



Development Strategy

Development Strategy of Samruk-Energy JSC

The electric power industry is a fundamental infrastructure sector that determines the efficiency of the production complex, the service sector, and the quality of life for the population of the Republic of Kazakhstan. Our task is to develop a balanced model that includes an optimal ratio of energy supply between domestic consumers and exports, combining high economic efficiency, innovative improvements, and advanced standards of social responsibility.



On 29 October 2021, by the decision of the Board of Directors of Samruk-Energy JSC, the Development Strategy of Samruk-Energy JSC for 2022-2031 was approved, taking into account the state policy in the field of strategic planning of the national energy security system, the development of the electric power industry and corresponding to the main strategic directions, goals and objectives of the Sole Shareholder.

Mission of Samruk-Energy JSC

To create value for shareholders, to satisfy the growing demand through reliable supply of energy resources, high-tech development, and environmental friendliness, guided by the principles of sustainable development.

Vision of Samruk-Energy JSC

An efficient, high-tech energy company with high social and environmental responsibility — a leader in the energy sector of the Republic of Kazakhstan.

Strategic goals of Samruk-Energy JSC



REDUCTION OF NET CARBON FOOTPRINT



INCREASE IN PRODUCTIVITY



INCREASE IN NET ASSET VALUE

The determination of the Company's strategic goals and objectives is based on PESTEL analysis, analysis of macroeconomic and industry trends, as well as analysis of the internal environment.

In order to effectively implement the mission, taking into account the challenges and opportunities at the global, national and corporate levels, the Company through the ESG prism has identified three key priorities to ensure the achievement of the Company's three strategic goals with the most efficient use of available resources.

In order to realize the strategic goals and taking into account the key priorities, 19 main initiatives/tasks have been identified and are being implemented by the Company as part of its strategic development.

Key priorities of Samruk-Energy JSC

	Sustainable development	Responsible investments	Effective portfolio management
 <p>Reduced net carbon footprint</p>	<p>1. Environmental responsibility</p> <p>5. Decarbonization</p>	<p>2. Research and Development (R&D)</p> <p>3. Green finance</p> <p>19. Entering new processing facilities</p>	<p>4. Resource conservation</p>
 <p>Increased productivity</p>	<p>6. Human capital development</p> <p>7. Social responsibility</p> <p>15. HSE Best Practices</p>	<p>11. Modernization of equipment</p> <p>12. Innovative development</p>	<p>8. Increase of electricity sales in the domestic and foreign markets</p> <p>9. Increase of coal sales in the domestic and foreign markets</p> <p>10. Improvement of operating efficiency of existing capacities</p> <p>13. Digitalization</p> <p>14. Improvement of business processes</p>
 <p>Increase in net asset value</p>	<p>16. Improving financial sustainability</p> <p>18. Corporate governance</p>	<p>17. Implementation of investment projects and programs</p>	<p>18. Corporate governance</p>

Key ESG principles of Samruk-Energy JSC's development strategy:

- Commitment to the principles of sustainable development at the level of the Board of Directors, executive body, and personnel;
- Analysis of internal and external situations by components: economy, ecology, social issues;
- Identification of risks in the field of sustainable development, social, economic, and environmental spheres;
- Stakeholder mapping;
- Definition of goals and key performance indicators in the field of sustainable development, development of an action plan, and identification of responsible persons;
- Integrating sustainability into key processes, including risk management, planning, human resource management, investments, reporting, operations, and others, as well as into the Development Strategy and decision-making processes;
- Professional development of officials and employees in the field of sustainable development;
- Regular monitoring and evaluation of sustainable development activities, assessment of the achievement of goals and key performance indicators (KPIs), taking corrective measures, and introduction of a culture of continuous improvement.

The following environmental indicators are set out in the approved Maps of motivational KPIs for the management employees of Samruk-Energy JSC:



"E" component:

- Indicator of environmental friendliness of generated electricity. Volume of CO /SOx /NOx / particulate matter emissions per 1 kWh. The indicator is aimed at reducing CO/SOx/NOx/particulate matter per 1 kWh;
- Ensuring the level of specific consumption of fuel equivalent at nationally significant plants EGRES-1, EGRES-2. The indicator is aimed at reducing the specific consumption of fuel equivalent per supplied electricity at EGRES-1, EGRES-2;
- Volume of RES production of operating plants. The indicator is aimed at increasing the production of electric power from RES plants.



"S" component:

- LTIFR (safety level). The indicator aims to reduce the number of LTIFR injuries occurring at the workplace;
- Absence of violations in procurements conducted in the corporate center of Samruk-Energy JSC, confirmed by the authorized body, which affected the procurement results. The indicator is aimed at reduction of violations and compliance with the norms of the Rules for Procurement of Goods, Works and Services during procurement procedures in Samruk-Energy JSC confirmed by the authorized body that affected the procurement results.



"G" component:

- Execution of measures of the Road Map for improvement of the sustainable development management system of Samruk-Energy JSC for 2023 within the authority of the Management Board. This Roadmap for improvement of the sustainable development management system of Samruk-Energy JSC for 2023-2024 was approved by the decision of the Board of Directors dated December 19, 2022 (Minutes No. 17/22) and includes the Roadmap for improvement of the sustainable development management system in order to obtain high positions for Samruk-Energy JSC in ESG rating approved by the decision of the Management Board of Samruk-Energy JSC dated October 10, 2022 (Minutes No. 37).

Implementation of the development strategy of Samruk-Energy JSC

The strategic indicators of our Company demonstrate an improving trend. The main growth factors are an increase in the volume of electricity and capacity sales on the domestic market, obtaining individual capacity tariffs, reducing specific fuel and water consumption for process needs, optimizing fuel and energy costs and energy saving, as well as reducing the debt load.

Strategic performance indicators¹²

Indicator	Fact 2020	Fact 2021	Fact 2022	Fact 2023	Forecast 2024	Forecast 2031
Net carbon footprint reduction, thousand tons	-	32,952	31,978	31,877	-	≥(-10%) к 2021
Labor productivity ¹³ , thousand tenge/ person	-	10,154	13,273	14,872	11,169	15,231
ROI (strategic ROI will be applicable if assets are realized)	-	-	-12%	-	>CoE	>CoE
Net Asset Value (NAV), million tenge	400,623	412,899	442,753	485,969	495,479	825,798
Debt/EBITDA (ratio)	2.67	2.41	1.90	1.71	≤3.5	≤3.5
Corporate governance rating	-	BB	-	-	BBB	AA
Output of non-commodity goods and services (thousand tenge)	-	332,537,144	381,464,992	444,959,627	365,790,858	498,805,716



In general, the Company's Strategic Indicators tend to improve in the period from 2021 to 2023. The main growth factors are an increase in electricity and capacity sales on the domestic market, an increase in tariffs of SDCs, obtaining individual capacity tariffs, reduction of specific fuel and water consumption for technological needs, optimisation of fuel and energy saving costs, as well as reduction of the debt load. At the same time, it is planned to increase the debt load in 2024-2031 due to the implementation of investment projects.


In accordance with the key strategic goals and 19 main development initiatives and tasks, in the reporting period, the Company implemented measures and realized projects aimed at achieving the main strategic goals. All initiatives and tasks were developed in accordance with the initiatives of the National Welfare Fund Samruk-Kazyna.


¹² Strategic KPIs approved according to the Development Strategy of Samruk-Energy JSC for 2022-2031.



¹³ Labor productivity is recalculated using the new methodology beginning in 2022.





Strategic Goal	Objective	Action	Comments on implementation
 <p>Reduced net carbon footprint</p>	Environmental responsibility	Installation at GRES-1, GRES-2, and APP plants of an automated system for monitoring emissions into the environment.	1. GRES-1: ASM is installed at power unit No. 2. 2. GRES-2: ASM was put into operation in test mode. 3. APP: equipment is being installed and adjusted.
		Application of low-emission vortex pulverized coal burners.	Positive conclusion on the developed design and construction project was received.
	R&D	Technologies of carbon capture and storage (CCS), production of carbon chemistry products (R&D).	A contract was concluded with Nazarbayev University JSC. Analytical review of existing and prospective technologies of capture, storage and use of CO ₂ separated from flue gases of TPPs was developed, design documentation for manufacturing of experimental laboratory unit for research of steam oxygen-free coal gasification was developed.
	Green finance	Utilization of green finance tools.	The Company issued green bonds. A report on the use/distribution of proceeds and impact of the financed green projects was prepared and published on the AIX website and the Company's corporate website.
	Resource conservation	"Construction of clarified water return pumping station" of GRES-2.	DED developed.
	Decarbonization	Sale of carbon units (offsets) from RES facilities.	Design documentation and monitoring plan approved by the authorized environmental authority. Offset units received and credited to the account. A contract for the sale of carbon units was concluded.
 <p>Increased productivity</p>	Human Capital Development	Creating attractive conditions for employees.	Carrying out diagnostics of corporate culture was inexpedient in accordance with the requirements of the Corporate Standard on Human Resource Management of the Samruk-Kazyna NWF Group JSC.

Strategic Goal	Objective	Action	Comments on implementation
 <p>Increased productivity</p>		Retaining internal talents and attracting highly professional staff.	The list of key positions and talent pool was approved by the Management Board of Samruk-Energy JSC. The list is compiled and approved annually.
		Ensuring social guarantees and social stability in the Company.	Salary indexation is carried out annually for the Group of companies of Samruk-Energy JSC.
	Social responsibility	Personnel training aimed at ensuring that employees understand ethical norms and principles, as well as zero tolerance for corruption and bribery.	74 training trainings/information mailings have been conducted. On a quarterly basis, the Board of Directors is provided with information on implemented measures in this area as part of the reports of the Compliance Service.
	Increase in domestic and foreign electricity sales	RES sales in 2023.	Actual sales of RES for 2023 amounted to 554.38 million kWh.
		Ensuring electricity supply to consumers of the Group of Companies Fund's.	At the end of 2023, electricity supply to consumers of the Group of companies Fund's in the amount of 3,276 million kWh was ensured (data for the first half of 2023). Since July 1, 2023, the transition to the mechanism of purchase and sale of electricity through the Unified Purchaser of Electricity has been carried out, therefore, the implementation of the measure is irrelevant.
		Ensuring electricity supply to energy-intensive industries (DPCs, Industrial Zones, etc.).	According to the results of 2023, electricity supply for power supply of energy-intensive production facilities (Aktogay MPP and Bozshchakol MPP) in the amount of 853,5 million kWh (data for 1 half of 2023). Since July 1, 2023, the transition to the mechanism of purchase and sale of electricity through the Unified Purchaser of Electricity has been implemented, therefore, the implementation of the measure is irrelevant.
	Increase coal sales in domestic and foreign markets	Ensuring export of unprocessed coal to the Russian Federation.	At the end of 2023, export of unprocessed coal amounted to 9,772 thousand tons.

Strategic Goal	Objective	Action	Comments on implementation
 <p>Increased productivity</p>	Provision of 4,000 kcal/kg beneficiated coal	Sales of enriched coal 4,000 kcal/kg	Work is underway to implement at Severny open pit mine a pilot plant for dry coal preparation of coal of the 3rd seam.
	Improving operational efficiency of existing facilities	Implementation of the program of energy saving and energy efficiency improvement in the period up to 2025.	In 2023, 61 different activities were performed, measures to improve energy efficiency were implemented in the group of companies of Samruk-Energy JSC.
		Reduction of technological losses in Alatau Zharyk Company's networks.	Actual losses in the reporting period amounted to 10.90%, which is lower than the baseline loss level of 2020 (12.6%).
		Implementation of the ASCEM system.	The ASCEM system was installed at 13 facilities.
		Implementation of SCADA operational dispatch system.	The works were not carried out due to changes in the project (the scope and locations of equipment installation under the project changed).
		Optimization of equipment repair cycle.	The Committee of Nuclear and Energy Supervision and Control of the Ministry of Energy of the Republic of Kazakhstan did not approve the transition from a 4-year to a 5-year equipment overhaul cycle due to increased risks of technological shut-downs and high level of equipment wear at power plants.
	Equipment modernization	Modernization of brush contact apparatuses with a permanent electronic monitoring system at Unit No. 2 (GRES-2)	Construction and installation and commissioning works have been completed.
Innovative development	Implementation at Severny open pit mine of a pilot plant for dry coal preparation of third seam coal with calorific value of 4,000 kcal/kg, Stage I	Commercial offers from potential equipment suppliers are being updated to take into account new available technologies, after receipt it is planned to analyze the payback of the project.	

Strategic Goal	Objective	Action	Comments on implementation
 <p>Increased productivity</p>	Digitalization	Automation and visualization of operational reports and daily reports.	Technical specification has been developed.
		Installation of automated control system at power unit No.2 of EGRES-2.	The works have been postponed to 2026-2027, taking into account the binding of the works to the overhaul of unit No.2.
	Business Process Improvement	Electronic archive (part of the measure "Reengineering of the Company's processes to maximize the effect of production, economic, financial and economic activities").	The system was installed on the servers of Samruk-Energy JSC, work on scanning and digitization of documents is in progress.
	HSE best practices	Automation of the process of registering hazardous actions/conditions/incidents to minimize accidents.	The report on the results of post-monitoring of the implemented Safe Production Project was approved by the Management Board of Samruk-Energy JSC.
 <p>Increase in net asset value</p>	Improving financial stability	Compliance with the normative values of financial covenants of creditors, with fixation on a semi-annual and annual basis (except for debt raising and interest expenses arising, in case of force majeure (quarantine), in accordance with the order of the Fund and/or the Government of RK).	All financial covenants of the Company's creditors are observed.

Strategic Goal	Objective	Action	Comments on implementation
 <p>Increase in net asset value</p>	Implementation of investment projects	1. Expansion and reconstruction of Ekibastuz GRES-2 with installation of power unit No. 3.	Transition to an alternative option for replacement of the main process equipment is being considered.
		2. Expansion and reconstruction of Ekibastuz GRES-1 (restoration of unit No. 1).	A test start-up of the power unit was carried out with its inclusion into the grid. Delivery of a turbo-feeding pump is expected.
		3. Gasification of Almaty CHPPs.	1. CHPP-1: a positive conclusion of RSE "Gosexpertiza" on the feasibility study of the project was obtained. 2. CHPP-2: EPC-contract concluded. 3. CHPP-3: an EPC contract was concluded, and an agreement was signed for the purchase of a service to maintain electric capacity availability during construction of newly commissioned generating units with maneuverable generation mode.
		4. Reconstruction of cable networks in Almaty city and Almaty region.	Construction and installation works are in progress.
		5. Transition of Bogatyr open pit mine to modern cyclic-flow technology (CFT) of mining.	Pre-commissioning and commissioning works have been performed and commissioning will be carried out in December 2023.
		6. Transfer of the Kensu River flow.	Implementation of the project by attracting an investor through public private partnership is being considered.
		7. Construction of the counter-regulating Kerbulak HPP on the Ili River.	Work is underway with the Ministry of Energy of the Republic of Kazakhstan in terms of amendments to the RLA to ensure a tariff that allows the project to be realized.
		8. Construction of a 50 MW WPP near Ereimentau.	Works on construction of access and on-site roads, construction of mounting sites for wind turbines (foundations of wind turbines), rearrangement of existing power lines and laying of 35 kV CLs, as well as construction of the 220/35 kV substation (buildings of control room, centralized control room and checkpoints) have been completed.

Strategic Goal	Objective	Action	Comments on implementation
 <p data-bbox="110 406 271 459">Increase in net asset value</p>		9. Construction of hybrid WPP, HPP with capacity of 310 MW in Almaty region.	Joint work with Akimat of Yenbek-shikazakh district and Akimat of Almaty region is underway to make decisions on land return.
	Corporate governance	Preparation of annual report in the field of sustainable development in accordance with GRI.	Integrated Annual Report for 2022 was approved by the decision of the Board of Directors dated 01.06.2023.
		Independent diagnostics of corporate governance by the Shareholder, and development of medium-term plans for improvement of corporate governance (within the terms established by the Shareholder).	The report on the Road Map of the ISDMS by the results of 2023 was approved by the Board of Directors on February 26, 2024. At the end of the reporting period, the fulfillment of the ISDMS Roadmap amounted to 94.4%.
		Regular assessment of the Board of Directors (self-assessment, independent assessment) in accordance with the internal document on assessment of the Board of Directors.	Self-assessment of the BOD by questionnaire method was conducted in the first quarter of 2023. The report was submitted and approved at the BOD meeting on 01.06.2023. Based on the results of the assessment, an action plan was developed.
		Improvement of the Company's image by means of awareness-raising activities (annually).	All measures to improve the image by implementing outreach activities are carried out.
		Obtaining ESG rating.	Based on the results of a comprehensive study of the Company's sustainability risk management performance by Morningstar Sustainalytics rating agency on December 12, 2023, the Company was assigned an ESG risk rating of 24.1, which corresponds to Medium Risk level according to the Sustainalytics Agency scale.

Risks and challenges related to the implementation of the development strategy

STRATEGIC DIRECTION 1. TRANSITION TO A “GREEN” ECONOMY

01

Name of risk or threat:

Climate risks

Risk prevention measures:

Control over compliance with environmental legislation, deadlines for submitting applications for emission permits and reporting to state regulatory authorities, mandatory environmental insurance, and compliance with technical regulations.

Monitoring of budget execution under the “environmental protection” item, compliance with the plan for modernization and repair of main and auxiliary equipment, use of greenhouse gas emission quota limits, and adjustments.

In accordance with the Environmental Code of the RK, if necessary, to obtain additional quotas for greenhouse gas emissions, including their acquisition at auction, as well as to form liquidation funds.

STRATEGIC DIRECTION 2: ENSURING RELIABLE COMPETITIVE SUPPLIES OF ENERGY RESOURCES IN THE MARKETS OF OPERATION

02

Name of risk or threat:

Information security risks

Risk prevention measures:

Preparation of spare information capacities (servers, computers).

Regulations for obtaining or limiting access rights.

Risk of industrial accidents that cause damage to the health and life of employees in the course of performing their duties

Timely provision of employees with personal protective equipment.

Control over training of employees in the field of occupational safety and health, verification of knowledge of technical operation rules, safety equipment, execution in Subsidiaries and Affiliates of measures developed within the framework of the Action Plan for management of occupational safety and environmental protection issues in the Group of companies of Samruk-Energy JSC. Monthly monitoring of their fulfillment.

Tariff setting risk

Qualitative preparation of the subject's tariff campaign for approval (coordination) of tariffs.

Timely adjustment of tariff estimates and investment programs in CRNM CP MNE to avoid introduction of compensatory (reduced) tariffs for Subsidiaries and Affiliates.

Tariff policy monitoring. Weekly report on tariff policy problems of Subsidiaries and Affiliates.

Working with government authorities of the Republic of Kazakhstan to obtain the necessary tariff for goods and services of the Company's Subsidiaries and Affiliates.

Risk of industrial accidents and disasters

Control over timely diagnostics of equipment in order to determine its technical condition.

Control over timely and complete fulfillment of necessary repairs of equipment in accordance with the established schedule.

03**STRATEGIC DIRECTION 3. INCREASING THE VALUE OF EQUITY CAPITAL****Name of risk or threat:****Risk prevention measures:****Risks of ongoing/prospective investment projects and investment programs of subsidiaries and affiliates**

Work with state authorities of the Republic of Kazakhstan to obtain support for the Company's investment projects.

Report on fulfillment of the Development Plan of Samruk-Energy JSC and Samruk-Kazyna JSC Subsidiaries and Affiliates.

Monitoring of development of capital investments of Samruk-Energy JSC and investment projects being implemented.

Reputational damage risk

Control over compliance with the Rules of preparation and placement of information materials on the website. Regular monitoring of negative feedback, timely response to incidents covered in mass media and social networks.

Timely development and placement of the Annual Report on the website.

Risk of violation of external creditors' covenants and listing requirements

Formation of a report on debt and financial stability.

Monitoring compliance with covenants in accordance with the Financial Sustainability and Debt Management Policy (financial and non-financial).

Asset impairment risk

Reducing capital expenditure, analyzing the feasibility of planned capital repairs.

Performing impairment tests (in case of impairment indicators).

Centralized control over the formation and adjustment of the investment program of subsidiaries and affiliates.

Credit risk

Diversification of invested temporarily available funds into financial instruments in accordance with the requirements of the main parameters of the treasury portfolio. Examination of counterparty banks' risks related to the placement of IOUs

Compliance with limits on counterparty banks.