. The HR Policy based on the balancing between economic and social efficiencies of HR involvement and in accordance with the Long-Term Development Strategy of KEGOC aims to:

- ✓ ensure the Company's commitment to the principles of meritocracy, including search and recruitment of personnel, training and development, assessment of employee performance and remuneration management;
- ✓ implement measures to enhance social and labour relations (feedback, reporting of the top management to the collective, monitoring of social health of the collective);
- ✓ develop corporate culture.

In 2017 the Company continued to implement KEGOC Business Transformation Program under which the project 'Transition to the target organizational structure' was implemented. In the course of the project implementation, regulations on divisions, new positions and positions with the changes in job descriptions were described, the step-by-step selection of employees for new positions and positions with the changes in job descriptions (job-matching) including the management team was carried out. Moreover, the role of HR in the Company is changing - it has been transformed from 'administrative' to the role of 'HR business partner', and all HR processes are under review to create an interconnected system and to automate them.

The corporate culture diagnostics defined the Company's values, formed the Road Map and the communication plan for the transition to the target corporate culture.

All the elements of HR policy are arranged in a way to enable quick and effective adaptation of new employees and accelerate their settling in a new job. On a regular basis an employee is introduced to the organization's objectives, its activity characteristics, and the company's basic rules

and expectations from employees. During the adaptation process, employees are instructed on safety as well.

KEGOC supports and respects the protection of internationally proclaimed human rights and the rights envisaged by the Constitution of the Republic of Kazakhstan. In 2017, there were no cases of human rights abuses, or discrimination in respect of race, gender, language, religion, national origin, social and family status and sexual orientation at KEGOC. KEGOC's operations do not use child labour, forced labour or require the employees to provide security or leave identity documents as collateral after starting their work for the Company.

Staff listing of the Company's employees (including affiliates) as of 31 December 2017 is 4,731 people. (102-7)

Subdivision	Full-time employees, people			Rotational employees, people			Part-time employees, people			Total
	Total	male	female	Total	male	female	Total	male	female	
Akmolinskiye MES branch	569	471	98	-	-	-	3	3	-	572
Aktyubinskiye MES branch	253	207	46	-	-	-	-	-	-	253
Almatinskiye MES branch	455	366	89	5	5	-	-	-	-	460
Vostochnye MES branch	282	217	65	-	-	-	3	3	-	285
Zapadnye MES branch	183	139	44	39	39	-	-	-	-	222
Sarbaiskiye MES branch	419	347	72	-	-	-	5	2	3	424
Severnye MES branch	387	292	95	-	-	-	-	-	-	387
Tsentralnye MES branch	403	321	82	5	5	-	-	-	-	408
Yuzhnye MES branch	428	358	70	-	-	-	1	1	-	429
NDC SO	88	52	36	-	-	-	4	-	4	92
Executive Administration	373	195	178	-	-	-	-	-	-	373
Energoinform JSC	777	422	355	6	2	4	24	4	20	807
FSC RES LLP	19	11	8	-	-	-	-	-	-	19
Total	4,636	3,398	1,238	55	51	4	40	13	27	4,731

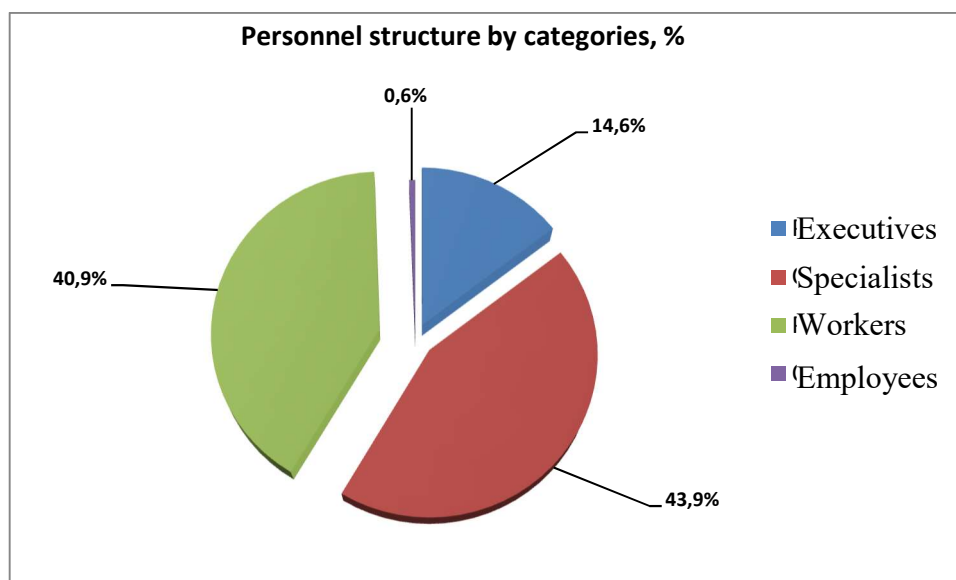
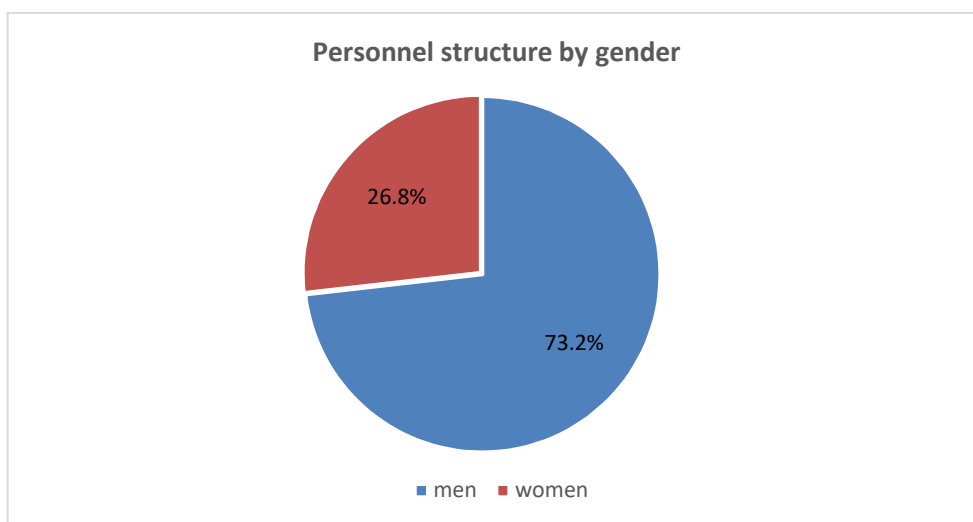
(102-8)

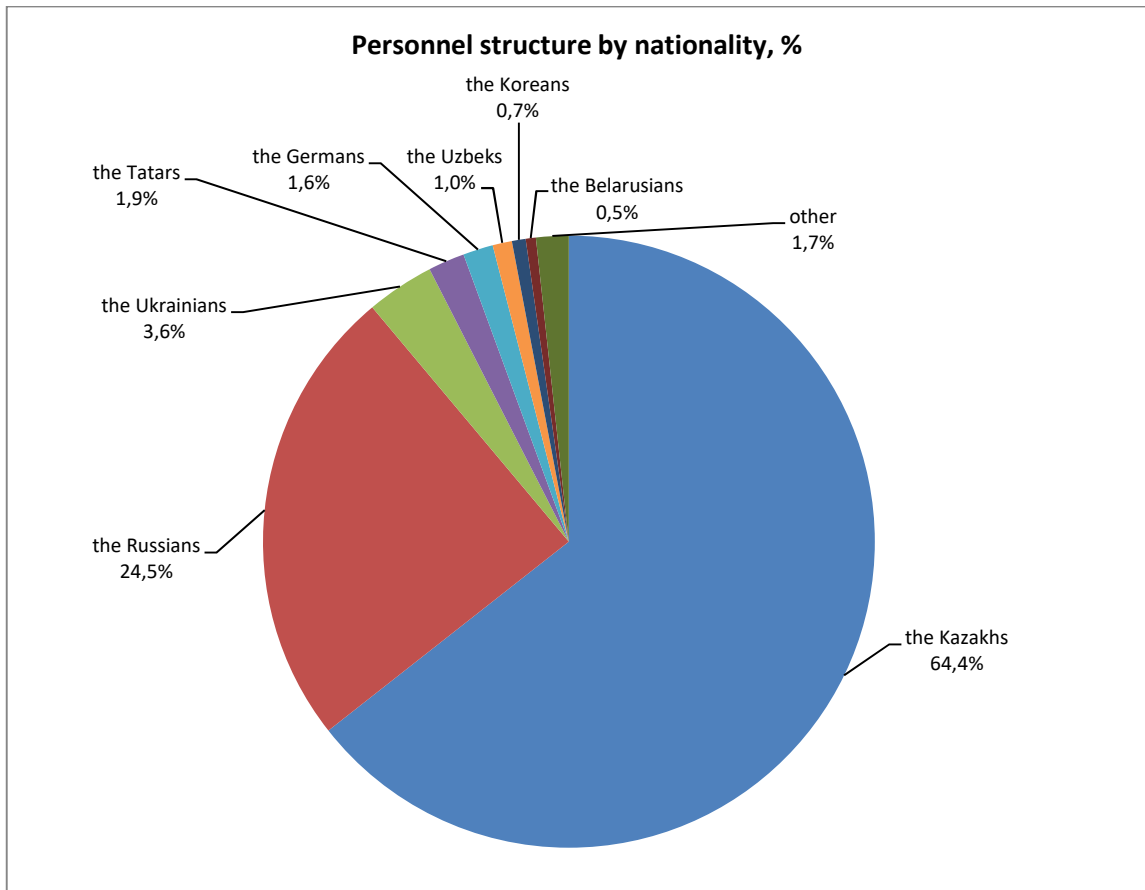
Subdivision	Regular employees, people			Temporary employees, people			Total
	Total	male	female	Total	male	female	
Akmolinskiye MES branch	556	469	87	16	5	11	572
Aktyubinskiye MES branch	247	204	43	6	3	3	253
Almatinskiye MES branch	442	367	75	18	4	14	460
Vostochnye MES branch	280	218	62	5	2	3	285
Zapadnye MES branch	215	175	40	7	3	4	222
Sarbaiskiye MES branch	419	346	73	5	3	2	424
Severnye MES branch	380	290	90	7	2	5	387

Tsentralnye branch	MES	401	323	78	7	3	4	408
Yuzhnye branch	MES	424	359	65	5	0	5	429
NDC SO		91	52	39	1	0	1	92
Executive Administration		351	187	164	22	8	14	373
Energoinform JSC		781	419	362	26	9	17	807
FSC RES LLP		18	11	7	1	0	1	19
Total		4,605	3,420	1,185	126	42	84	4,731

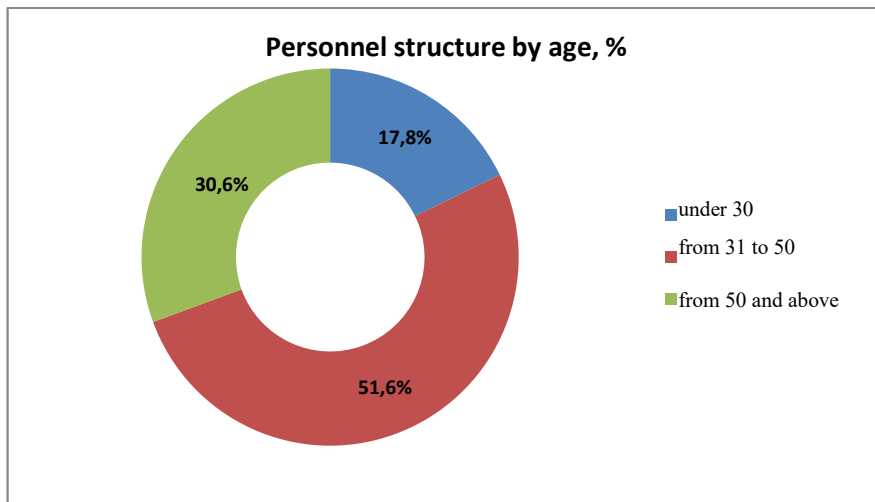
* temporary employees are employees hired by the Company for temporarily vacant positions (other than internal movements)

(102-8)





‘other’ means the Azerbaijani, the Armenians, the Kirghiz, the Turks, the Uigurs and other nationalities.



12.4% of the staff listing as of 31 December 2017 may retire over 2018-2022 (within the next 5 years) including:

Management and administrative personnel – 1.2%;

Operational personnel – 11.2%.

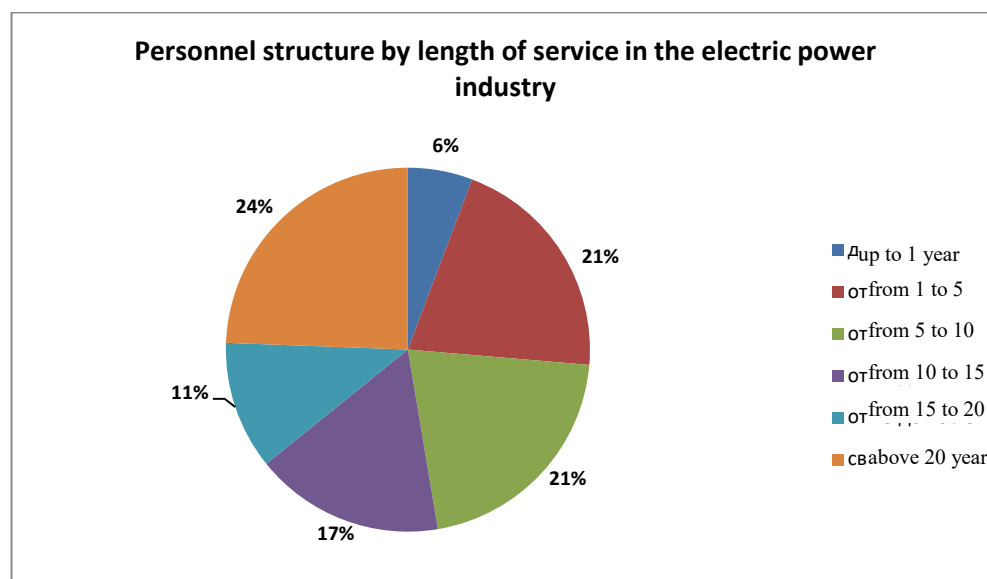
23.6% of the staff listing as of 31 December 2017 may retire over 2018-2027 (within the next 10 years) including:

Management and administrative personnel – 2.3%;

Operational personnel – 21.3%.

Subdivision	Share of employees who may retire	
	over 2017-2022	over 2017-2027
Akmolinskiye MES branch	1.4%	2.9%
Aktyubinskiye MES branch	0.6%	1.2%
Almatinskiye MES branch	1.5%	2.5%
Vostochnye MES branch	0.7%	1.2%
Zapadnye MES branch	0.4%	0.9%
Sarbaiskiye MES branch	1.2%	2.5%
Severnye MES branch	1.2%	2.4%
Tsentralnye MES branch	0.9%	2.1%
Yuzhnye MES branch	1.5%	2.8%
NDC SO	0.2%	0.3%
Executive Administration	0.5%	1.1%
EnergoInform JSC	2.2%	3.7%
FSC RES LLP	0.02%	0.02%
Total	12.4%	23.6%

EU19



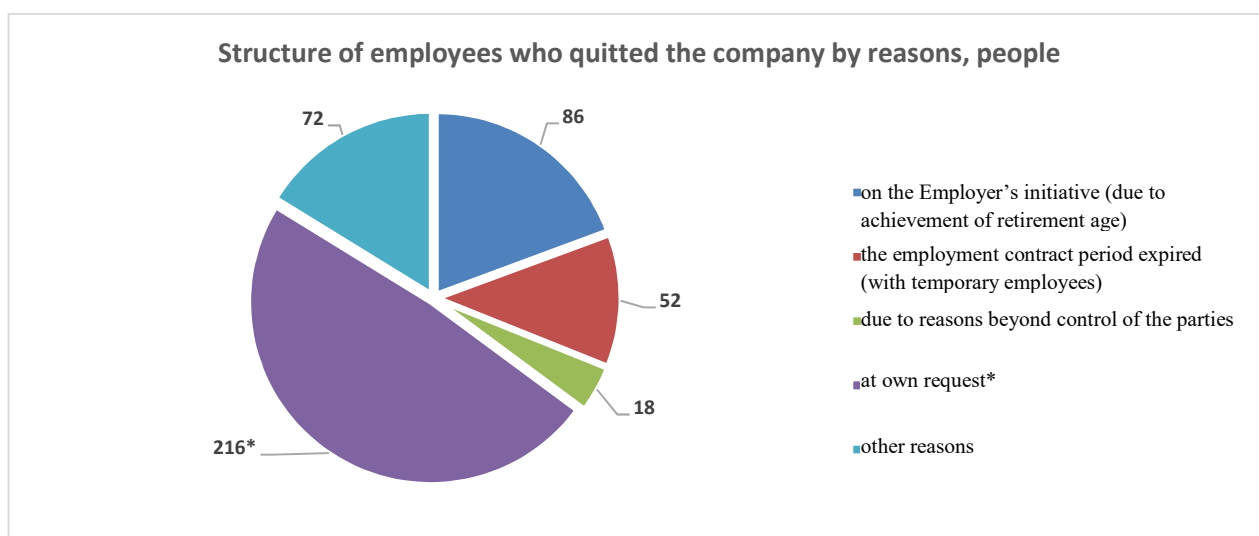
Recruitment procedure in the Company is exercised in accordance with KEGOC rules of competitive selection for filling of vacancies. According to the rules, the year of 2017 registered 109 competitive selections for holding vacant positions including 31 for the Executive Administration, 35 for branches, 41 for EnergoInform, and two for FSC RES LLP.

KEGOC's competitive selection procedure ensures transparency of search and selection of personnel and increase of stakeholders' confidence in observing the meritocracy principle, the uniformity of approaches to personnel recruitment, application of candidates evaluation methods allowing impersonal decisions taken for hiring.

In addition, new employees undergo an adaptation procedure aimed at the new employee's comfortable adjustment to the content and conditions of work activity and social environment. As a result, the new employee gets acquainted with the specifics of the future work, accelerates the settling in a new job, and establishes efficient two-way communications.

The leaders of our Company became mentors for the best graduates of higher education institutions in 2017, who had passed a multi-stage selection under the Zhas Orken program for development of talented graduates. Also, the Best Mentor of the Year competition was held,

according to which the winner was awarded a valuable gift and a diploma. Thus, a mentoring institute is being formed at KEGOC.



* This value is taken with the personnel turnover taken into account in accordance with the applicable methodology of Samruk-Kazyna

	Number of employees hired by the Company in 2017 *		Number of employees quit the Company in 2017*	
	people	%	people	%
Total:	447	9.45	444	9.38
Gender breakdown				
male employees	289	6.11	285	6.02
female employees	158	3.34	159	3.36
Age breakdown				
under 30 years	235	4.97	116	2.45
from 31 to 50 years	174	3.68	161	3.40
from 51 years and above	38	0.80	167	3.53
Region breakdown (with internal movements)				
Executive Administration	77	1.63	44	0.93
Akmolinskiye MES branch	58	1.23	60	1.27
Aktyubinskiye MES branch	22	0.47	26	0.55
Almatinskiye MES branch	43	0.91	40	0.85
Vostochnye MES branch	21	0.44	15	0.32
Zapadnye MES branch	29	0.61	27	0.57
Sarbaiksiye MES branch	30	0.63	33	0.70
Severnye MES branch	41	0.87	36	0.77
Tsentrálne MES branch	23	0.49	34	0.72
Yuzhnye MES branch	24	0.51	23	0.49
NDC SO	6	0.13	24	0.51
Representative office in Almaty	0	-	6	0.13
EnergoInform JSC	101	2.13	107	2.26
FSC RES LLP	5	0.11	2	0.04

* The difference between the total number of hired (quitted) employees in the Company and the number of hired (quitted) employees in the context of the Company's subdivisions was due to the absence in calculations of employees transferred from one division to another throughout the Company.

In 2016-2017, KEGOC's Business Transformation Programme optimized the Company's staff number by 107 employees to reduce management levels under the *Transition to the Target Organizational Structure* project. Realizing responsibility towards the personnel, the Company's

401-1

management made a decision to employ the employees to be reduced due to the staff optimization for the Company's vacant positions according to their qualifications.

The number of hired employees and employees who quitted the Company, as reflected in this report, demonstrates the personnel movement during the reporting year with the optimization and turnover taken into account.

Personnel turnover, %	
Executive Administration	4.8
Akmolinskiye MES branch	5.1
Aktyubinskiye MES branch	3.1
Almatinskiye MES branch	6.5
Vostochnye MES branch	1.1
Zapadnye MES branch	8.1
Sarbaiskiye MES branch	3.3
Severnye MES branch	5.7
Tsentrálne MES branch	2.4
Yuzhnye MES branch	1.9
NDC SO	2.0
EnergoInform JSC	6.5
FSC RES LLP	11.4
Total for the Company	4.6

(401-1)

* The turnover rate is estimated as per Samruk-Kazyna Methodology, according to which the estimate includes only the number of employees released from the post on their own request. The turnover estimate does not include employees: released from the post by agreement of the parties, within the Samruk-Kazyna group of companies, for reasons not attributable to the will of the parties, at the initiative of the employer, upon expiration of the employment contract, reduction in the number of employees, termination of the employment contract, cancellation of the employment contract due to transfer of an employee to another job (post) or assignment to a post.

The final value of staff turnover at KEGOC for 2017 was 4.6%, with the planned value 'not higher than 10%'.

Average work duration of employees quitted KEGOC in 2017:

- under 30 years old (116 employees): 3.8 years,
- 31-50 years old (161 employees): 6.6 years old,
- 51 and above (167 employees): 9 years.

Average work duration of male employees quitted KEGOC in 2017 was 7.1 years (285 employees), and female employees 6.1 years (159 employees). (401-1)

Personnel Development and Training

The following main types of personnel training are used at KEGOC to ensure continuity in the process:

- self-education;
- in-service training (technical industrial study);
- short-time off-job training at the advanced training courses of the specialized training centres;

KEGOC attaches great importance to the process of training and development of personnel and is guided by the following principles:

- the effectiveness of training and focus on performance and addressing specific tasks that increase the efficiency of the company;
- the forward-looking nature of training and development - supporting the company's strategic development goals;
- expediency - the choice of training programs corresponds to the goals and objectives set for the employees;
- the integrity of the development system, continuity and systematic training.

The staff training was conducted using the full range of modern teaching methods - business workshops, seminars, trainings, internships, advanced training, vocational training and retraining

programs, forums and conferences. In the reporting year, 2,066 employees were trained, which is 43.67% of the headcount.

Average training hours for one employee in 2017 was 39.18 hours, including AMP - 44.18 hours, and OP - 38.33 hours per year.

Average training hours for one male employee - 38.84, one female employee - 41.31 hours.

The total training hours came to 80,955.6: 68,893 hours for male employees, 12,062.2 hours for female employees; 13,386.60 hours for AMP, 67,569 hours for OP. (404-1)

KEGOC's actual training costs in 2017 amounted to KZT 259,151 million or 83.3% of the plan, which is 18.3% higher than in 2016.

The effectiveness of training is assessed by supervisors of employees in six months after completed training on the following criteria: quality of the work performed (reducing nonconformities when performing functions, performance of new functions), increase in efficiency, elaboration and introduction of new documents, methods, processes, use/implementation of new knowledge, skills within professional activity. The assessment results are considered for arrangement of the next training cycle. To improve performance of the employees and assess their qualification level and quality of functional duties performed by them, every year KEGOC arranges qualification tests for employees. In 2017, 460 employees or 9.7% of the Company's staff passed the qualification tests, including 65.9% of male employees and 34.1% of women employees; 27.0% of AMP and 73.0% of OP out of the total number of those who passed the qualification tests. The qualification tests results showed that 100% of the personnel met the established qualification requirements. (404-3)

KEGOC has been continuing the work on introducing a dual training system for operating personnel. The Company defined the business needs in training of students majoring in Electrical Equipment for Electrical Stations and Networks. The Company made a decision to continue maintaining social partnership with Karaganda Polytechnic College.

In order to popularize and support the dynasties of the industry experts from the same family, and to publicly promote the succession of generations and social stability, in 2017, Samruk-Kazyna held the Labour Dynasty Day of a group of companies, in which representatives of KEGOC's dynasties participated.

Personnel Motivation and Incentives

Labour compensation is paid to the employees in accordance with the laws of the Republic of Kazakhstan, the Collective Labour Agreement, employment contracts, internal labour and remuneration payment rules. In 2017, the grade labour remuneration system based on the principles of internal fairness and external competitiveness was introduced. The grade system made it possible to link the level of labour remuneration with the value of each position. Based on the results of works conducted, the wages of employees increased by an average of 15%.

KEGOC's labour compensation system

Material remuneration			Non-material remuneration
Basic part	Variable part	Social support to employees	
<i>(wages, premiums and increments)</i>	<i>(performance bonuses, one-time bonuses, remuneration of executive and administrative personnel)</i>		

The Company provides equal remuneration for men and women, and a single approach in calculating labour payments for men and women in KEGOC's branches located in every region of the country. KEGOC employees' salaries in 2017 exceeded the minimum wage established in Kazakhstan.

Ratio of entry level standard wages of KEGOC's employees to the minimum wage established in Kazakhstan for 2017

Minimum wage in the Republic of Kazakhstan in 2017, KZT	Minimum wage level in KEGOC group of companies in 2017, KZT	Deviation, %
24,459*	57,000**	233.04

* the minimum wage established since 1 January 2017 according to Kazakhstan Law on National Budget for 2017-2019 No. 25-VI dated 29 November 2016.

** minimum wage means the official salary of the duty administrator of the subsidiary organization of JSC EnergoInform.

(202-1)

The Company's social support activity with regard to its employees is regulated by the following internal documents:

- Collective Bargaining Agreement;
- KEGOC's HR Policy;
- Rules for provision of social support for KEGOC's employees;
- Rules of reward and recognition of merits of KEGOC's employees.

To create favourable conditions for effective work, raise loyalty, KEGOC provides a social support to the company's employees: the recreation payment when granting the paid annual leave, on the anniversary date and the birth of child, due to the death of an employee or an employee's family members and the pensioner registered with KEGOC, to pay for the medical treatment of an employee and children - disabled, disabled from childhood irrespective of the group of physical inability and age. Employees of retirement age are compensated upon their retirement, and one-time material assistance is provided annually on the professional holiday 'Power Engineers' Day' to the pensioners registered with the Company.

Thus, in 2017 KEGOC's medical insurance covered more than 2.4 thousand employees in the amount of KZT 178.7 million. In 2016, 95 employees of the Company received financial assistance for retirement in the amount of not less than one monthly salary; the Company paid out KZT 13.7 million for this purposes.

The Great Patriotic War veterans and equated persons, as well as unemployed pensioners registered in KEGOC are provided with the financial support to celebrate the Victory Day and the Power Engineers' Day professional holiday. For this purpose, 946 pensioners were provided with financial support amounting to KZT 50.3 million in 2017.

Dynamic development of the company and considerable operational and financial success fostered the establishment of professional association of employees in 2003. The trade union of Kazakhstan energy industry employees - Sectoral Trade Union of Energy Industry Employees Public Association (further - the Trade Union) is an independent public association carrying out its activities independently, non-accountably and beyond the control of governmental authorities, employers and their associations, political organizations and other public associations operating within the entire territory of the Republic of Kazakhstan.

The union is arranged based on the sector operating principle and open for the company's employees as well as all enterprises of power industry, research and design institutes, pensioners and even contractors. One of the main goals of the Trade Union is to ensure labour rights of its members and to regulate labour relations. The Trade Union also influences the labour payment conditions, bonus payments to employees and discipline including disciplinary penalties. The Trade Union is intended to control the compliance with labour legislation, maintenance and implementation of guarantees and compensations, allowances, etc.

KEGOC supports freedom of association and recognizes the right of employees to conclude collective bargaining agreements. In October 2017, Collective Bargaining Agreement for 2016-2020 between KEGOC and its employees was amended in terms of labour payment and study leaves. The Collective Bargaining Agreement provides for the agreement joining procedures, issues of regulating labour order, including social leaves, labour payment, ensuring personnel safety and occupational health, granting social guarantees and compensations; it specifies measures on support of employees and development of human resources, health insurance and entertainment and leisure events for the employees. Also it reflects the issues of social support for the veterans of the Great Patriotic War and

equated persons and long-service power engineers registered in the Company. (403-4) The Collective Bargaining Agreement covers all employees of KEGOC, regardless of the type of employment. (102-41)

One of the key indicators of KEGOC's HR policy is the Personnel Engagement Index, which is calculated following the results of employees questionnaire survey and on-line questionnaire for administrative and managing staff in accordance with the Methodology for Assessment of Personnel Engagement, approved by the Human Resource Committee of Samruk-Kazyna and the social stability rating determined among operational staff in accordance with the Methodology for Assessment of Social Stability approved by the Human Resource Committee of Samruk-Kazyna. In 2017, the staff engagement index was 68% (at least 68% planned), and the social stability rating was 88% (at least 65% planned).

Operational Safety

The social component of KEGOC's activity is based on the principles of social responsibility, which among other things include ensuring of labour safety and preservation of the employees' health. The Long-term Development Strategy of KEGOC defines the improvement of the professional security system as the most important task to achieve the strategic vision. The Board of Directors of KEGOC pays much attention to occupational health and safety, for which purpose established a special Committee of the Board of Directors intended to develop policies and procedures, improve the system and monitor the provision of industrial safety and occupational health. So, this Committee in 2017 reviewed the Concept for Development of the Occupational Safety System and the Action Plan to improve the OSH management system. Moreover, in order to effectively implement and strengthen control, the Committee recommended the inclusion of the Plan performance KPIs into the KPI motivational maps of the executive and administrative personnel of the Company.

Safe labour conditions, low-level of operational injuries, improved operational and sanitary-household and labour conditions of the employees, as well as low level impact of harmful and adverse factors are the constant development priorities of the Company. KEGOC performs Occupational Health and Safety Management System with the view to ensure effectiveness and improvement of indicators regarding occupational safety in accordance with KEGOC policy in IMS as well as management of the risks associated with specific nature of the Company's activities. KEGOC annually elaborates the Programme for occupational safety which defines necessary events and expenses for their implementation with the view of managing the risks detected at each work place. In 2017, an assessment of harmful and hazardous production factors was carried out at all of the Company's workplaces. The register of hazards and risks of KEGOC was prepared for 2017 specifying the significant hazards and risks of KEGOC for 2017:

- electric shock during operation and repair of electrical installations of 1,000 V and higher;
- electric shock during operation and with the use of lifting mechanisms;
- fall from height during climbing works and works at height.

Based on the identified hazards and risks, KEGOC's Occupational Safety and Health Management System Program for 2017 provides for risks management activities. Due to the fact that the risk of work-related accidents is one of the key risks, the actions for managing this risk are elaborated under the RMS of the Company and the Occupational Health and Safety Management System.

The annual plan of certification of workplaces and measures to bring working conditions at each work place in accordance with the requirements of the rules and regulations on labour protection was completed in 2017. At the facilities of MES branches, KEGOC measured electromagnetic field, audible noise and vibration, identified harmful and hazardous factors of the production environment affecting the health of employees at working places, developed and implemented action plans to improve the safety conditions and set relevant benefits.

To monitor the health of employees, KEGOC carried out medical examinations. The employees are provided with the necessary personal protective equipment, including electrical protection devices, special food and medicines.

In all MES branches the safety workshops were delivered during repair campaign including qualification tests of repair crew and check of availability of the individual protection devices, instruments, harness, and special cloths.

During 2017 KEGOC organized and conducted inspections of the technical operation, safety, labour protection and fire safety in all MES branches; these inspections resulted in development of appropriate corrective measures.

In order to evaluate knowledge on technical maintenance, occupational health, and fire safety, employees of the Company passed a qualification test, the results of the test confirmed electrical safety groups.

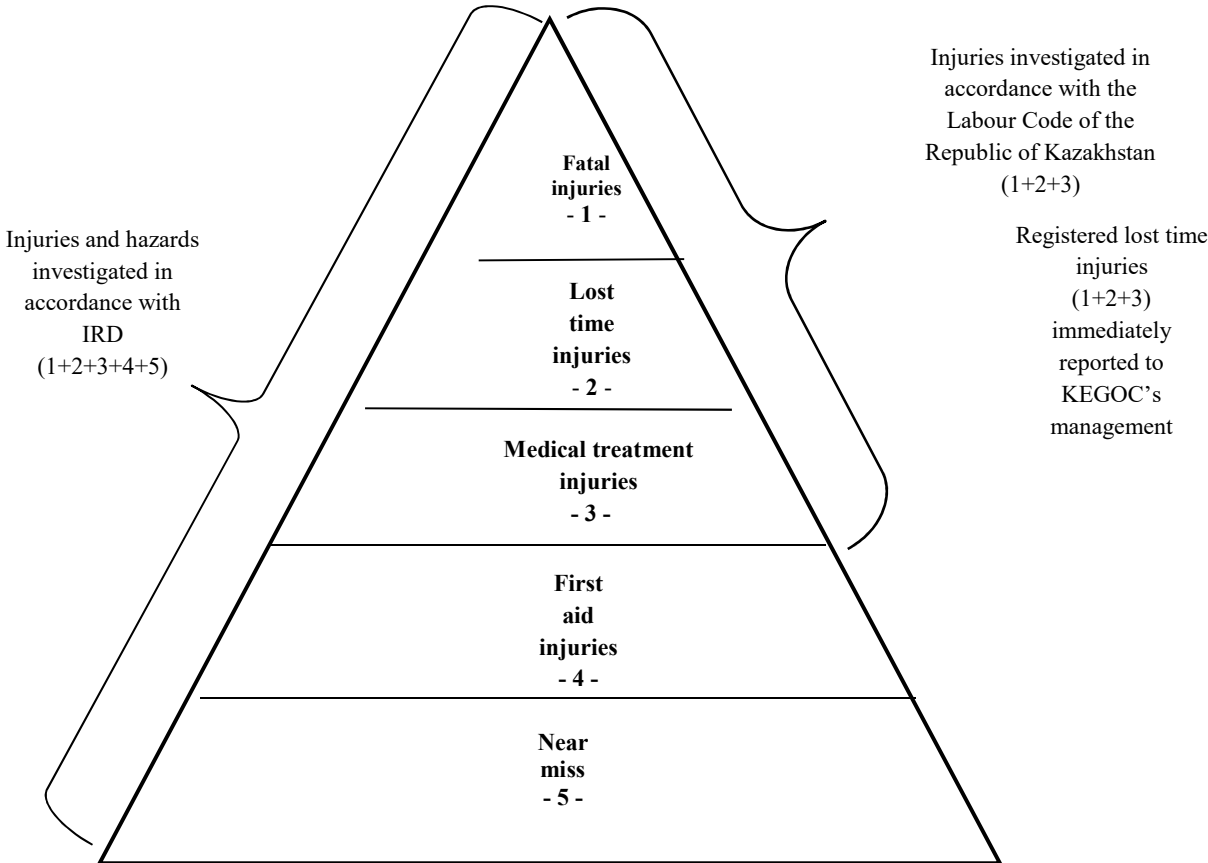
To assess the state of occupational health and safety in the branches, KEGOC carried out Occupational Safety Days each month, which resulted in further actions to eliminate the detected violations.

The Company held a meeting in order to improve the work of reliability and occupational health units (groups) in improving the grid operation reliability and the occupational health of KEGOC’s personnel and to exchange experience in addressing the problematic issues, which was attended by personnel of the Company branches and EnergoInform, working in this area.

In accordance with the laws of the Republic of Kazakhstan, in 2017 KEGOC provided its employees with compulsory occupational injury insurance.

Actual costs for occupational safety made KZT 377.567 million in 2017.

Types of occupational injuries and hazards



Subdivision		accident frequency rate (AFR)	occupational diseases rate (ODR)	lost day rate (LDR)	absentee rate (AR)
Akmolinskiye branch	MES	0.20	0	0	4,649.5
Aktyubinskiye branch	MES	0	0	0	2,627.1
Almatinskiye branch	MES	0	0	0	5,742.1
Vostochnye branch	MES	0	0	0	6,149.5
Zapadnye branch	MES	0	0	0	5,709.6
Sarbaiskiye branch	MES	0	0	0	3,740.2
Severnye MES branch		0	0	0	4,666.8
Tsentrálne branch	MES	0	0	0	5,780.1
Yuzhnye MES branch		0	0	0	3,091.0
NDC SO		0	0	0	6,776.5
Executive Administration		0	0	0	5,839.2
Total		0.03	0	0	4,821.9

(403-2)

KEGOC uses Lost Time Injury Frequency Rate (LTIFR) to assess the safe working conditions in accordance with the Long-Term Development Strategy. The LTIFR is the world's main indicator of companies' occupational safety and health performance referring to the number of lost-time injuries (LTI) relative to the total number of hours worked for the Company (Work Hours, WH) for 1 million man-hours. This rate for 2017 was 0.15 (with the planned rate set by KEGOC's Long-Term Development Strategy as 12.53).

In 2017 there was a fatal accident in the Akmolinskiye MES Branch. During 220 kV OHTL inspection, an OHTL maintenance electrician crossed railway tracks on a snowmobile and collided with the railway train. (403-2)

Information on the accident was analysed in all structural units of KEGOC branches. The Company held unscheduled briefings of personnel maintaining the overhead lines on the following topics:

- 'Inspections shall be carried out in strict accordance with the approved inspection route';
- 'Strict and clear compliance with instructions received for assignment, targeted briefings for work by orders and instructions'.

While works at KEGOC's facilities are being performed by contracting organizations the Company is responsible for ensuring safety of their workers. Before being admitted to the workplace all employees of contractors are provided with the introductory and initial briefings, in addition, the work supervisors are provided with the briefing on electrical installations circuits. Employees who have daily admittance are provided with a target safety training, which specifies security measures, hazardous and harmful production factors existing on the Company's site. Order for the works in existing electric facilities is issued for the delegated employees and the construction and installation organisations employees only by the personnel of the structural unit which is entitled and where the works will be performed. Construction and erection works are performed in specially reserved area, operations certificate is executed, and in cases when there is or may happen an occupational hazard, work permit shall be issued to perform dangerous works based on SNIP RK 1.03-05-2001. Work permit is carried out at the work place. The following technical events are performed while preparing the work place: necessary outages are made, prohibitory posters are set up, voltage loss at live parts which are to be grounded is checked, grounding is installed, live parts are fenced and safety posters are set up on the protective fences. During a shift the SS operational personnel carries out routine

checks and inspection of work places of the delegated personnel and construction and installation organisations personnel. (E118)

On 1 January 2017 the Company introduced video recording of works performance by operation and maintenance personnel to analyse safe works performance and detect additional risks during operation at sites. The action plan was developed with respect to detected violations.

To raise responsibility of the Company's employees with regard to their own safety the video clips and slides on safety violation consequences were prepared and demonstrated to the personnel.

The employees trained and certified under 'Upgrading qualification of the specialists on road safety' developed programmes, trained drivers on traffic rules and examined them. Training courses were delivered on basics of rules of traffic regulations for drivers.

The MES branches organized and conducted the contest of professional skills among KEGOC wiremen in nomination 'The best wireman'.

In 2017, the Action Plan to improve OSH management system was developed and approved, according to which:

- Rules for use of warning tickets on occupational safety were developed;
- Regulations on the Industrial Occupational Health and Safety Council at KEGOC were developed;
- corporate training was delivered for MES branch directors and employees on safe behaviour culture.

During 2017 all Company's units conducted emergency and fire fighting trainings aimed at:

- checking the operational personnel abilities to prevent emergencies and ensure their best elimination;
- checking the operational personnel abilities to render the first aid and take the injured person away from the electric current effect;
- ensuring development or recovery of the skills of making prompt decision and response in a challenging situation with limited time for management problem solving;
- checking the personnel abilities to act quickly and adequately in case of fire;
- identification of personnel abilities to make adequate decisions in case of fire;
- checking the personnel abilities to prevent possible failures in the equipment operations in case of fire or combustion;
- checking the personnel actions to rescue and evacuate people and valuables;
- training KEGOC personnel in the procedures and rules of interaction with the units of state fire fighting service;
- defining organisational and technical measures required to improve the personnel performance, fire fighting protection and improvement of the equipment reliability. (E21)

The results of the inspection (certification audit) conducted in 2017 by the certification authority confirmed that the Company's operations with regard to the occupational health and safety management system met the requirements of OHSAS 18001-2007.

KEGOC's service consumers include legal entities: power generators, power transmission entities, power suppliers and industrial enterprises. The services rendered by the Company do not harm the health and safety of the services' consumers. (416-1, 416-2) The NPG facilities may have a negative impact on health and safety of people in close proximity. The main principle of public health and safety protection from NPG facilities impact is the establishment of sanitary protection zones and clear zones. Areas of sanitary protection zones are determined in accordance with the existing sanitary and epidemiological norms of acceptable noise, electromagnetic radiation and other physical factors on the border of the sanitary protection zone. All the Company's facilities are designed, constructed and operated in full conformity with the Sanitary and Epidemiological Rules and Norms and the Sanitary and Epidemiological Requirements for Establishment of Sanitary Protection Zone at Production Facilities approved by order of the Minister of National Economy of the Republic of Kazakhstan. In addition, the Company annually provides the Third Party Liability Insurance for Owners of Hazardous Facilities. In 2017 no damage to third parties envisaged by this type of

insurance was registered. (U25)

KEGOC ensures resources availability to respond to potential emergencies with short-term and long-term consequences, and its ability to efficiently develop and implement the emergency action plan. According to the requirements of the Law of the Republic of Kazakhstan on Civil Protection the Company developed Action Plans to eliminate emergencies typical for the Company.

During 2017 the Company delivered the following instructions, trainings and exercises for management personnel and employees on civil defence and emergencies:

No	Description of actions	Actually delivered
1	National command-staff exercises	4
2	Staff exercise	11
3	Facility-based exercises	11
4	Special tactical exercises with civil defence divisions	11
5	Earthquake exercises	20
6	Public alarm and mustering exercises	22
7	National and oblast emergencies and civil defence training courses including: - management personnel - commanders - heads of training groups	12 15 29

(U21)

KEGOC's main occupational safety and health actions for 2018 will be:

- videoconferences chaired by the Managing Director for Business Assets Development and Technical Supervision on occupational safety issues;
- hearing by KEGOC's Management Board of the heads of KEGOC's branches on technical supervision, labour and environmental protection issues;
- development of the Regulations and conducting competition on 'The Best Service (Team) for Compliance with Operational Safety' and 'The Best Branch for Compliance with Operational Safety'.

Appendix 1

Key indicators

EU1, EU3, EU4, EU28, EU29, 102-7

<i>Indicator</i>	<i>Unit of Measure</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2017/2016</i>	<i>2017/2016, %</i>
Performance indicators						
Installed capacity by power sources and control mode	MVA	36,244.55	36,662.55	36,660.05	-2.50	-0.01%
including:						
1,150 kV SS	MVA	9,384.10	9,384.10	9,384.10	-	-
500 kV SS	MVA	15,446.00	16,114.00	16,111.50	-2.50	-0.02%
220 kV SS	MVA	11,386.25	11,136.25	11,136.25	-	-
110 kV SS	MVA	5.00	5.00	5.00	-	-
35 kV SS	MVA	23.20	23.20	23.20	-	-
Number of electricity consumers (number of contracts)	pc.	503	560	606	46.00	8.21%
Length of OHTLs and underground transmission lines by control mode (circuit)	km	24,893.46	25,096.60	25,707.25	610.65	2.43%
including:						
1,150 kV	km	1,421.23	1,421.23	1,421.23	-	-
500 kV	km	6,804.74	6,804.74	7,403.25	598.51	8.80%
330 kV	km	1,759.48	1,864.09	1,864.09	-	-
220 kV	km	14,511.04	14,511.05	14,511.05	-	-
110 kV	km	352.84	352.84	352.84	-	-
35 kV	km	44.13	44.13	44.13	-	-
System average interruption frequency - SAIFI		0.13	0.024	0.021	-0.003	-12.50%
System average interruption duration - SAIDI	minutes	12	0.91	0.09	-0.82	-90.11%
System Minutes Lost - SML	minutes	0.57	0.24	1.04	0.80	333.33%
Percentage of the system's operating time without failures - WWP	%	97.47	99.83	98.99	-0.84	-0.84%
Volumes of rendered services						
Electricity Transmission	million kWh	37.90	39.21	42.74	3.53	9.0%
Technical dispatch control	million kWh	82.81	85.74	93.61	7.87	9.2%
Management of electricity production and consumption balancing	million kWh	157.04	161.62	174.54	12.92	8.0%

201-1, 201-4, 202-2

<i>Indicator</i>	<i>Unit of Measure</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2017/2016</i>	<i>2017/2016, %</i>
Economic indicators						
Total capitalization	KZT million	512,207.15	537,183.03	535,956.40	-1,226.63	-0.23%
equity capital	KZT million	340,976.61	362,084.07	374,167.60	12,083.53	3.34%
borrowed funds	KZT million	171,230.54	175,098.96	161,788.80	-13,310.16	-7.60%
Funds from the government	KZT million	-	-	-	-	-
Economic value generated	KZT million	167,733.45	188,716.28	178,134.83	-10,581.45	-5.61%

operating revenue	KZT million	110,061.46	130,001.43	152,379.82	22,378.39	17.21%
financial revenue	KZT million	4,022.45	6,610.13	4,070.33	-2,539.80	-38.42%
other revenues	KZT million	53,649.54	52,104.71	21,684.67	-30,420.04	-58.38%
Economic value distributed	KZT million	186,570.82	167,607.90	165,151.21	-2,456.69	-1.47%
Payroll expenses	KZT million	14,425.24	18,166.63	19,074.97	908.34	5.00%
expenses on taxes and duties to the national budget	KZT million	3,037.56	16,803.15	16,611.48	-191.67	-1.14%
payments to capital providers	KZT million	15,846.80	12,539.67	24,421.65	11,881.98	94.76%
charitable and sponsor support	KZT million	152.17	-	-	-	-
other operating expenses	KZT million	64,499.28	70,659.13	76,862.35	6,203.22	8.78%
other non-operating expenses	KZT million	88,609.77	49,439.31	28,180.77	-21,258.54	-43.00%
Economic value of distribution	KZT million	-18,837.37	21,108.39	12,983.62	-8,124.77	-38.49%
Proportion of senior management hired from the local community at significant locations of operation	%	73.6	75	69	-6.00	-8.00%

205-3, 419-1, 307-1

Indicator	Unit of Measure	2015	2016	2017
Compliance with laws and regulations				
Confirmed incidents of corruption and actions taken*	-	0	0	0
Monetary amount of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	KZT million	5.252	12.940	10.891
where:				
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	KZT million	-	10.819	10.891
Monetary value of significant fines and total number of non-monetary sanctions imposed for non-compliance with environmental laws and regulations	KZT million	-	2.121	-

* No incidents were registered in 2017 where employees were dismissed or disciplined for corruption, or contracts were terminated with business partners due to corruption-related violations, or corruption-related cases took place against the Company or its employees.

EUI2, 302-1, 302-4

Indicator	Unit of Measure	2015	2016	2017	2017/2016	2017/2016, %
Power consumption						
Percentage of losses in electricity transmission and distribution	%	6.08	6.1	6.2	0.1	1.64%
Effect of measures to reduce losses (energy saving)	GJ	15,800	15,700	16,920	1,220	107.77%
Energy consumption within the organization	GJ	9,155,665	9,390,594	10,395,453	1,004,860	10.70%
including:						
Electricity	GJ	8,929,966	9,153,994	10,176,714	1,022,720	11.17%
Heat power	GJ	91,475	90,332	84,630	-5,702	-6.31%
Fuel	GJ	134,224	146,268	134,109	-12,158	-8.31%
including						
motor gasoline	GJ	60,592	62,556	55,490	-7,066	-11.30%
diesel fuel	GJ	73,162	77,381	72,041	-5,340	-6.90%
natural gas	GJ	-	5,758	6,163	405	7.03%

liquefied gas	GJ	470	573	416	-157	-24.93%
Effect of measures to reduce losses (energy saving)						
Emissions						
Gross emissions of contaminants from stationary sources	tonne	21.15	21.06	15.81	-5	-24.93%
Greenhouse gas emissions from stationary sources of KEGOC	tonne carbon dioxide equivalent	126.795	131.477	143.085	12	8.83%
including:						
CO ₂	tonne	126.738	131.434	143.017	11.583	8.81%
CH ₄	tonne carbon dioxide equivalent	0.002	0.001	0.002	0.001	100%
N ₂ O	tonne carbon dioxide equivalent	0.055	0.042	0.066	0.024	57.14%

* Technical losses from electricity supplied to the grid during transmission

401-1, EU15

Indicator	2015		2016		2017		2017/2016		2017/2016, %	
	people	%	people	%	people	%	people	%	people	%
Number of hired and quitted employees at the Company										
Total number of hired workers	420	8.70	412	8.71	447	9.45	35	8.50%		
by age										
<i>under 30</i>	231	4.79	201	4.25	235	4.97	34.00	16.92%		
<i>from 31 to 50 years</i>	168	3.48	143	3.02	174	3.68	31.00	21.68%		
<i>51 years and over</i>	21	0.44	68	1.44	38	0.80	-30.00	-44.12%		
by gender										
<i>male employees</i>	279	5.78	272	5.75	289	6.11	17.00	6.25%		
<i>female employees</i>	141	2.92	140	2.96	158	3.34	18.00	12.86%		
by regions										
Executive Administration	37	0.77	26	0.54	77	1.63	51.00	196.15%		
Akmolinskiye MES branch	58	1.20	37	0.78	58	1.23	21.00	56.76%		
Aktyubinskiye MES branch	30	0.62	21	0.44	22	0.47	1.00	4.76%		
Almatinskiye MES branch	44	0.97	42	0.88	43	0.91	1.00	2.38%		
Vostochnye MES branch	20	0.42	29	0.61	21	0.44	-8.00	-27.59%		
Zapadnye MES branch	19	0.39	37	0.78	29	0.61	-8.00	-21.62%		
Sarbaiksiye MES branch	10	0.20	26	0.54	30	0.63	4.00	15.38%		
Severnyye MES branch	22	0.46	17	0.35	41	0.87	24.00	141.18%		
Tsentrallye MES branch	32	0.66	28	0.59	23	0.49	-5.00	-17.86%		
Yuzhnyye MES branch	23	0.48	41	0.86	24	0.51	-17.00	-41.46%		
NDC SO	10	0.20	13	0.27	6	0.13	-7.00	-53.85%		
EnergoInform JSC	108	2.24	103	2.18	101	2.13	-2.00	-1.94%		
FSC RES LLP	7	0.15	2	0.04	5	0.11	3.00	150.00%		
Representative office in Almaty	-	-	1	0.02	-	-	-1.00	-100.00%		
Total number of quitted employees	362	7.508	511	10.81	444	9.38	-67.00	-13.11%		
by age										
<i>under 30 years</i>	115	2.38	103	2.18	116	2.45	13.00	12.62%		
<i>from 31 to 50 years</i>	112	2.32	134	2.83	161	3.40	27.00	20.15%		
<i>51 years and over</i>	135	2.80	274	5.79	167	3.53	-107.00	-39.05%		
by gender										
<i>male employees</i>	235	4.87	307	6.51	285	6.02	-22.00	-7.17%		
<i>female employees</i>	127	2.63	203	4.29	159	3.36	-44.00	-21.67%		
by regions										
Executive Administration	30	0.62	43	0.91	44	0.93	1	2.33%		
Akmolinskiye MES branch	51	1.05	58	1.23	60	1.27	2	3.45%		
Aktyubinskiye MES branch	19	0.39	27	0.57	26	0.55	-1	-3.70%		

Almatinskiye MES branch	41	0.85	54	1.14	40	0.85	-14	-25.93%
Vostochnye MES branch	14	0.29	19	0.40	15	0.32	-4	-21.05%
Zapadnye MES branch	15	0.31	36	0.76	27	0.57	-9	-25.00%
Sarbaiskiye MES branch	14	0.29	29	0.61	33	0.70	4	13.79%
Severnye MES branch	21	0.44	28	0.59	36	0.77	8	28.57%
Tsentralnye MES branch	20	0.42	36	0.76	34	0.72	-2	-5.56%
Yuzhnye MES branch	22	0.46	53	1.12	23	0.49	-30	-56.60%
NDC SO	7	0.15	16	0.34	24	0.51	8	50.00%
EnergoInform JSC	106	2.20	120	2.54	107	2.26	-13	-10.83%
FSC RES LLP	1	0.02	1	0.02	2	0.04	1	100.00%
Representative office in Almaty	1	0.02	1	0.02	6	0.13	5	500.00%
Total personnel turnover	-	4.46	-	4.77	-	4.57	-0.20	-4.19%

403-2, EU21

Indicator	2015	2016	2017
Occupational health and safety indicators			
Accident frequency rate	0.03	0.03	0.03
by regions:			
Executive Administration	0	0	0
Akmolinskiye MES branch	0	0	0.20
Aktyubinskiye MES branch	0	0.44	0
Almatinskiye MES branch	0.25	0	0
Vostochnye MES branch	0	0	0
Zapadnye MES branch	0	0	0
Sarbaiskiye MES branch	0	0	0
Severnye MES	0	0	0
Tsentralnye MES branch	0	0	0
Yuzhnye MES branch	0	0	0
NDC SO	0	0	0
Representative office in Almaty	0	0	-
Occupational diseases rate	0	0	0
Lost day rate	0	0	0
Absentee rate	4,557.7	4,926.4	4,821.9
by regions:			
Executive Administration	8,431.7	7,145.2	5,839.2
Akmolinskiye MES branch	3,515.3	4,005.6	4,649.5
Aktyubinskiye MES branch	3,975.5	3,558.5	2,627.1
Almatinskiye MES branch	4,693.8	6,660.4	5,742.1
Vostochnye MES branch	3,746.9	4,590.7	6,149.5
Zapadnye MES branch	2,888.5	4,279.8	5,709.6
Sarbaiskiye MES branch	4,722.5	5,141.4	3,740.2
Severnye MES	5,457.8	4,813.6	4,666.8
Tsentralnye MES branch	4,746.0	4,911.2	5,780.1
Yuzhnye MES branch	3,344.6	3,213.3	3,091.0
NDC SO	5,048.4	7,610.9	6,776.5
Representative office in Almaty	1,832.0	4,801.2	-
Number of fatal accidents	1*	1**	1***
Civil defence and emergency situations trainings, exercises and drills			
National command-staff exercises	2	2	4
Staff exercise	2	11	11
Facility-based exercises	11	11	11
Special tactical exercises with civil defence divisions	11	11	11
Earthquake exercises	5	20	20
Public alarm and mustering exercises	-	22	22
National and oblast emergencies and civil defence training course	34	50	56

* in 2015 there was one fatal accident in the Almatinskiye MES branch.

** in 2016 there was one fatal accident in the Aktyubinskiye MES branch.

*** in 2017 there was one fatal accident in the Akmolinskiye MES branch.

404-1, 404,3

<i>Indicator</i>	<i>Unit of 2015 Measure</i>	<i>2016</i>	<i>2017</i>	<i>2017/2016</i>	<i>2017/2016, %</i>	
Personnel indicators						
Staff listing	people	4,826	4,728	4,731	3	0.001%
including:						
male employees	people	3,496 (72.4%)	3,460 (73.2%)	3,463 (73.2%)	3	0.001%
female employees	people	1,330 (27.6%)	1,268 (26.8%)	1,268 (26.8%)	-	0%
Social stability rating	%	82	82	88	6	0.07%
Employee engagement index	%	68	73	69	-4	-0.05%
Development and training						
Average annual hours for one employee	hours	41.7	38.5	39.2	0.7	1.82%
including:						
male employees	hours	21.5	36.6	38.8	2.20	6.01%
female employees	hours	11.7	51.0	41.3	-9.70	-19.02%
AMP	hours	49.2	57.9	44.2	-13.70	-23.66%
OP	hours	40.2	36.2	38.3	2.10	5.80%
Percentage of employees receiving regular performance and career development reviews,	%	10.2	14.5	9.7	-4.80	-33.10%
including:						
male employees	%	N/A	71.8	65.9	-5.90	-8.22%
female employees	%	N/A	28.2	34.1	5.90	20.92%
AMP	%	N/A	8.3	27.0	18.70	225.30%
OP	%	N/A	91.7	73.0	-18.70	-20.39%

**Independent Assurance Report on the Sustainability Report of KEGOC
JSC**

Appendix 2 GRI Content Index

102-55

GRI Standard	Number	Contents	Page	Remark	Assurance
GRI 102: General disclosures 2016					
	102-1	Name of the organization:	9		✓
	102-2	Activities, brands, products, and services	9		✓
	102-3	Location of headquarters	9		✓
	102-4	Location of operations	9		✓
	102-5	Ownership and legal form	9		✓
	102-6	Markets served			
		- geographic locations	9-10		✓
		- sectors served	11		✓
		- types of customers and beneficiaries	12, 13		✓
	102-7	Scale of the organization			
		- total number of employees	34		✓
		- total number of units	10		✓
		- revenues	27		✓
		- total capitalization broken down in terms of debt and equity	27		✓
		- quantity of products or services provided	13-15		✓
	102-8	Information on employees			
		- total number of employees by employment contract and gender	34		✓
		- total number of permanent employees by employment type and gender	34-35		✓
		- total workforce by in-house employees and freelance employees, and by gender	-	There are no freelance employees in the Company	✓
		- total workforce by region and gender	34-35		✓
		Sector addition to the General Standard Disclosures			
		- total number of contracting entities employees (contractors, subcontractors, independent contractors) by employment type, labour agreement and control mode.	-	Information is not available now due to the difficult acquisition of data on number of employees of contracting/subcontracting organizations performing various works of different direction at the Company's facilities.	✓
	102-9	Supply chain	28		✓
	102-10	Significant changes to the size, structure, and ownership	9	All relations with the goods, works, services suppliers are governed by contracts (agreements), concluded in accordance with the Procurement Rules of the Fund, and provide for the terms of amending/cancellation of agreements.	✓
	102-11	Precautionary principle	32		✓

102-12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses	12		V
102-13	Membership of associations	12		V
102-14	Statement from the Chairman of KEGOC Management Board	4		V
102-16	Organization's values, principles, standards and norms of behavior	23		V
102-18	Governance structure of the organization, including committees of the highest governance body, responsible for decision-making on economic, environmental and social impacts of the organization	18-23		V
102-40	List of stakeholder groups	7		V
102-41	Percentage of total employees covered by collective bargaining agreement	42		V
Sector addition to the General Standard Disclosures				
	Percentage of contractors' employees (contractors, subcontractors, independent contractors) working in the reporting organization covered by the collective bargaining agreements by countries and control mode	-	Not applicable The Company's collective bargaining agreement does not cover employees of the contractor, subcontractors or independent contractors	V
102-42	Identifying and selecting stakeholders	7		V
102-43	Organization's approach to stakeholder engagement	7, 15		V
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	6, 8, 15, 25		V
102-45	Entities included in the organization's statements	5		V
102-46	Defining report content and topic Boundaries	8		V
102-47	List of material topics	8		V
102-48	Effect of any restatements of information given in previous reports	-		V
102-49	Significant changes from previous reporting periods in the Scope and topic Boundaries	5, 8		V
102-50	Reporting period	5		V
102-51	Date of the most recent report	5		V
102-52	Reporting cycle	5		V
102-53	Contact point for questions regarding the report	64		V

	102-54	Claims of reporting in accordance with the GRI Standards	5		✓
	102-55	GRI Content Index	54		✓
	102-56	Organization's practice with regard to seeking external assurance	5	External auditor executing independent certification of report is selected on a competitive basis in accordance with the Fund's Procurement Rules. Board of Directors in accordance with the Charter and internal documents of the Company approves Sustainability Reports but does not participate in searching external auditor who executes independent certification of the report.	✓
Sectoral specific general reporting elements					
	EU1	Installed capacity by power sources and control mode	11		✓
	EU2	Clean energy generation by primary power sources and control mode	-	Not applicable KEGOC is not a power generating company	
	EU3	Quality of power consumers	13		✓
	EU4	Length of OHTLs and underground transmission lines by control mode	11		✓
	EU5	Allocation of CO2E emissions allowances or its equivalent by scheme of green-gas emissions	30		✓
Specific elements					
GRI 200: Economic aspects 2016					
Economic Performance					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	25		✓
	103-2	Organization's management approach related to material aspects	25		✓
	103-3	Assessment of the organization's management approach related to material aspects	27		✓
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	27		✓
	201-4	Financial assistance received from government	27		✓
Market Presence					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	33		✓
	103-2	Organization's management approach related to material aspects	20, 41		✓
	103-3	Assessment of the organization's management approach related to material aspects	41		✓

GRI 202: Market Presence, 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	41		✓
	202-2	Proportion of senior management hired from the local community at significant locations of operation	20		✓
Anti-corruption					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	23		✓
	103-2	Organization's management approach related to material aspects	23		✓
	103-3	Assessment of the organization's management approach related to material aspects	23		✓
GRI 205: Anti-corruption 2016	205-2	Communication and training on anti-corruption policies and procedures	23, 24		✓
	205-3	Confirmed incidents of corruption and actions taken	23		✓
Sector specific aspect: System Efficiency					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	28		✓
	103-2	Organization's management approach related to material aspects	32		✓
	103-3	Assessment of the organization's management approach related to material aspects	33		✓
GRI G4 EU: System Efficiency	EU12	Percentage of losses in electricity transmission and distribution	32		✓
R&D					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	17		✓
	103-2	Organization's management approach related to material aspects	17		✓
	103-3	Assessment of the organization's management approach related to material aspects	18		✓
GRI G4 EU R&D: Disclosures on the management approach	EU8	Research and development activities and costs to ensure the reliability and development of research and development in direct costs and research and development cooperation.	18		✓
GRI 300: Environmental aspects 2016					
Energy					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	28		✓
	103-2	Organization's management approach related to material aspects	28, 29, 32		✓
	103-3	Assessment of the organization's management approach related to material aspects	28		✓

GRI 302: Energy 2016	302-1	Energy consumption within the organization	32		V
	302-4	Reducing energy consumption	33		V
Compliance with environmental requirements					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	24		V
	103-2	Organization's management approach related to material aspects	24		V
	103-3	Assessment of the organization's management approach related to material aspects	25		V
GRI 307: Compliance with environmental requirements 2016	307-1	Monetary value of significant fines and total number of non-monetary sanctions imposed for non-compliance with environmental laws and regulations	32		V
GRI 400: Social aspects 2016					
Employment					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	33		V
	103-2	Organization's management approach related to material aspects	33-34		V
	103-3	Assessment of the organization's management approach related to material aspects	42		V
GRI 401: Employment 2016	401-1	Total number and rates of new employee hires and employee turnover by age, gender and region	38-39		V
	Sector additions to the ratio				
	401-1	Average work duration of employees leaved employment during the reporting period by gender and age group	40		V
	Sector specific ratios				
	EU15	Percentage of employees eligible to retire in the next five and ten years by job category and region	36-37		V
	EU18	Percentage of contracting and subcontracting entities employees trained in occupational health and safety	46		V
Health and Safety					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	43		V
	103-2	Organization's management approach related to material aspects	43		V
	103-3	Assessment of the organization's management approach related to material aspects	46		V

GRI 403: Health and safety 2016	403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	44-45		✓
	403-4	Health and safety topics covered in formal agreements with trade unions	42		✓
Training and Education					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	33		✓
	103-2	Organization's management approach related to material aspects	40		✓
	103-3	Assessment of the organization's management approach related to material aspects	40		✓
GRI 404: Training and Education 2016	404-1	Annual average hours of training per employee by gender and by employee category	40		✓
	404-3	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	40		✓
Sector specific aspect:					
Action plan and response to disasters/emergencies					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	43		✓
	103-2	Organization's management approach related to material aspects	43		✓
	103-3	Assessment of the organization's management approach related to material aspects	46		✓
GRI G4 EU Action plan and response to disasters/emergencies Disclosures on the management approach	EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans	46, 47		✓
Customer Health and Safety					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	46		✓
	103-2	Organization's management approach related to material aspects	46		✓
	103-3	Assessment of the organization's management approach related to material aspects	46		✓
GRI 405: Customer Health and Safety 2016	416-1	Percentage of significant product and service categories for which customer health and safety impacts are assessed for improvement	46		✓
	416-2	Incidents of non-compliance with regulations and voluntary codes concerning the customer health and safety impacts	46		✓

Sector specific ratios					
	EU25	Number of people affected by injuries and deaths associated with the company's assets	47		V
Compliance with laws requirements					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	15, 24		V
	103-2	Organization's management approach related to material aspects	15, 24-25		V
	103-3	Assessment of the organization's management approach related to material aspects	15, 25		V
GRI 419: Compliance with laws requirements 2016	419-1	Monetary amount of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	15, 32		V
		Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	15		V
Sector specific aspect: Accessibility					
GRI 103: Disclosures on the management approach 2016	103-1	Explanations on the aspects significance and their boundaries	16		V
	103-2	Organization's management approach related to material aspects	16		V
	103-3	Assessment of the organization's management approach related to material aspects	15, 16		V
GRI G4 EU: Accessibility	EU28	Frequency of power failures	16		V
	EU29	System average interruption duration	16		V

Appendix 3

COMPLIANCE WITH THE PRINCIPLES OF THE UN GLOBAL CONTRACT

Principles of the Global Compact	page
Human Rights Principles	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	12, 33-42
Principle 2: Make sure that Businesses are not complicit in human rights abuses.	25, 33
Labour Principles	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	42
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.	33-34
Principle 5: Businesses should uphold the effective abolition of child labour.	33-34
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation	19, 33, 37, 41
Environment Principles	
Principle 7: Businesses should support a precautionary approach to environmental challenges.	28-29
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	28-33
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.	17, 32
Anti-Corruption Principles	
Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.	12, 23-24, 50

Appendix 4

GLOSSARY

Definition	
AMP	Administrative and Managing Personnel
Branches	KEGOC branches: MES and NDC SO
CHPP	Combined heat and power plant
CIS	Commonwealth of Independent States
Company	Kazakhstan Electricity Grid Operating Company (KEGOC) joint-stock company
CRNMPCCR	Committee for Regulation of Natural Monopolies and Protection of Competition and Consumers' Rights of the Republic of Kazakhstan
ECR Pool	Kazakhstan Electric Capacity Reserve Pool
EIA	Environmental Impact Assessment
EMS	Environmental Management System
FS	Feasibility study
FSC RES	Financial Settlement Centre for Renewable Energy Sources Support LLP
GRES	State Regional Power Plant
HPP	Hydro Power Plant
IAS	Internal Audit Service
ICS	Internal Control system
IFRS	International financial reporting standards
IFI	International Financial Institutions
IMS	Integrated Management System
JSC	Joint-stock company
KEGOC JSC	Kazakhstan Electricity Grid Operating Company (KEGOC) joint-stock company
KPI	Key Performance Indicator(s)
kV	Kilovolt
kWh	Kilowatt-hour
LLP	Limited Liability Partnership
MES	Interconnection Electric Networks, KEGOC branches
MVA	Megavolt-ampere
MW	Megawatt
NDC SO	National Dispatch Centre of the System Operator, KEGOC branch
NGO	Non-Governmental Organizations
NPG	National Power Grid
OHTL	Overhead transmission line
OP	Operating personnel
PCB	Polychlorinated biphenyl
R&D	Research and Development
RDC	Regional Dispatch Centre
REC	Regional Electric Network Company
RES	Renewable Energy Sources
RMS	Risk Management System
Samruk-Kazyna JSC	Sovereign Wealth Fund Samruk-Kazyna joint-stock company
SS	Substation
UN	United Nations
UPS	Unified Power System
VAT	Value-added tax

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FOR ENQUIRIES REGARDING KEGOC SUSTAINABILITY REPORT

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We would be grateful for your comments and feedback. Your opinion and suggestions regarding the sustainable development will help us to improve the performance of KEGOC. [102-53](#)