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Development Plan of Joint-Stock Company “Sovereign Wealth Fund “Samruk-Kazyna” for 2023 - 2032

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Introduction

The Development Plan of Joint-Stock Company “Sovereign Wealth Fund “Samruk-Kazyna” (hereinafter - the Fund) is the fundamental document which defines and justifies the vision, mission, goals and objectives of the Fund for the management of portfolio companies (hereinafter - the PC), aimed at increasing the long-term value of the Fund group companies, effective asset management of the Fund (Annex 1).

The Fund is a sovereign fund of the Republic of Kazakhstan, the sole shareholder of which is the Government of the Republic of Kazakhstan and operates as an independent commercial structure.

To date, the Fund has passed several phases of its journey:

2008-2011: anti-crisis measures. Overcoming the consequences of the global financial crisis through implementing state initiatives and national programs, as well as supporting social initiatives of the Government of the Republic of Kazakhstan were the primary task. The Fund has contributed to the recovery of economic growth and further development of the national economy through effective management of the asset portfolio and initiatives.

2011-2013: withdrawal from second-tier banks and financial institutions. Significant work has been completed to stabilize the national banking system under the bailout program, leading the Fund to completely withdraw from equity of second-tier

banks and development institutions. As a result, the Fund has focused on the activities of real sector companies, primarily on increasing their profitability and creating value for the shareholder

2013-2017: launch of the Fund's comprehensive Transformation Program. The Fund was set with the task of moving from the model of the administrator of state assets to the model of a commercial holding company that effectively manages the assets portfolio. The key focus was to optimize business processes, change the structure of the portfolio and redistribute powers and responsibilities.

2018-2020: business optimization and continuation of transfer of the companies of the Fund's group to the private sector within the framework of Decrees of the Government of Kazakhstan, and the withdrawal of non-strategic assets (divestments). The Fund has taken concrete measures to further increase the profitability of companies and optimize the portfolio structure. Preparation for IPO / SPO (initial public offering / secondary public offering) and/or sale of large PCs to strategic investors continued. Strengthening of the employee safety, financial stability of PCs, achievement of financial and production indicators was administered to minimize the negative impact of the COVID-19 pandemic and the global economic crisis.

Due to the impact of the COVID-19 pandemic, geopolitical instability, global trends and the macroeconomic environment in the country, the need in approaches revision arose. Furthermore, it is necessary to align the Development Plan with key state documents updated by the Government of the Republic of Kazakhstan (Annex 2). In particular, the Nationwide Priorities of the Republic of Kazakhstan until 2025 were determined, the National Development Plan of the Republic of Kazakhstan until 2025 was approved, which defines directions of the new national economic course with a focus on creating a more inclusive and sustainable economy. National projects have been developed, in the implementation of which the Fund takes an active part. The President's Addresses to the People of Kazakhstan of September 01, 2020, and September 01, 2021, announced new priorities, including achieving carbon neutrality by 2060, which will require a revision of the economic growth model, accompanied by significant technological re-equipment and high-quality innovative development.

In this regard, the Fund has updated the Development Plan for the 10-year period. Stimulating economic development is the foundation for sustainable growth in national welfare. There are, however, a number of structural constraints in Kazakhstan, solutions to which imply development of non-primary industries, including moving up the value chain, increase in labor productivity, innovative development, and competition, including the contribution to the development of small and medium-sized businesses, as well as reduction in the carbon intensity of the economy.

Considering the current social economic situation of the country's development and the role of the Fund for the national economy, it seems appropriate today to focus investments primarily in the economy of Kazakhstan, including for the implementation of strategic projects. In this regard, the management model of the Fund in the next 7 years is defined as a strategic holding with the tasks of supporting the social and infrastructural development of the country. By 2030, the Fund should transfer to the investment holding

model with favorable market conditions while retaining a majority stake in the Fund's strategic assets. The Fund will strive to diversify its portfolio and fill it with breakthrough projects with a high share of exports to strengthen its competitiveness and reputation as a "promising partner" on a global scale.

I. Analysis of the current situation

For the purpose of carrying out a comprehensive analysis of the current situation, both external and internal environment aspects have been considered with determining challenges and opportunities at the global, national and corporate levels.

In addition, the effects of the COVID-19 pandemic as well as the current economic situation in the world have been taken into account at all levels of the analysis to identify key findings and strengthen the Fund's preparedness for possible future crises.

1.1. External environment analysis

Global trends

Global trends have a significant impact on determining the company's strategic priorities. As part of the analysis of global trends, 4 key aspects were considered: ecology, world economy, human capital and, technology.

Ecology

The Fund should strive for carbon neutrality to remain competitive and have access to technologies and financial resources.

Increasing number of countries are focusing on adaptation to climate change and the transition to a low- carbon economy as the main factors of state's competitiveness. Considering the efforts to curb the rise in temperature, the world community expects to build a carbon-neutral world by the mid-XXI century. Kazakhstan, in turn, has set a goal to reduce emissions by 15% by 2030 (from the 1990 level) and achieve carbon neutrality by 2060.

It is necessary to use the modern technologies to optimize the use of natural resources.

One of the key directions of achieving carbon neutrality is the development of alternative energy sources. Furthermore, building up energy potential can contribute to solving another key environmental issue - the shortage of water resources. Central Asian countries are related to a region experiencing high levels of "water stress" due to a significant share of water resources usage originating from non-renewable sources (about 79%). The indicator of water resources efficiency (the ratio of value added to the volume of water used) decreased by 12.5% in Kazakhstan from 2015 to 2018 years.

Finding solution to environmental issues and introduction of the principles of environmental, social and corporate governance can significantly improve the investment attractiveness.

Today, international investors consider environmental risks as investment risks and refuse from financing projects related to high level of emissions. The COVID-19 pandemic has accelerated the perception of environmental threats on financial resistance and long-term value of companies. Leading sovereign wealth funds, investment organizations and international companies has diversified their portfolio towards “green” development.

According to updated expert estimates, investments in the energy transition until 2050 are projected to grow by 30% over previous forecasts (additional USD131 trillion or USD4.4 trillion annually from 2021 to 2050). The volume of assets under management that meet criteria of ESG principles is projected to grow by 40% to USD53 trillion, and growth in the volume of ESG debt instruments - to grow 5 times to USD11 trillion by 2025 compared to 2020.

Global economy

The crisis caused by the pandemic and sanction restrictions highlighted the importance of further support for sectors with high import substitution potential, as well as the development of domestic transport infrastructure.

The closure of borders has led to limitations in passenger and cargo transit between countries. The global trade turnover reduced by 5.3% in 2020. Such a slowdown in the processes of globalization had an impact on supply chains with a focus on the localization of production.

In addition, pandemic-related restrictions provided new stimulus for e-commerce, raising the share in total turnover from 14% to 18% globally, with a growth rate of 22 - 28% YoY in 2020. Such trend provides opportunities for the development of transport and logistics complex and multimodal transportation.

In the context of decrease in foreign investment flows, domestic investments are becoming a priority.

In 2020, foreign direct investment flows decreased by 35%. In developed countries and countries with transiting economies decrease in the level of foreign direct investment reached 58%. In order to support domestic economies, global funds are strengthening their focus on domestic markets, the share of transactions in which increased from 13% in the pre-crisis period to 19.3% in 2020, with expected further growth.

Human capital

To ensure the competitiveness and sustainability of the labor market that is resistant to changes, it is necessary to contribute to the retraining of personnel.

Remote work and digitalization are transforming the labor market. According to forecasts, technological modernization by 2025 will result in significant change of the necessary skills and competencies, which will require retraining of the workforce. At the same time, the traditional long-term education is being replaced by distant modular education, largely at the expense of the corporate sector due to the lack of qualified

personnel. In 2020, globally the number of employees trained online at the expense of the companies has increased 5 times.

Improving occupational health and wellbeing of employees, as well as increasing corporate culture will contribute to creating favorable working conditions and attracting/retaining qualified personnel.

The COVID-19 crisis has demonstrated the need for systemic changes in the field of maintaining health and safety in the workplace - the requirements for sanitary and epidemiological control, labor protection and safety at enterprises have been strengthened.

Over the past 10 years, there has been a worldwide trend indicating the increase in competition for talent. At that, the corporate culture, manifested, among other things, in the attitude of the employer to employees, is one of the main factors when choosing a place of work, affects the image of the company, the ability to attract and retain specialists.

Technologies

The pandemic has significantly accelerated the development of digital services.

As a result of the pandemic, the growth rate of the share of global digital interaction with consumers increased from 36% to 58% in 2020. The share of digitalized production and services increased from 35% to 55%, 7 years ahead of previous forecasts. Global funds also have diversified their investment portfolios focusing on the technology sector, in which the volume of transactions increased by 1.9-x to USD345 billion in 2020.

The introduction of advanced technologies and digitalization have a significant impact on all sectors of the economy and play a key role in optimizing business and increasing productivity.

Data-driven analytics is becoming the basis for digital transformation. Today, 35-40% of large companies are already engaged in scaling technologies, such as artificial intelligence, cloud technologies, the Internet of Things (IoT)/intelligent sensors, as well as enhanced cybersecurity. About 20% of companies are introducing and experimenting with robotic process automation.

Overview of the national economy

In the course of the analysis 4 aspects of the national economy have been considered: macroeconomics, investment and foreign trade, social sphere, as well as science and innovation.

Macroeconomics

It is necessary to update the structure of the gross domestic product (hereinafter – GDP) focusing on non-primary industries, manufacturing, and services.

The extraction of primary resources is significantly dominated in the structure of the national economy (12.5% of GDP in 2020). As a result, GDP growth of Kazakhstan is volatile and highly exposed to external shocks. There has been decline in GDP in USD

terms per capita since 2014 due to lower oil prices and consequent depreciation of the national currency.

The share of the manufacturing industry has grown by 1.8% over 10 years but remains below the levels of 1999-2004. In terms of economic complexity, Kazakhstan has lost 23 positions since 1995 and is ranked 78th in 2019 among all countries according to Atlas of Economic Complexity.

It is necessary to revise the tariff policy to ensure the attraction of investments in technological development and modernization of production facilities.

The volatility of GDP negatively affects the state budget while increasing dependence on external debt and transfers from the National Fund. This, in turn, limits investments in the infrastructure projects, while more than 50% of budget expenditures are social. The lack of investment is not compensated by the private sector. One of the limiting factors is the current tariff policy aimed at reducing the impact on the end consumer. As a result, the share of depreciation of fixed assets in the country increased from 36% in 2015 to 38.7% in 2019 (75.5% in electricity supply, 64.2% in the mining industry and 58.9% in information and communications).

Insufficiency of investment in technological progress is also revealed in the low level of economic productivity. The solution of this systemic problem is one of the key factors for sustainable GDP growth and increasing the income of citizens of the country.

Investment and foreign trade

In order to ensure a multiplier effect on the economy, it is necessary to attract foreign direct investment (hereinafter – the FDI) to the sectors of production and services with high added value, while providing a transfer of technological development.

Gross FDIs to Kazakhstan are higher than to countries with a similar economic structure, but more than 50% of gross FDI inflows are concentrated in the crude oil and natural gas sector. Ignoring them, net FDI inflow was negative in 2018-2019.

Given the limited domestic market, it is necessary to prioritize goods and services with high export potential, as well as the possibility of import substitution.

The country's export is focused on raw materials, the share of crude oil in the export is over 50%. At the same time, most of the finished goods are imported, including products that are already produced in Kazakhstan or for which the necessary factors of production are available.

The transport and logistics sector plays a key role in improving the trade balance and ensuring a multiplier effect from the realization of transit potential.

The lack of access to the sea, as the cheapest mean of transporting goods, significantly reduces the export potential of Kazakhstan's goods and increases the cost of imports. In this regard, it is necessary to develop transport infrastructure in order to

diversify and optimize freight corridors and reduce logistics costs including development of multimodal transportation.

The complex geopolitical situation in the world presents both challenges and new opportunities for the development of the country's economy.

The geopolitical and macroeconomic trends have a negative impact on the economy of Kazakhstan – there is pressure on the national currency, there is a violation of transport and logistics chains. At the same time, this opens up the possibility for Kazakhstan to develop new industries.

Domestic business should be supported to strengthen the sustainability of the national economy.

The share of small and medium-sized businesses in the country's economy is less than 35% (in OECD countries - about 65%). Representatives of domestic business have limited funding sources, as well as access to key infrastructure facilities.

Social sphere

Creation of new highly productive jobs should be one of the key areas.

The official unemployment rate in Kazakhstan is about 5%. At the same time, the actually vulnerable part of the labor force in the country is much larger, given that more than 2 million people are listed as “self-employed”, “part-time workers,” and “temporary workers”, especially in the agro-industrial sector with a relatively low level of labor productivity.

The Fund, as the largest employer in the country, needs to maintain a high level of social stability and ensure equality in the post-crisis economic recovery.

There are about 1 million recipients of target social assistance in the country, about 700 thousand persons with disabilities are registered. Income is falling and gender inequality is increasing. Women, unskilled and informally employed workers are becoming the most vulnerable. Lack of jobs, low wages against the background of rising prices for socially important goods lead to decrease in social stability.

Given the presence of subsidized and social assets in the portfolio, the Fund performs the function of redistributing funds between different sectors of the economy for the benefit of the country and our citizens.

Science and Innovation

Building up R&D potential will aid competitiveness in the long run.

Kazakhstan ranks 55th in the competitiveness index of the World Economic Forum (2019). One of the key aspects for improvement is the level of investment in R&D. The volume of investments in R&D amounted to approximately 0.15% of GDP in 2020, which is significantly lower than the average volumes in the world (1.3%) and in developed countries (3-5%). In the ranking of Global Innovations, Kazakhstan was in 77th place

(2020). In terms of the sub-indicator of knowledge and technological production, the country ranks 80th.

1.2. Internal environment analysis

The main activity of the Fund is the strategic assets portfolio management. In this part, the focus should be on the following tasks - technological equipment, corporate governance, personnel support and financial stability.

Technological equipment

It is necessary to timely modernize production assets, including the use of digital technologies, to ensure long-term competitiveness.

The Fund group has a high level of deterioration and lacks modern technological equipment, which implies the risk of reduced production capacity and productivity. For example, as of the beginning of 2021, the deterioration level of main equipment in Fund companies of the energy sector amounted to more than 50%, in the railway transport sector - more than 60%, in the gas transportation infrastructure - about 70%.

The depletion of reserves continues, given that the most part of the mineral resource base was defined before Kazakhstan declared independence.

The use of digital solutions and the effective use of data will ensure competitive advantages and increase labor productivity.

Despite the relatively high level of automation in production, a number of companies of the Fund group lag behind the world's leading peer companies in terms of operational, production and financial efficiency. In particular, the level of the accumulated data usage does not generate additional profit, while there are scattered projects in the field of Big Data (for example, combining customer data across different industries will create synergies). There is no use of 5G in the industrial sector.

Given the presence of the largest energy assets in the portfolio, reduction of the carbon footprint is a significant challenge for the Fund.

Taking into account the use of traditional energy sources, as well as depreciation levels of the equipment, the Fund group has a high level of environmental impact. The companies of the Fund's group are responsible for 13% of the country's greenhouse gas emissions in the country in 2021. The share of companies emitting ash and slag waste is about 38% of the total share of emissions in the country. In terms of emissions of pollutants, the companies of the Fund group account for more than 20% of the total volume in 2020.

Corporate governance

Efforts on improving corporate governance should be continued, significantly increasing the investment attractiveness and management efficiency for PCs.

The quality of corporate governance is one of the most important non--financial factors for increasing the value and competitiveness of companies. . The Fund has already achieved significant results in this area, in particular, by ensuring the initial public offering certain PCs. In 2016, the Fund developed a corporate governance diagnostic methodology for PCs and introduced a corporate governance rating scale.

The Fund should continue working on high-quality interaction with the shareholder and population as key stakeholders.

The Government of Kazakhstan acts both as a shareholder and as a regulator for the Fund at the same time that may cause state bodies' conflict of social and commercial interests. There is a risk of interference by the Sole Shareholder in the operational activities of the Fund, despite the need for interaction through corporate governance mechanisms.

Human resources

It is necessary to continue ensuring social stability and staff satisfaction.

One of the strengths of the Fund is the availability of qualified and competent personnel focused on common corporate values. At the same time, given the presence of the Fund in most of the country and the different levels of regional development in Kazakhstan, there are threats to social stability in the both PCs and contractors. According to results of the study for 2021, the level of social stability in the Fund group was at the level of 73%.

Financial stability

It is necessary to accelerate the diversification of the Fund group's income sources, increase the operational efficiency of the PCs and continue to work on achieving the balanced debt portfolio.

The level of the Fund's consolidated debt is at an acceptable level. Nevertheless, there are high risks of reduced profitability of the Fund group given the volatility in prices for raw materials, in particular oil and petroleum products, and the exchange rate. In September 2022, the S&P Global Ratings agency revised the Fund's rating (to "BBB-", the forecast is "negative") as a consequence of similar changes in the sovereign rating.

It is necessary to continue optimizing the asset structure to increase performance.

Transfer to the competitive environment of legal entities included in the relevant lists according to a Decree of the Government of Kazakhstan is aimed at increasing the national welfare, developing the domestic securities market, increasing revenues for the National Fund.

The Fund is withdrawing from non-strategic assets (divestments) according to its own plans for active management of the investment portfolio, depending on the state of the Fund's portfolio (taking into account the life cycle of assets) and the market, without reference to programs, terms and procedures of the Government of Kazakhstan. At the

same time, the Fund's procedures for transferring assets to the competitive environment may differ from procedures for the withdrawal of non-strategic assets.

II. Mission and vision

Considering the need to ensure high-quality growth and creating a business model resilient to global challenges, the strategic vision of the Fund has been determined as the leader of the national economy, achieving a breakthrough in the innovative development based on the principles of welfare of the people and environmental protection through responsible investments. The mission of the Fund is ensuring sustainable development of the economy and creating long-term value through effective diversified portfolio management and business support in the interests of the people of the Republic of Kazakhstan. The role of the Fund is:

- ensuring synergy between PCs;
- making investments especially in non-primary industries and new areas where the presence of the private sector is limited;
- developing of target industries through the provision of relevant expertise, competence and investments;
- attracting investments, including foreign investments through strategic partnership;
- developing a progressive business culture based on the principles of protecting property and shareholders' rights and supporting domestic companies, including SMEs;
- developing international partnerships with global strategic investors and industry leaders, as well as other sovereign wealth funds.

III. Strategic areas of activity, goals, key performance indicators and expected results for them

In accordance with the mission of the Fund, 3 strategic areas of activity have been identified:

1. Effective portfolio asset management. The strategic goal is to double the net asset value by 2032 as compared to 2021. The Fund will ensure the optimization and improvement of the portfolio quality, introduction of advanced technologies, as well as improvement of the business model.

2. Ecosystem for business. The strategic goal is to develop competition. The Fund will continue to transfer assets to the competitive environment. The Fund as a co-investor will participate only in critically important projects that cannot be implemented by private investors.

3. Sustainable development. The strategic goal is to introduce ESG principles. The key factors should be the well-being of the people, ecological balance and, at the same time, ensuring long-term financial stability based on best business practices and corporate governance principles. This will contribute to increasing the long-term value of assets, increasing investment attractiveness.

20 key initiatives were identified for implementation of strategic goals, the focus on which will allow applying tools and mechanisms that meet external and internal challenges and opportunities, as well as the most efficient use of available resources.

Strategic goal: increase in the value of net assets

1. Improving labor productivity

According to OECD research, labor productivity growth plays a key role in increasing incomes and well-being of the population. The Fund will concentrate all efforts to create productive jobs in high-value-added sectors. Increase in the productivity of workplaces directly correlates with the application of advanced technologies and technological equipment of an individual workplace. More rational use of resources and well-coordinated functioning of all factors of production will be ensured. The companies of the Fund group will strive for opportunities to produce more without increasing the resources consumed, taking into account best international practices.

2. Financial stability

Portfolio Companies developed financial strategies. The Fund and PCs should continue to manage effectively the level of debt and capital structure. Reducing the cost of raised capital will be ensured through systematic work to improve credit ratings. PCs will increase the volume of free liquidity by increasing operational efficiency to maintain an optimal level of debt and minimize the risk of insolvency. Decisions on implementation of investment projects should be taken given commercial expediency to create an optimal portfolio of investment projects with a focus on efficient allocation of resources and long-term interests. When taking decisions on implementation of low-profit socially significant projects, the financial stability of the Fund should be a compulsory factor.

3. Optimization and improvement of business processes

To ensure profitability and increase the operational efficiency of PCs, the Fund will continue systematic reengineering and improvement of business processes, including through digitalization, with identification and exclusion of inefficient corporate and production processes.

The Fund should monitor global technological trends and eliminate gaps in applying digital technologies. Due to the introduction and scaling of the latest applied technologies, the creation of additional value of the assets and products will be ensured, as well as the efficiency of management decision-making will be increased. Further improvement of commercial, industrial and corporate business processes will be carried out with the use of advanced technologies, including IoT, Big Data, robotic process automation (RPA), 5G, digital twins and others.

4. Asset modernization and digitalization

To achieve a positive economic effect, it is necessary to upgrade equipment and modernize production facilities, accelerate the rate of digitalization of production processes and systematically introduce advanced technologies.

Together with the improvement of production efficiency, the approach to the modernization of fixed assets will be aimed at reducing resource consumption and pollutant emissions.

5. Moving up the value chain and creating industries

Taking into account the formed production and raw material base of the Fund, it is necessary to develop new processing facilities on its basis. The launch of high-tech production projects will increase the added value in the industrial sector. Such projects will be implemented with the involvement of private investors.

Portfolio diversification and access to new processing facilities will create a stable dynamics of productivity growth. In this regard, the Fund will conduct an analysis on an ongoing basis to find the most promising markets and partners.

The Fund intends to participate in creation of new industries with a multiplicative economic effect and high added value. A diversified portfolio structure will reduce income volatility and minimize risks. Moreover, the Fund will facilitate the creation of the basis for the development of new clusters through the implementation of infrastructure and backbone projects.

The list of priority sectors for investment, as well as parameters for risk and profitability levels will be periodically determined by the Fund based on internal needs, the country's development directions and global trends meeting the sustainable development principles.

6. Development of R&D and innovation, high-tech industries

The Fund will strengthen work on the development of scientific research, industrial innovations and innovation culture in Portfolio Companies, as well as provide for tools that stimulate the introduction of domestic and foreign R&D in production. It is necessary to build close relationships with the research community and increase the practical effect of scientific developments, including with the support of research work by local personnel. Important attention should be paid to the commercialization of R&D to obtain timely economic effect from scientific developments.

The Center for Scientific and Technological Initiatives was created - a "single window" for scientific and innovative activities. To optimize the use of resources allocated for R&D, it is necessary to strengthen the administration of the allocation and expenditure of funds, as well as to ensure the prioritization of projects and transparency of decision-making procedures.

Strategic goal: development of the competition.

Based on the priority of investing within the country, it follows that it is necessary to strengthen support for SMEs, as a key driver of economic growth, by withdrawing the

Fund from assets, providing businesses with critical infrastructure, as well as co-investing in new projects.

7. IPO/SPO and reducing share in the economy

The Fund will continue to transfer assets to the competitive environment as part of implementation of the privatization plans of the Government of the Republic of Kazakhstan and measures for the withdrawal of non-strategic assets (divestment).

The Fund will make efforts to promote competition. Non-strategic assets will be gradually withdrawn based on economic feasibility and efficiency, as well as the vision of the Fund and PCs regarding the need to be present in a particular sector of the economy. In particular, the Fund is realizing service companies considering the social situation in the region, and in the future, goods, works and services of these companies will be purchased from small and medium-sized businesses. One of the tasks as part of withdrawal from assets is to avoid the creation of private monopolies. Given the expediency of ensuring a balance between the interests of the state and the development of private initiative the Fund's controlling interests/blocks of shares in strategic assets will be retained.

The withdrawal of large companies to the IPO/SPO will be ensured, including using elements of the "People's IPO", assuming a wide coverage of retail investors (citizens of the Republic of Kazakhstan). In the coming periods, it is planned to transfer JSC NC KazMunayGas, Air Astana JSC, JSC NC QazaqGaz, etc. to the competitive environment. In the future, with favorable market conditions, taking into account economic feasibility, the Fund may consider an initial placement of its own block of shares, in agreement with the Government of the Republic of Kazakhstan and other management bodies of the Fund.

Bringing companies to the public equity markets will ensure their compliance with the high requirements of listed organizations, which will add added value.

An important front of the Fund's work is also determined by the endeavor to reduce the levels of the asset structure.

8. Major infrastructure projects

Implementation of large infrastructure projects, for example, in transport and logistics, water supply and energy is necessary for building the foundation for the creation of new industries and production with high added value. Increase in energy potential will support the development of production facilities, and high-quality logistics infrastructure will help for integration into global value chains and open access to new foreign markets.

Moreover, the development of the transport and logistics sector can have a positive impact on the development of the country's regions, which will have access to trade routes with the possibility of exporting their own products or reducing the cost of imports.

The project parameters will involve the use of modern equipment and technologies to minimize the negative impact on the environment.

To ensure the economic feasibility of implementing infrastructure projects, the Fund will continue to work with the authorized bodies on the liberalization of tariff regulation and relevant legislation.

Investment projects will undergo compulsory independent examination and control over the estimated documentation during selection and structuring, and all capital projects will be audited for overestimation of cost, the possibility of cost optimization. At the same time, implementation of major projects should be carried out on the basis of open competitions.

9. Development of the resource base

The Fund's PCs will continue to increase the raw material base. Increase in the resource base will be achieved through the implementation of new exploration projects, as well as the expansion of existing fields. Increasing the extraction of raw materials using the full capacity of production enterprises will help realize the export potential. The active development of focused geological exploration projects will solve the problem of underutilization of metallurgical capacities, depletion of solid mineral reserves and replenishment of the country's mineral resource base.

It will also provide raw material independence to create a base for the production of high value-added products, where special attention will be paid to demanded goods in accordance with the analysis of potential global needs.

10. Global partnership and coordination of investment activities

It is necessary to expand the practice of interaction with major international organizations and sovereign wealth funds to jointly implement initiatives and projects. Moreover, the involvement of international strategic partners will have a positive effect through the transfer of advanced knowledge, practices and technologies, as well as attracting investment for the sustainable development of the national economy.

Strengthening global partnership initiatives along with the geographic diversification will help the Fund to gain access to new markets and increase international investment experience, combining resources and competencies through co-investment mechanisms and improving image of the Republic of Kazakhstan and Fund.

In the issues of implementation of new investment projects, the Fund will continue the principle of balanced financing by contributing its own funds and attracting investors' funds.

The Fund's policy on the priority of domestic investments does not exclude the possibility of foreign investments.

The strategically important location, favorable business environment and investment incentives of the country open up a huge potential for attracting investments that can be directed to the real sector of the economy.

The Fund is constantly working to develop recommendations for improving the investment climate.

It is necessary to hold regular meetings with business partners to discuss topical issues and ways to solve them.

11. Responsible and market-based tariff formation

Most part of the income of the Fund group is formed from the regulated income of companies and is closely related to the issues of setting tariffs by authorized bodies. It is necessary to constantly work to find a balance between the protection of the end user and investments in the renewal and modernization of fixed assets as part of improving the tariff policy of the state. The Fund's ongoing priority projects in electric power and gasification of the regions require updating a number of regulatory documents. It is planned to conduct continuous work together with interested public authorities to modernize the regulatory framework.

The timing of the Fund's transition to the investment holding model is due to the need to create prerequisites in the regulatory system, move away from cross-subsidization, ensure returns and profitability.

12. Equal access to infrastructure and markets

As part of the reform of the Fund group, work will continue to stimulate the development of domestic business by creating equal access to infrastructure.

The Fund will ensure the introduction of transparent mechanisms and the removal of barriers for participants in the oil refining markets, the marketing of oil and petroleum products, the development of the gas market, coal and electricity supplies, the supply of cars and access to other infrastructure.

Strategic goal: introduction of ESG principles

13. Corporate governance

Strengthening corporate governance will be one of the main aspects to increase the long-term value of the company.

The Fund is a non-governmental legal entity in the form of a joint-stock company, which has assets owned by it on the right of private property. Thus, in relations with the state, the Fund acts as a private enterprise entity. In this regard, the principles of conducting business as an independent commercial structure are defined.

1. Delineation of powers of the Government of the Republic of Kazakhstan as the Sole Shareholder and in terms of state regulation relating to the Fund governance. The Government participates in the Fund governance solely through the exercise of the powers and interests of the Sole Shareholder. The Government provides the Fund and organizations with full operational independence and does not allow interference from the Government and public authorities in operational (current) and investment activities. The functions and rights of the shareholder must be exercised through the Board of Directors and establishment of key performance indicators.

2. Increasing the role of the Board of Directors. The role of the Board of Directors in the Fund governance is increasing on an ongoing basis, with a focus on the opinion of independent directors. The Fund will strive to maintain the share of independent directors in the PCs at the level of 50% of the composition of the Boards of Directors.

3. The structure of the Board of Directors composition will be formed given the requirements to the formation of the full-fledged and effective committees that are key working bodies of the Board of Directors. The Fund will support the work with the succession of the composition of the PC Board of Directors. For this purpose, high-quality work will be ensured to maintain the Fund's talent pool for potential members of the PC Board of Directors, as well as to select and hire directors who meet the target profile.

4. The PCs governance based on the principles of corporate governance. The Fund participates in PC governance through the exercise of shareholder rights and interaction with the PC Boards of Directors, including through its representatives on the PC Boards of Directors. For all PCs, regardless of the plans and timing of the IPO, the goal is to significantly improve corporate governance practices to the level of listing requirements of leading international exchanges in terms of compliance, disclosure, transparency, procurement and other aspects of corporate governance.

5. Activities is based on commercial interests. When taking decisions, the Fund proceeds primarily from commercial expediency. Social policy issues will be taken into account based on the interests of the Fund.

Implementation of the best international practices of corporate governance will increase the level of perception of the company by shareholders and investors, reduce the cost of borrowed capital, and ultimately will increase the long-term value of the company.

14. Openness, transparency and compliance

As part of ensuring transparency of the Fund activities, effective and close cooperation with the anti-corruption service, financial monitoring bodies and prosecutors is planned.

The role of the Compliance Service with broad access to the issues under consideration by the management bodies of companies is increasing.

Horizontal monitoring is being introduced to expand information interaction with the authorized state body responsible for providing tax revenues and payments to the budget.

15. Social responsibility

The Fund strives to continuously improve the working conditions of employees, safety measures and other social aspects to improve the well-being of the people. The Fund considers the balance between production approaches and social priorities as one of the main tasks in the regions of its presence. Regular sociological research in all PCs and the development of corrective measures will continue.

The Fund has approved the Comprehensive Plan to ensure social stability. Work will continue to promote and strengthen the role of conciliation institutions, including training of trade unions and the creation of its own pool of mediators. More than 84% of the production staff of the Fund group of companies are members of trade unions. More than 20 types of social benefits are provided as part of collective agreements for employees and their family members, the list of which will be expanded.

The Fund will continue to contribute to the social development of the country through charitable activities and corporate sponsorship, as well as promotion of corporate volunteerism.

As part of the implementation of the “Hearing State” concept, as well as to consider interests of civil society and the public opinion, the Public Council was created to discuss a wide range of issues, the role of which will be enhanced.

16. H&S Best Practices

Reduction of traumatism in the Fund group will be ensured on the “zero” tolerance principle. Therefore, the Fund should improve its work on ensuring personal safety and accident-free production. Introduction of the world H&S best practices, including the use of innovative and digital solutions, development of necessary competencies, as well as raising awareness and culture of occupational safety should be key areas.

Moreover, it is necessary to build interaction and exchange of practices with contracting companies to improve and ensure the safety of workplaces when performing work and rendering services for the Fund group.

An important part of the task for the PCs will be the development of behavioral leadership in dealing with the consequences of incidents that have occurred, including through the adoption of regulatory rules and (or) procedures.

17. Human capital development

The Fund needs to increase its human resources potential, strengthen competencies in new areas and engage in continuous professional development of the employees based on the best international practices. In addition to technical skills, it is necessary to improve the leadership potential of the Fund employees, supporting the development of modern business leaders.

It is also required to introduce various mechanisms, including non-financial ones, to retain personnel, including improving the conditions of collective agreements and the social package, public recognition of merits.

The Fund will continue to form and develop an effective corporate culture based on strong leadership teams, introduction of the fundamental principles of meritocracy and investing in HR development. Corporate values that will contribute to the achievement of the strategic goals and key priorities of the Fund should receive further promotion.

The practice of creating equal working conditions for all employees, excluding any forms of harassment or discrimination in the field of labor and employment should be continued. The Fund is aimed at promoting age diversity, gender and national balance in the Fund group of companies.

18. Resource saving

To reduce negative impact on the environment, it is necessary to modernize equipment, use modern technologies in the implementation of new investment projects. An integrated approach is required with the promotion of a culture of careful attitude to the environment, obtaining international ESG ratings, as well as the use of digital

technologies for monitoring environmental impact. Considering the main priorities of the development of the electric power industry in Kazakhstan, the Fund group will strive to develop and apply clean coal and other best available techniques.

The Fund will strive for the efficient use of resources, including fuel, energy and water. It is necessary to introduce advanced technologies and innovative solutions to reduce the specific use of resources. In addition to technological re-equipment, the development of a culture of thrift should be the key aspect.

19. Decarbonization

The climate agenda involves a revision of business models and technological transformation with an emphasis on low-carbon development. The long-term goal is to achieve carbon neutrality by 2060.

The Decarbonization Concept of the Fund Group will be developed. The key initiatives of Portfolio Companies should be aimed, inter alia, at replacing coal generation with gas one, commissioning new capacities based on alternative energy sources, construction of renewable energy facilities for their own consumption, energy efficiency, introduction of the energy storage systems, carbon capture and storage, hydrogen energy, as well as landscaping and carbon absorption measures. Moreover, the Fund will consider the possibility of building a nuclear power plant.

At the same time, a significant role will be assigned to introducing digital decisions, promoting environmental culture and changing thinking towards a lean approach to the environment.

Moreover, the transition to low-carbon development will also have an impact on investment decision-making, as well as procurement activities - as an additional parameter, it will be necessary to consider the effect on emissions of greenhouse gases and pollutants.

Given the high priority of ensuring the country's energy security, in the coming years the Fund will continue to implement projects for the construction of coal-fired generation facilities along with the development of RES projects. At the same time, the indicator for reducing the net carbon footprint will be maintained.

20. "Green" financing

It is necessary to develop new tools for financing projects that correspond to the "green" taxonomy. In addition to "green" financing from development institutions and financial institutions, the possibility of issuing "green" bonds linked to environmental and climate targets should be considered.

Moreover, given the potential of introducing a carbon tax and additional penalties for greenhouse gas emissions, as well as the sale of carbon quotas, it is necessary to provide for the mechanisms for accumulation of funds as a goal-oriented additional source of financing for "green" projects.

It is also necessary to consider the possibility of using R&D contributions for innovative projects for the transition to a "green economy", for example, carbon capture

and storage, use of hydrogen technologies, absorption of greenhouse gas emissions through landscaping.

It should be noted that the financing of projects will not be limited only to “green” bonds.

The implementation of ESG principles is defined as an individual strategic goal. At the same time, the sustainable development agenda is designated as the main approach to achieving goals in all areas of the Fund’s activities.

The implementation of 20 initiatives identified by the Fund will ensure the effective achievement of strategic goals. As a result, the Fund will contribute to the diversification of the national economy, as well as the implementation of a breakthrough in innovative development. At the same time, the introduction of the principles of sustainable development and the pursuit of carbon neutrality will increase the welfare of the people of Kazakhstan, preserving the ecosystem for future generations.

Achieving the mission and the main priorities of the Fund will be ensured through regular monitoring of the following strategic KPIs (Annex 3):

Strategic areas of operations	Goal	Strategic KPIs	Unit of measure	Target value			Expectations	
				2025	2028	2032	2040	2050
Effective portfolio asset management (33.3%)	Increase in the value of net assets	Labor productivity	ratio	1,2x by 2021	1,3x by 2021	1,5x by 2021	2x by 2021	3x by 2021
		NAV	ratio	1,3x by 2021	1,6x by 2021	2x by 2021	4x by 2021	7x by 2021
Ecosystem for business (33.3%)	Development of competition	Investments in fixed assets	KZT trillion	8,2	17,0	31,6	55	80
		Reducing the Fund’s share in the economy	%	≤5,9	≤5,5	≤5,0	≤5,0	≤5,0
		Gross inflow of foreign investment	USD billion	8,0	15,5	27,8	50	80
Sustainable development (33,3%)	Introduction of ESG principles	ESG rating	percentile	40	60	70	77	100
		Reducing the net carbon footprint	%	-	-	≥ [-10%] к 2021	≥ [-40%] к 2021	≥ [-65%] к 2021

IV. Risk management system

No	Risk name or threat	Risk consequences	Risk prevention measures	Risk response measures
1	2	3	4	5
Strategic direction 1. Effective portfolio asset management				
1.1	Under-supply of funding sources or tariffs	Lack of funding sources and failure to implement capital projects	Amending the tariff policy and improving financial stability	Search for alternative funding sources
1.2	Lack of strategic partners	Deficit of transfer of technologies, resources and competencies	Improving investment attractiveness	Development of internal competencies, R&D and innovation
1.3	Deficit of infrastructure and resources	Lack of opportunities for moving up the value chain	Timely search for sources of financing and diversification of infrastructure opportunities and resources	Search for alternative funding sources
1.4	Extension of country sanctions to the Fund group	Restriction on foreign assets	Development of the Fund as an independent commercial structure based on best practices of corporate governance. Partner selection analysis	Appeal to the appropriate authorities
1.5	Unfavorable change in raw material prices	Deterioration of the financial situation	Diversification of income sources	Cost optimization
1.6	Cyber risks	Leakage of sensitive data, financial losses	Introduction of advanced cyber security systems, compliance with information security regulations and protocols	Identification and elimination of vulnerabilities
1.7	Lack of money to finance R&D and innovation	Reduced efficiency and competitiveness	Development of a regulatory framework for the development of R&D and innovation, measures to stimulate R&D and innovation	Prioritization of R&D projects
Strategic direction 2. Ecosystem for business				

2.1	Unfavorable market conditions for withdrawal of assets for IPO/SPO	Untimely attraction of funding	Timely asset preparation and market analysis	Revision of plans for withdrawal of assets for IPO/SPO, search for strategic partners
2.2	Under-supply of funding sources or tariffs	Failure to realize investment projects, which will lead to a lack of infrastructure for business	Amending the tariff policy and improving financial stability	Search for alternative funding sources
2.3	Long-term adaptation to global changes in business models	Reduced efficiency and competitiveness	Introduction of advanced technologies, promotion of corporate culture of constant transformations and improvements	Acceleration of digitalization and retraining of personnel, involvement of experts
2.4	Coordination of the speed of matching capabilities with the speed of technological change	Inability to use market opportunities	Continuous staff training	Attracting strategic partners
Strategic direction 3. Sustainable development				
3.1	Limited access to new “green” technologies	Financial and reputational losses, reduced investment attractiveness and competitiveness	Search and attraction of strategic partners	Search and adaptation of alternative technologies
3.2	Lack of economic incentives for the introduction of	Increased emissions of greenhouse gases and pollutants	Development of new financing instruments	Elaboration with authorized bodies of amendments to legislative and regulatory documents

	“green” technologies			
3.3	Stricter environmental requirements	Financial losses	Timely implementation of decarbonization plans, interaction with authorized bodies	Accelerating the transition to low-carbon development, searching for alternative offset instruments
3.4	Violation of corporate governance principles	Decrease in credit rating and investment attractiveness	Timely introduction of best corporate governance practices	Diagnostics of corporate governance and taking appropriate measures
3.5	Staff shortage, outflow of qualified personnel	Lack of competencies, inadequate implementation of decarbonization plans	Professional development of employees of the Fund and PCs, strengthening of corporate culture, creation of favorable working conditions	Involvement of external experts, ensuring staff succession

Annex 1
To the Development Plan of Joint-Stock Company
“Sovereign Wealth Fund “Samruk-Kazyna” for
2023 - 2032

Mission, vision, strategic directions of activity, tasks, objectives, key performance indicators

Mission	Ensuring sustainable economic development and creating long-term value through effective management of a diversified portfolio of assets and business support in the interests of the people of the Republic of Kazakhstan		
Vision	The leader of the national economy, making a breakthrough in innovative development based on the principles of human well-being and environmental protection through responsible investments		
Strategic directions	Effective asset portfolio management	Ecosystem for business	Sustainable development
Objectives	Increase in net asset value	Development of competition	Implementation of ESG principles
Tasks	<ol style="list-style-type: none"> 1. Increase in labor productivity. 2. Financial stability. 3. Optimization and improvement of business processes. 4. Asset modernization and digitalization. 5. Entering new redevelopments and creating industries. 6. Development of R&D and innovation, high-tech industries. 	<ol style="list-style-type: none"> 7. IPO/SPO and a decline in the share of the economy. 8. Major infrastructure projects. 9. Development of the resource base. 10. Global partnership and coordination of investment activities. 11. Responsible and market-based tariff formation. 12. Equal access to infrastructure and markets. 	<ol style="list-style-type: none"> 13. Corporate governance. 14. Openness, transparency and compliance. 15. Social responsibility. 16. H&S best practices. 17. Development of human capital. 18. Resource conservation. 19. Decarbonization. 20. “Green” financing.
KPI	<ol style="list-style-type: none"> 1. Labor productivity. 2. NAV. 	<ol style="list-style-type: none"> 3. Investments in fixed assets. 4. Reduction of the Fund's share in the economy. 	<ol style="list-style-type: none"> 6. ESG rating 7. Reduction of the net carbon footprint.

		5. Gross inflow of foreign investments.	
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Annex 2
To the Development Plan of Joint-Stock Company
“Sovereign Wealth Fund “Samruk-Kazyna” for
2023 - 2032

Strategic Map

SPS level	Indicators							
1st level	Kazakhstan-2050 Strategy							
	Priority 1 “The economic policy of the new deal - a comprehensive economic pragmatism based on the principles of profitability, return on investment and competitiveness”							
2nd level	National priorities of the Republic of Kazakhstan							
	Direction 3 “Strong economy”							
	8. Building a diversified and innovative economy				9. Active development of economic and trade diplomacy		8. Building a diversified and innovative economy	
3rd level	National Development Plan of the Republic of Kazakhstan (key national indicators)							
	-	GDP per capita in nominal terms GDP per capita by PPP	Labor productivity growth	Share of electricity from renewable energy sources	Investments in fixed assets	Gross inflow of foreign direct investment	-	-
4th level	Territorial Development Plan of the Republic of Kazakhstan							
5th level	Strategy for achieving carbon neutrality of the Republic of Kazakhstan until 2060 (under development);							

national projects of the Republic of Kazakhstan							
6th level	Development plans of national management holdings, national holdings and national companies						
Key performance indicators of the company under the Development Plan	Reduction of the Fund's share in the economy	NAV	Labor productivity	Reducing the net carbon footprint	Investments in fixed assets	Gross inflow of foreign investments	ESG-rating

Annex 3
To the Development Plan of Joint-Stock Company
“Sovereign Wealth Fund “Samruk-Kazyna” for
2023 - 2032

Methodology for calculating strategic key performance indicators

#	Strategic KPI	Unit of measure	Calculation methodology
1	2	3	4
1	Labor productivity ¹	Ratio	Fund’s GVA / average number of employees of the Fund group
2	NAV	Ratio	$\sum(\text{market value of the company} * \text{ownership share}) + \sum(\text{book value of the company} * \text{ownership share}) + \text{total assets of the corporate center (excluding investments in portfolio and associated companies)} - \text{liabilities of the corporate center} + [(\text{dividends to the shareholder} + \text{other distributions to the shareholder} - \text{contributions to the authorized capital from the shareholder}) \text{ cumulatively starting from 2021}]$ <p>market value of the company = market capitalization [number of shares * price per share]</p> <p>book value of the company = (total assets (market, if not, then balance sheet) – total liabilities (market, if not, then balance sheet) – non-controlling interest)</p> <p>*settlements are made in the currency of the financial statements</p>
3	Investments in fixed assets	KZT trillion	Cumulative value of investments in fixed assets from 2023 (inclusive)
4	Reduction of the Fund’s share in the economy	%	GVA of the Fund / GDP of the Republic of Kazakhstan
5	Gross inflow of foreign investments	USD billion	Cumulative value of gross inflow of foreign investments from 2023 (inclusive)

6	ESG-rating	percentile	Percentile of the Fund's $CC*0.2 + \sum$ percentile of $PC*0.16$; where the entire corporate center of the Fund is 20%, the weight of PCs (KMG, QG, CAP, KTZ, KEGOC) by 16%
7	Reducing the net carbon footprint	%	the aggregate amount of greenhouse gas emissions (by coverage 1 and 2) of the Fund, minus the total number of reduced (offset) carbon units

Note:

the nominal indicator will be adjusted with account of price increase. In case of devaluation of the national currency by more than 10% for the reporting year, the corresponding adjustment of the indicator will be carried out. At the same time, taking into account the effect of devaluation, inflation will not be taken into account in this year.

Annex 4
To the Development Plan of Joint-Stock Company
“Sovereign Wealth Fund “Samruk-Kazyna” for
2023 - 2032

SWOT- ANALYSIS

<p>Strengths</p> <ul style="list-style-type: none"> • The largest employer in the country • Experience in attracting investments to Kazakhstan. • Improved corporate governance policy in accordance with international standards • Significant financial resources • High credit rating and access to relatively cheap financing • Participation in discussions of draft laws 	<p>Weaknesses</p> <ul style="list-style-type: none"> • A large share of greenhouse gas emissions in Kazakhstan • Wear of the main equipment • Contradiction between social and commercial requirements of the Fund’s shareholder
<p>Opportunities</p> <ul style="list-style-type: none"> • Promoting the creation of a diversified national economy with high value-added production • Modernization of fixed assets, introduction of the latest technologies to increase labor productivity and reduce environmental impact • Support for research and development, launch of new scientific and technical initiatives • Achieving carbon neutrality, implementing ESG principles and reducing the cost of capital • Attracting investments to Kazakhstan, contributing to the creation of value chains, supporting logistics development and route diversification 	<p>Threats</p> <ul style="list-style-type: none"> • Decrease in projected FDI inflows, growth of protectionism worldwide • Stricter requirements and growth of H&S and CSR initiatives • Social instability • Reduction of the state's share in the economy

Note: explanation of abbreviations

ESG – Environmental, Social and Corporate Governance

IPO – initial public offering of the company’s shares

H&S – Occupational health and safety

SPO – secondary public offering of the company’s shares

USD – United States dollar

R&D – research and development work

GDP – gross domestic product

RES – renewable energy sources

CSR – Corporate Social responsibility

KC – corporate center

KPI – key performance indicators

FDI – inflow of foreign investments

SMEs – small and medium-sized businesses

OECD – Organization for Economic Cooperation and Development
