



WELCOME MESSAGE FROM THE CEO

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CEO Samruk-Kazyna JSC

Dear colleagues, partners and investors!

2021 became the year of global challenges. The values were redefined towards increasing emphasis on the safety and well-being of people, reducing the impact on the environment, and developing corporate culture.

People are the main value of the company. The performance results of the Fund and the value created for investors depend on the level of professionalism and safety of everyone.

During the pandemic, the Fund and portfolio companies retained jobs and ensured timely and full payment of wages. Moreover, the Fund continued to provide assistance to the population through social projects. In 2021, we implemented 32 charitable projects which in total covered more than 500 thousand beneficiaries.

The Fund also supported the state vaccination campaign and financed the purchase of the Hayat Vax

vaccine for the population of Kazakhstan so that everyone could receive the vaccine in state medical institutions. To date, the Fund continues to work on vaccinating employees against coronavirus infection.

The issues of improving the industrial safety system for me personally and for the Fund as a whole are the highest priority. All employees of the Fund Group, without exception, must return home to their families alive and intact. Over three years, the Fund's group of companies has performed significant work in the field of HSE. In 2021, the number of injured employees decreased by 36% compared to 2019.

Our hard work to protect the health and safety of our employees, contractors and the population is a fundamental factor for the long-term and successful business of Samruk-Kazyna group of companies. Therefore, 2022 was declared the Year of Occupational Health and Safety.

The Fund promptly took appropriate measures to minimize a negative impact of the pandemic and, thanks to proactive actions, was able to achieve key performance indicators.

The production and financial performance for 2021 exceeded the results achieved before the 2019 pandemic.

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Net profit amounted to KZT 1.6 trillion, which is significantly higher than the annual planned figure. The growth was mainly driven by the raise in prices for oil and petroleum products, which still account for a significant share of revenue.

It is worth noting a significant improvement in indicators in other areas, such as passenger air transportation, railway freight traffic, and an increase in demand for electricity. This was largely caused by the restoration of business activity and the removal of quarantine measures after the difficult 2020.

Taking into account a dividend policy approved in 2021, the Fund is constantly working to increase the dividend income in favor of the Sole Shareholder represented by the Government of the Republic of Kazakhstan. Thus, following the results of 2021, the Fund will transfer KZT 170 billion to the republican budget, which is twice as high as in 2020.

The companies of the Fund Group are major taxpayers. In 2021, about KZT 1.2 trillion was allocated to the budget of the Republic of Kazakhstan, which on average amounts to 10% of annual revenues to the republican budget.

Special attention is paid to the reduction of the Fund's share in the country's economy. In 2021, five assets of the Fund were sold for a total amount of about KZT 2.7 billion.

In addition, the Fund focused its efforts on preparing NC KazMunayGas JSC and Air Astana JSC for the inclusion in the international listing and elaborating the issues of involving independent consultants, as well as the issues of adaptation of such individual elements of the People's IPO as extensive local coverage of planned transactions, the involvement of domestic retail investors, and ensuring a longer period for the receipt of applications.

In 2021, the Fund worked to withdraw from non-strategic assets within the framework of portfolio companies' own plans to optimize the portfolio, of which 13 assets were

sold, 2 assets were transferred to state ownership, and 8 assets were liquidated.

While the whole world is striving for a sustainable and inclusive future, Samruk-Kazyna has also begun the process of reforming, revising the philosophy and approaches to doing business and strengthening social responsibility.

We started updating the Fund's development strategy considering new risks and opportunities. When developing the strategy, we proceeded from the key goal of creating Samruk-Kazyna Fund which was to increase national welfare through the promotion of sustainable economic development.

We identified sustainable development as one of the foundations for quality growth and increasing the shareholder value. While ensuring the financial stability of the Fund's Group, we set the task of meeting the ESG principles, which means improving the well-being of people and reducing the negative impact on the environment.

Today, the world community no longer needs the deterrent scenarios of inaction against the background of the climate and environmental circumstances. Heads of Governments and representatives of business communities understand the need to reduce the environmental impact and strive to find constructive solutions. Investors are also aware that environmental risks become investment risks that will affect the long-term financial stability and value of companies.

The Fund is already actively working in this direction. Samruk-Kazyna, as a large holding company representing the interests of the state in the electric power industry, plays a key role in the country's plans for the transition to a "green" economy.

About 70% of the electricity produced in our country is generated using coal as fuel. Due to the fact that tariffs for gas, coal and, as a result, electricity are among the lowest, the economy of

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KZT
2.7
BILLION

**Samruk-Energy placed
debut “green” bonds worth**

KZT

18.4

BILLION

on the AIX exchange

Kazakhstan ranks 12th in the world in terms of energy intensity and 5th in terms of carbon intensity. At the same time, population growth, trends in digitalization and automation cause an increase in electricity consumption, and demand may increase 3 times by 2060, therefore, sources of basic generation are required to cover this demand.

We consider all the above-mentioned and other aspects when developing the Fund's Concept for the Transition

to Low-Carbon Development, which defines the Fund's vision and goals for achieving carbon neutrality. We have set a goal to reduce the carbon footprint by 10% with further achievement of carbon neutrality by 2060.

In 2021, the Fund implemented a set of measures to reduce the environmental impact and ensure rational use of resources. Thus, during the reporting year, the Fund's Portfolio Companies launched several RES projects. With the participation of the Head of State, a project was launched to transfer the Almaty CHP-2 to gas. In the future, it is also planned to transfer the CHP-3 to gas.

The Fund's Portfolio Companies, which are mostly large producers that use energy-intensive technologies, pay great attention to energy saving and improvement of energy efficiency. One of the most energy-intensive enterprises of the Fund – Samruk-Energo – implements an Energy Saving and Energy Efficiency Improvement Program for 2015-2025. KazMunayGas, in turn, implemented 49 measures in 2021, as a result of which savings in fuel and energy resources amounted to 5.3 million kW of electricity and 8,107 thousand m³ of natural gas.

To finance the accomplishment of the tasks, the Fund and its Portfolio Companies consider the possibility of issuing green bonds or bonds linked to sustainable development goals. In November 2021, with the support of the AIFC, Samruk-Energy placed debut “green” bonds worth KZT 18.4 billion on the AIX exchange.

In general, we believe that the Fund can act as a locomotive of transition to low-carbon development in Kazakhstan.

We consider corporate governance as one of the key non-financial factors that ensure effective portfolio management and increasing the long-term value of assets. All Portfolio Companies, regardless of the plans and terms of the initial public offering, have the task to improve the level of corporate governance. This also includes the requirements for ensuring transparency in a decision-making process, compliance procedures and disclosure of information.

As part of the implementation of the ERP agenda, all Portfolio Companies of the Fund will work in the coming years to obtain ESG ratings. Several Portfolio Companies are already working with international rating agencies.

Suppliers and contractors are the most important participants in the value chain in adhering to the ESG principles. Over the past two years, we have seen a significant increase in competitive procurements by means of an open tender and a request for quotes. The share of procurements from one source has been reduced 5 times, while competitive procurements have increased 6 times. Direct support was provided to domestic producers for a total amount of KZT 246 billion. Based on the procurement results for 2021, saving amounted to KZT 145 billion.

The Fund continues to work on improving its key indicators. At the beginning of 2022, the Supreme Council for Reforms chaired by the Head of State approved the Fund's Reform Program, which contained urgent and systemic reform measures.

As part of urgent measures, the number of the Fund's Corporate Center was reduced, the organizational structure was optimized, and foreign representative offices were closed. Thanks to these measures, the Fund reduced the costs of the Corporate Center by about KZT 2.6 billion. Similar work is carried out at the level of the Fund's group of companies.

To date, we have started implementing systemic measures to improve the welfare of the population, which include initiatives to increase the corporate social responsibility of the Fund and Portfolio Companies,

business support, new approaches in dividend and investment policies, asset privatization and human capital development.

In general, the Fund is systematically moving towards the achievement of its goals. Comprehensive work is being carried out to improve the efficiency of Portfolio Companies. In the short term, we see the Fund as a strategic holding company that is subject to further transition to the investment holding model. In the long term, radical transformations based on global trends are expected.

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Direct support was provided to domestic commodity producers through category procurements for a total amount of

KZT

246

BILLION