



Welcome to the future

SUSTAINABILITY REPORT

2017

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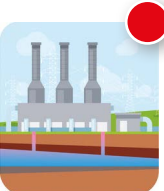
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ABOUT THE REPORT

Since 2016 the Fund has initiated a separate report on sustainable development (hereinafter - the Report), and this report is the second non-financial reporting. The Fund makes disclosure of the performance results in the field of sustainable development, relying on the principles of transparency and openness and striving to the fullest information of stakeholders. As one of the recognized investment holdings, we realize how our long-term sustainable development is important in regions of operation.

Historically the Fund publishes in the Sustainability Report data on direct and indirect economic and ecological influence in the main regions of operation, about the HR policy and labor relations, HSE as well as about interaction with stakeholders.

In preparing the 2017 Report we focused on the analysis results of importance of sustainability aspects executed in 2016 according to the approach provided by the GRI G4. The identified material aspects are provided in the 2016 Sustainability Report; they are relevant even for this accounting period.

The Report contains the indicators on “Health and Safety”, information on effectiveness of ecological activity of the Fund. This Report raises a number of questions in detail connected with priorities of the Fund performance and sustainability initiatives in 2017.

The procedure for materiality assessment of the core aspects of the Fund's performance was developed and implemented to determine the contents of the Report.

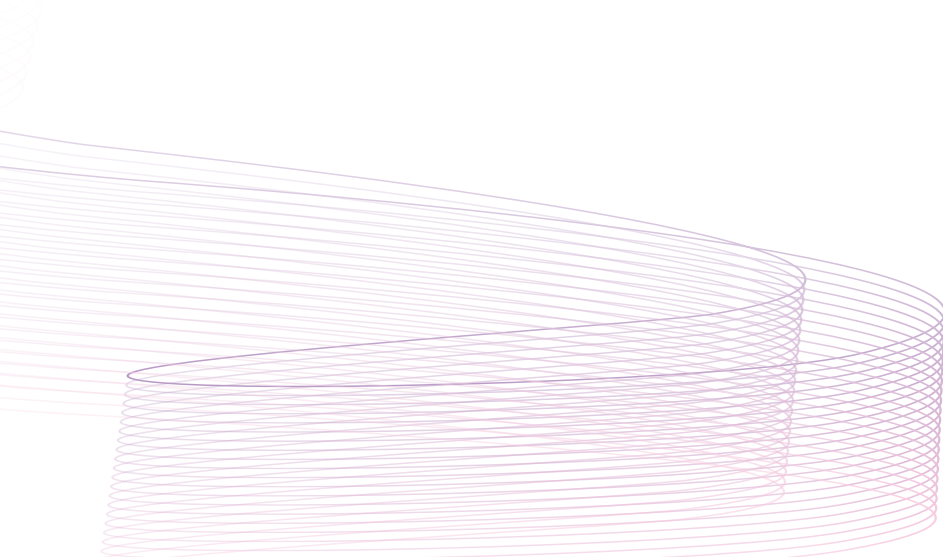
Disclosure borders on material aspects are defined in such a way that the Report describes all most significant influence of the Fund.

The core economic, social and ecological business in the context of sustainable development during the period is reflected in the Report from January 1 to December 31, 2017. The Report covers performance of the Fund and the 12 main Portfolio companies.

Regarding financial performance the Report is prepared on the basis of data of consolidated financial statements under the IFRS standards for the year ended December 31, 2017 on 22 Portfolio companies which enter the consolidation perimeter.

Non-financial indicators are reflected in the Report on 12 largest portfolio companies of the Fund.

This Report has been prepared “in accordance with” the main version of the Sustainability Reporting Guidelines (GRI-G4).



WELCOME ADDRESS OF THE CEO

DEAR READERS!

Welcome to our 2017 Consolidated Sustainability Report of Samruk-Kazyna JSC which reflects detailed information on the performance of the Fund's group of companies in the economic, environmental and social aspects.

The results of 2017 confirm the appropriateness of our approach – the consolidated revenue last year made KZT 5,124 billion including the amount of dividends paid to the Sole Shareholder – KZT 12 billion, KZT 787.6 billion paid to the state budget.

Strong human development is one of the most important elements of sustainable development of the Fund's group. We set ambitious goals on integration of best HR practice and enhancing the corporate culture. We continuously invest in training and development of employees. The high level of trust of our employees and effectiveness of our social, personnel and communication policies is evidenced by the social stability rating which made 72% in 2017 as compared to 58% in 2013. This is a solid indicator not only for Kazakhstan, but also for international companies and countries which in general pursuing sustainable growth.

In 2017 six major Portfolio companies of the Fund conducted the independent diagnostics of corporate governance: NC KazMunayGas JSC, NC Kazakhstan Temir Zholy JSC, NAC Kazatomprom JSC, Kazpost JSC, Samruk-Energy JSC and KEGOC JSC.

In 2018 twelve major Portfolio companies are being assessed by the effectiveness of the Board of Directors, risk management, internal control and audit, transparency and disclosure of information, shareholder's rights and implementation of sustainability principles. Recommendations were developed

on the basis of diagnostic results and their implementation will allow portfolio companies to improve continuously the level of corporate governance to be of great importance in view of the forthcoming IPO.

We have included ecological responsibility to be supported by investing in environmental activities and environmental friendliness among our constant priorities this year.

As for social responsibility – 51 charitable projects for KZT 15 billion covering more than 300,000 beneficiaries were implemented in 2017. This work to be continued in 2018. Supporting a favorable social climate in the regions of operation which is a key factor in the implementation of our strategy, we invest in the development of social infrastructure and social projects aimed at supporting children and youth, development of local communities and supporting small and medium-sized businesses. This area contributes to the creation of favorable economic, legal and organizational conditions for the activities of the Fund and comprehensive development of the economy of the Republic of Kazakhstan.

In 2018 we updated the Development strategy of the Fund for 2018-2028. The Strategy comes in line with the national development goals. Together with high financial results, we are aimed to increase the effectiveness of corporate governance and sustainable development as one of the priority activities. I do believe that key development initiatives of the Fund allows us to achieve goals set and make its worthy contribution to sustainable development of the Republic of Kazakhstan.



**Mr Akhmetzhan
YESSIMOV**

**Chairman of
the Management Board
of Samruk-Kazyna JSC**

WELCOME TO THE FUTURE



Joint-Stock Company Sovereign Wealth Fund Samruk-Kazyna is the Fund where the Sole Shareholder is the Government of the Republic of Kazakhstan.

The Fund was established in 2008 by the Decree of the President of the Republic of Kazakhstan and represents a commercial structure — investment holding which mission is to increase the national welfare of the Republic of Kazakhstan and support of modernization of the national economy.

Samruk-Kazyna Fund carries out the mission through effective management of portfolio companies — for increase in their long-term cost and sustainable development and also through implementation of catalytic investments in the development of priority sectors of the national economy



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Process of establishing the Fund



Participate in process of stabilization of national economy

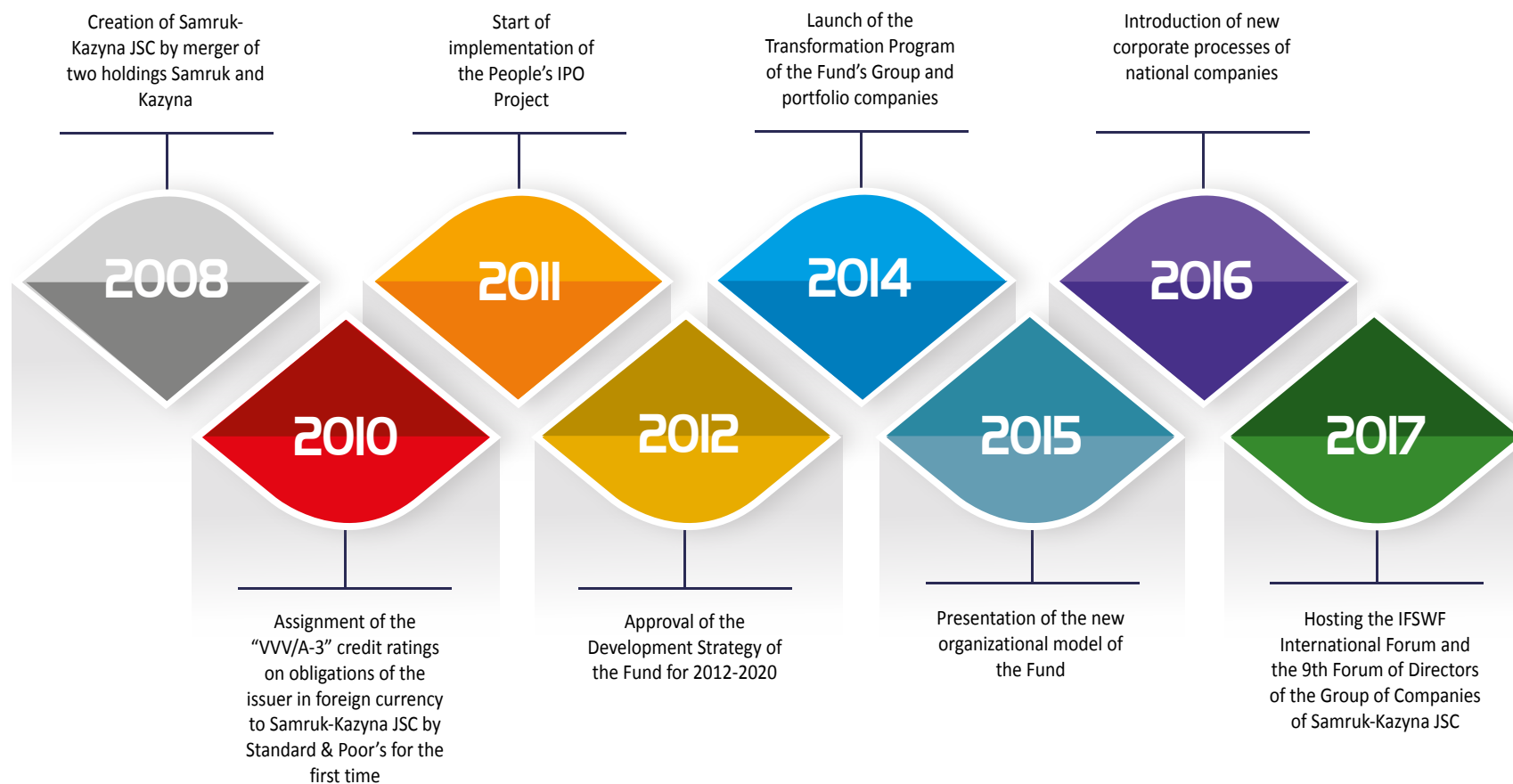
Assistance in modernization and diversification of the national economy



Increase in business performance of the Company

Detailed information on the Fund can be found on the website www.sk.kz

DEVELOPMENT MILESTONES OF THE FUND



DEVELOPMENT STRATEGY OF THE FUND

Our Mission

Increase national wealth of the Republic of Kazakhstan and long-term sustainability for future generations.

Our Vision

An investment holding that delivers strong financial performance, investment returns and portfolio development on par with leading sovereign wealth funds.

In 2018, we revised the strategic goals, directions and determined new tasks. The Development Strategy approved by the Head of State in April this year involves the following key strategic initiatives: improving the profitability of portfolio companies, optimizing the portfolio structure, ensuring income diversification and sustainable development. Great importance will also be given to development of human capital and the approach to providing sponsorship and charity

STRATEGIC GOALS



STRATEGIC INITIATIVES

Increasing the profitability of companies

- ▶ Debt Management, Financial Sustainability
- ▶ Cost Reduction
- ▶ Profitability Increase
- ▶ Optimization of Business Processes
- ▶ Synergy of Companies
- ▶ Transformation, Digitalization, Automation
- ▶ Organizational Restructuring

Streamline Portfolio Structure

- ▶ Privatization
- ▶ Reduction of Legal Entities
- ▶ Withdrawal from Non-Strategic Assets
- ▶ Revision of Investment Projects

Income Diversification

- ▶ Rebalancing the Investment Portfolio
- ▶ Investments in New Sectors in Kazakhstan
- ▶ International Investments
- ▶ Involvement of Strategic Partners
- ▶ Attracting New Sources of Capital and Growth

Corporate Governance and Sustainability

- ▶ Effective Corporate Governance
- ▶ Development of Human Capital
- ▶ Implementation of Sustainable Development Initiatives
- ▶ Increase in Corporate Rating and Reputation
- ▶ Revision of Sponsorship

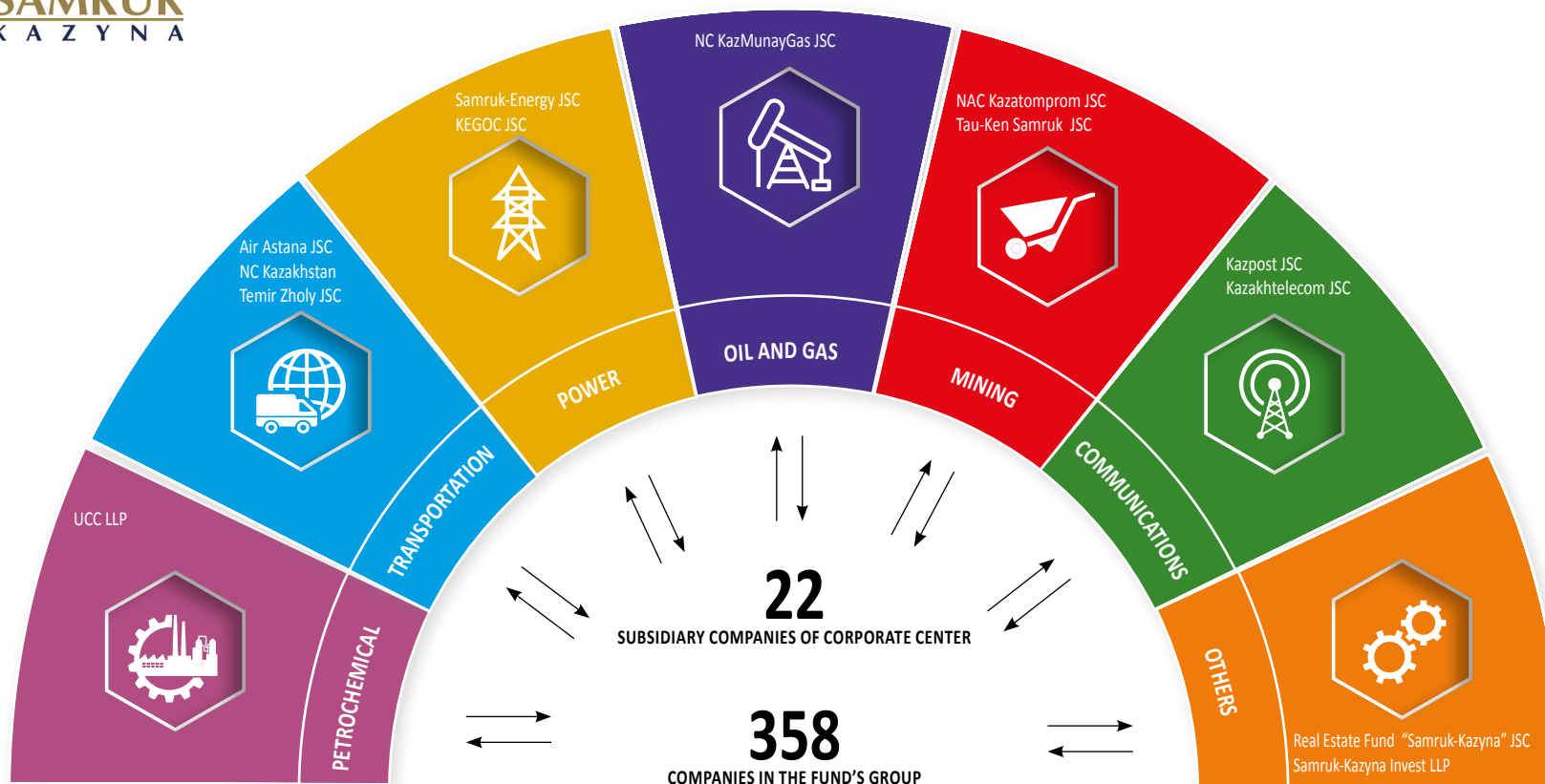
Background for changing the Development Strategy of the Fund:

- ▶ New national initiatives on economic growth of Kazakhstan
- ▶ Strategic basis of the Fund's role, both in Kazakhstan and internationally
- ▶ Global trends of sovereign funds in terms of portfolio diversification

PORTFOLIO OF THE FUND



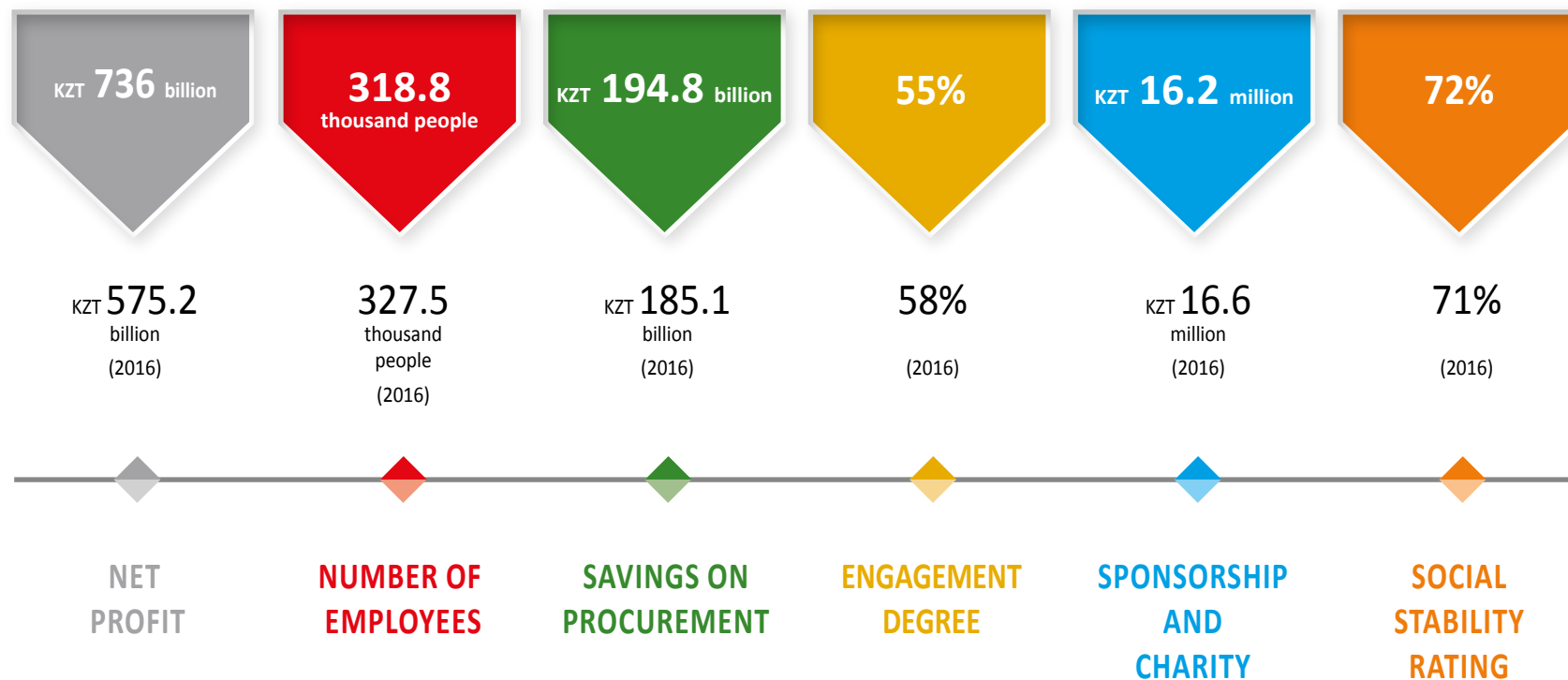
Fund's group includes oil and gas, transport and logistic, chemical and atomic, mining and metallurgical, power, machine-building and real estate companies



In 2018, by the Decree of the Government No.405 of July 3, 2018, it was resolved to transfer 100% share in NC Kazakhstan Engineering JSC owned by Samruk-Kazyna JSC to the property of the state.

The detailed information relating to the Portfolio of the Fund can be found on the following link: <http://www.sk.kz/en/investors/portfolio-companies/> and on pages of the 2017 Annual Report

2017 MAIN INFORMATION



OUR APPROACH TO SUSTAINABILITY

Being one of the largest investment funds, we recognize importance of our influence on economy, environment and society. We are guided by the principles of sustainable development and we apply the weighed and rational approach in interaction with stakeholders.

The Fund adheres to the principles of sustainable development and considers the interests of stakeholders. The optimum balance of ecological, social and economic components of activity is a basis for long-term sustainable development of the Fund.

In the field of social responsibility the Fund's Group seeks to create safe jobs, provide social support of employees and members of their families, gradual decrease in the accident rate, industrial traumatism, occupational diseases, maintain a favorable social situation in regions of operation. In the field of ecology the Fund is aimed at minimization of negative impact on the environment based on the deep study of environmental risks and permanent monitoring.



Sustainability policy of the Fund

- ▶ Corporate Governance Code
- ▶ Development Strategy 2018-2028
- ▶ Code of Conduct
- ▶ Reference Model on Sustainability development for PCs
- ▶ Occupational Health and Safety Policy
- ▶ Reference model on Health and Safety for PCs
- ▶ Reference model on Government Relations for PCs
- ▶ Reference model on Compliance for PCs
- ▶ Policy on social and charity projects
- ▶ Procurement Rules

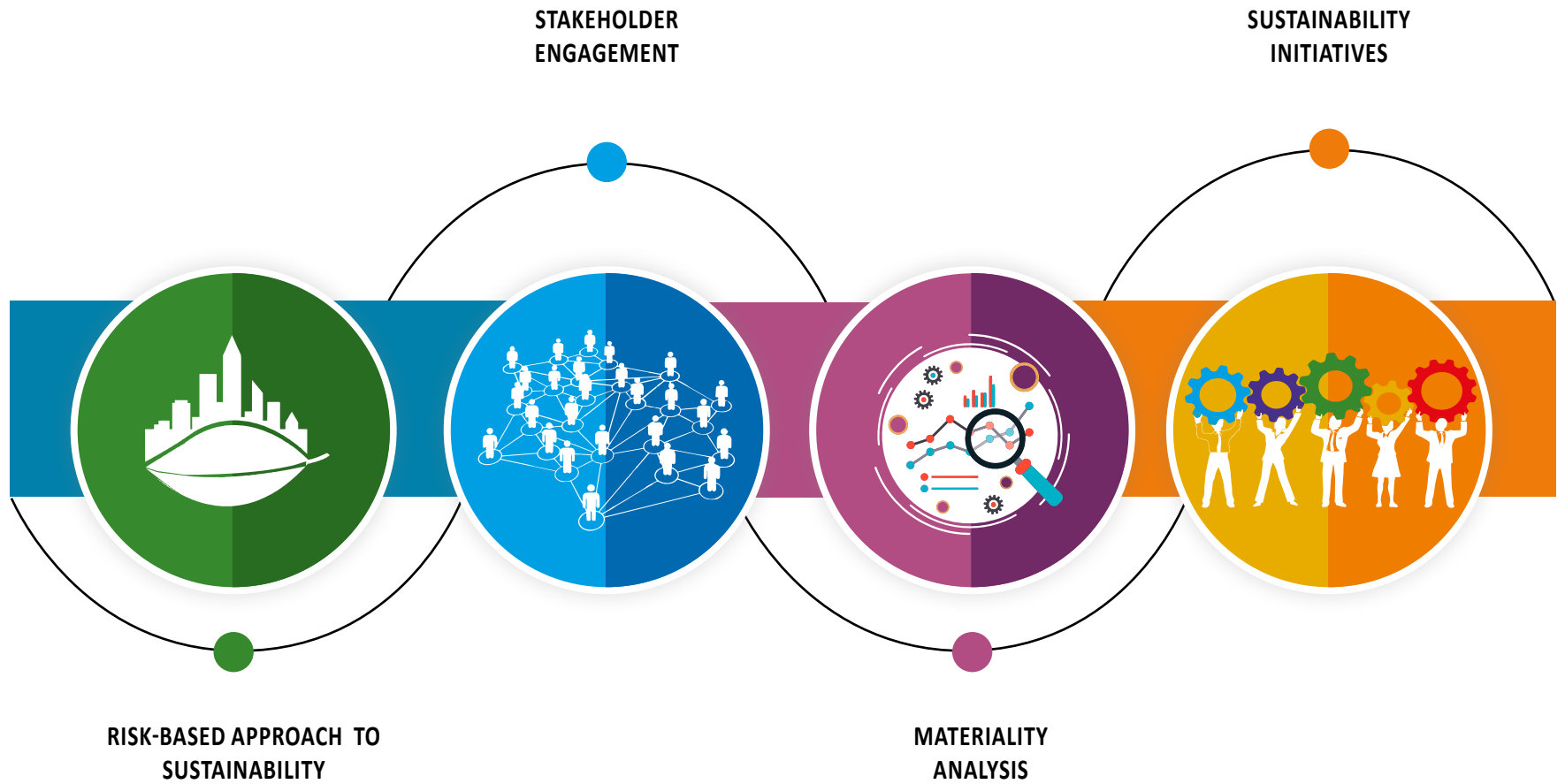
Sustainability management

- ▶ ISO14001
- ▶ ISO 26001
- ▶ ISO 9001
- ▶ OHSAS 18001

Stakeholder Communication

- ▶ Shareholders
- ▶ Portfolio companies
- ▶ Personnel
- ▶ State authorities
- ▶ Local communities, NGOs, society
- ▶ Business partners, clients and suppliers
- ▶ Business community, mass media

OUR APPROACH TO SUSTAINABILITY



RISK-BASED APPROACH TO SUSTAINABILITY

OUR RISK-BASED APPROACH SUPPOSES:

- Assessment of risks associated with the effects of global factors of sustainable development
- Development of certain measures to minimize them by increasing efficiency, replacing resources or adapting them
- Increase the risk culture in general, analyze the effectiveness of risk management activities, identify opportunities associated with risks

Since 2016 the Fund has introduced a new concept of sustainable development using the approach in which the Fund is seeking to focus on reducing costs and increasing productivity while decreasing the negative impact on society by encouraging and supporting initiatives that will lead the Fund to innovation.

In 2017, we continued to improve the system of risk management and internal control, which is designed to identify, manage and reduce risks in achieving our strategic goals.

The corporate risk management system is a key component of the corporate governance system and is aimed at the timely identification, assessment, monitoring and reduction of potential risk events that may adversely affect the achievement of the corporate and operational objectives of the Fund.

Results of 2017

Implementation of a new Investment Policy according to which while in investing activities the Fund uses several tools, including, the statement about Risk appetite, benchmarking, KPI Tree, risk ratios, scenario analysis / stress testing, target portfolio, investment criteria, Monte Carlo method modeling, PESTEL and SWOT analysis, etc.

Implementation of the corporate program of risks reinsurance under administration of the Fund's captive which provides confidence of shareholders as reinsurance protection of risks of the companies of Fund.

Introduction of the electronic library guide on processes and general certification of employees. Work on building an effective internal control system and systematization of internal regulatory documents of the Fund is in progress.

Schematic diagram of risk management process in the Fund's group



STAKEHOLDER ENGAGEMENT

The Fund's interaction with stakeholders is focused on achieving the goals of sustainable development and harmonizing the interests of all stakeholders. Interaction with stakeholders is based on the principles of respect for interests and cooperation

The Fund sees its social responsibility in being a reliable partner for stakeholders. We conduct a dialogue and build relations with stakeholders on the basis of the principles of mutual respect and partnership, information transparency, regularity of interaction and faithful observance of commitments undertaken.

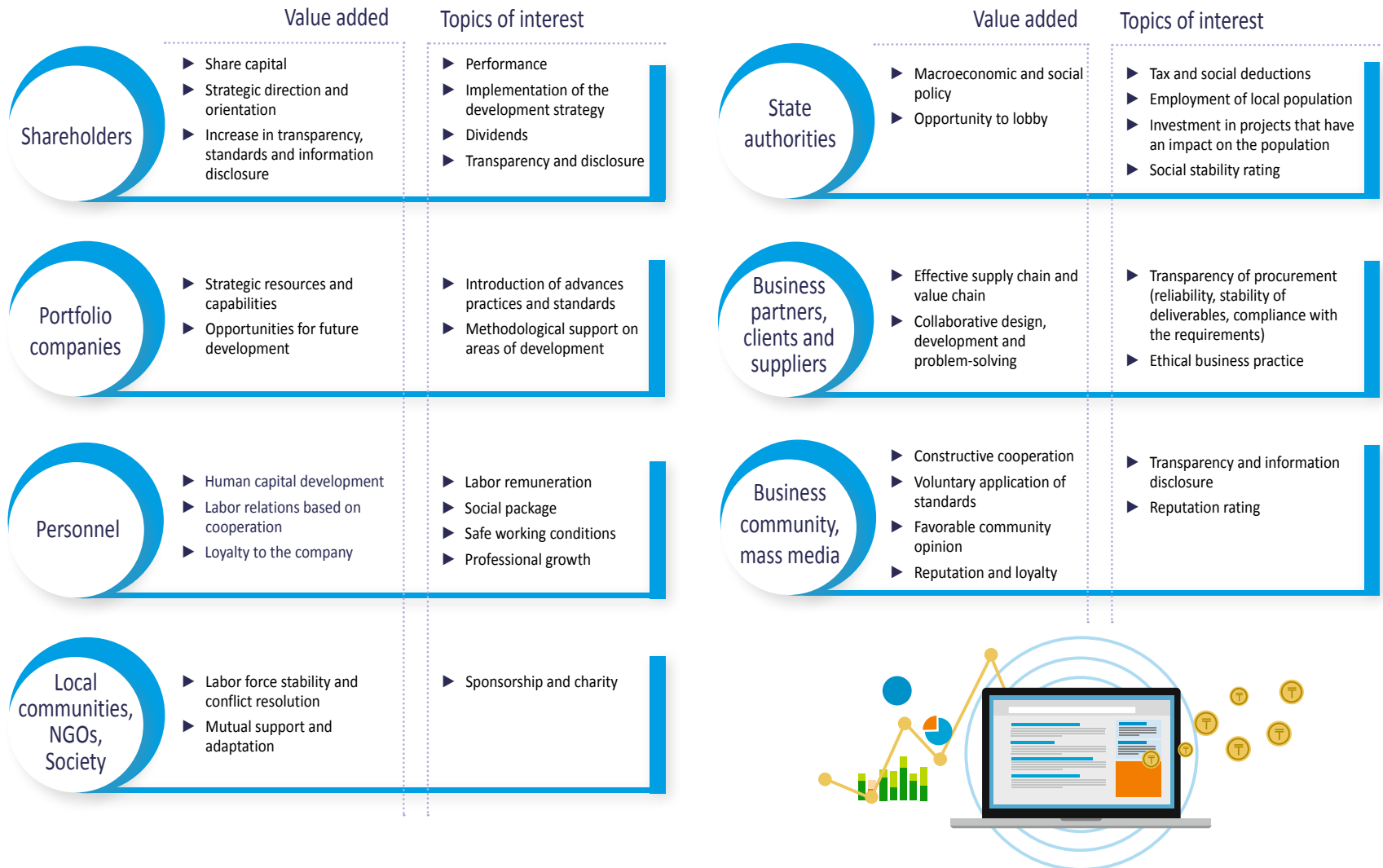
The Fund uses a Standard process of Stakeholder engagement in accordance with AA1000 SES:

- Identification of Stakeholders
- Prioritization of Stakeholders
- Planning of Stakeholders Interaction
- Interaction with Stakeholders
- Efficiency and Assessment Reporting



STAKEHOLDER ENGAGEMENT

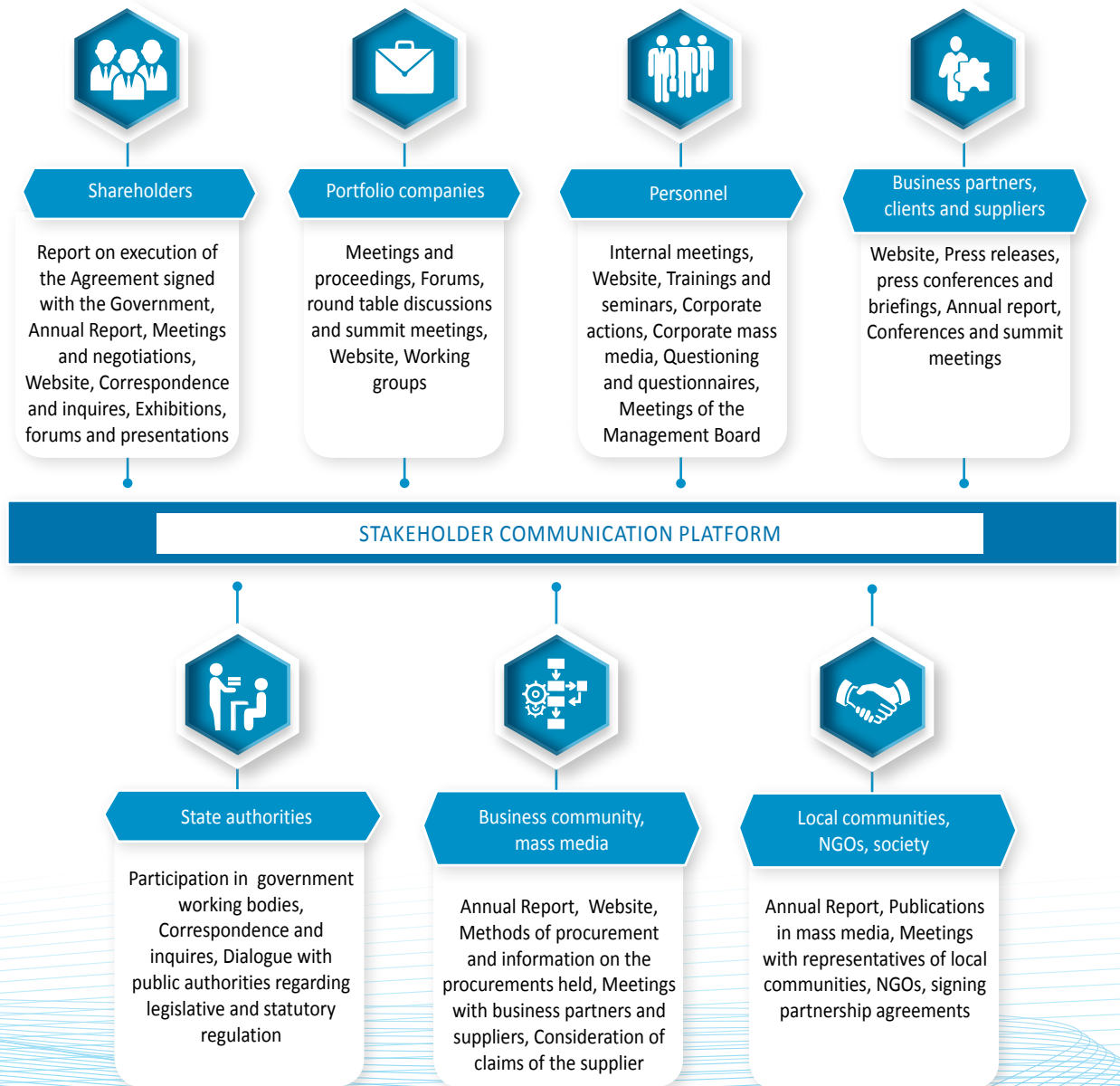
Process of interaction with stakeholders is performed at all levels of management of the Fund. Efficiency rate of the management system of interaction with stakeholders is an important factor for creation of long-term value, achievement of strategic objectives and formation of positive reputation of the Fund.



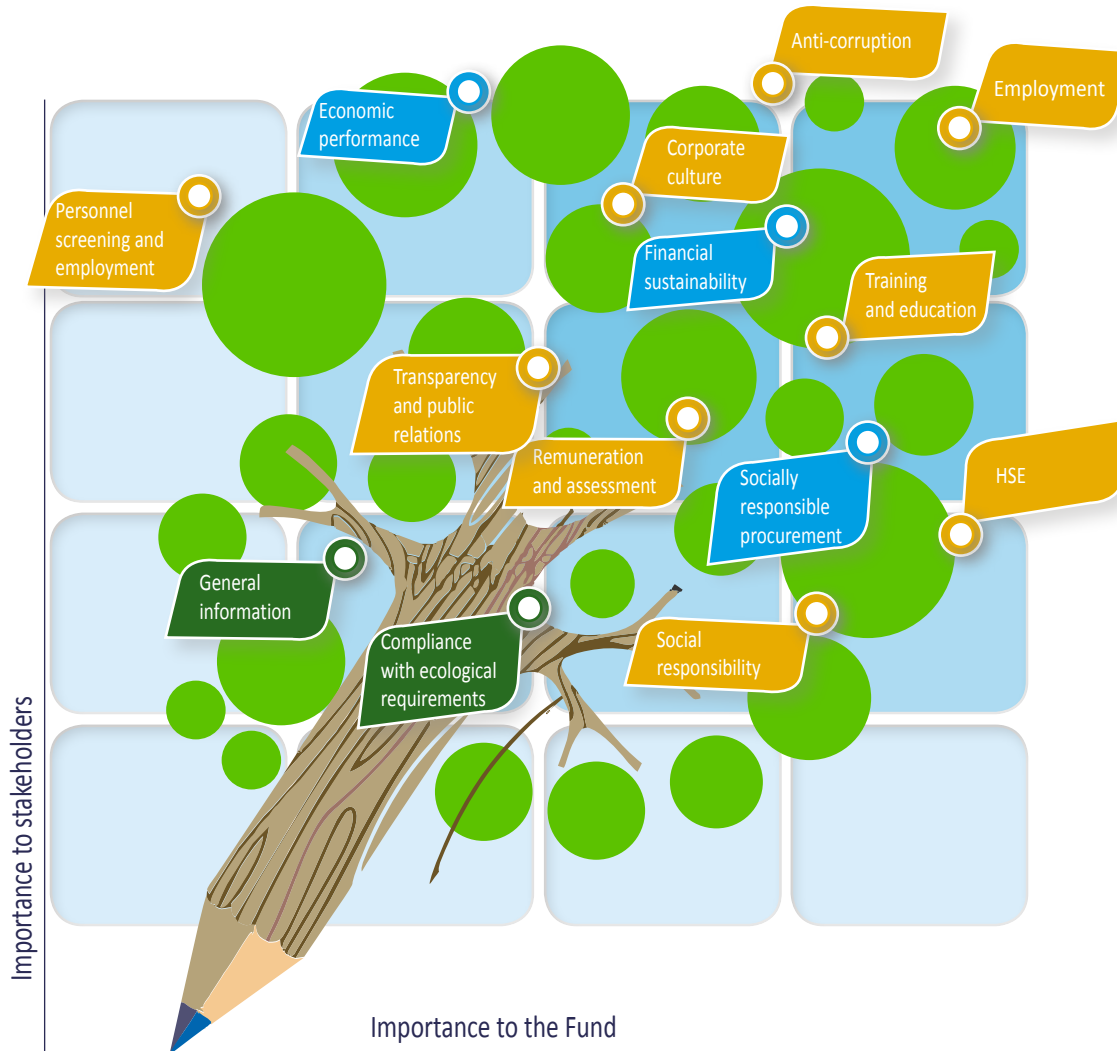
STAKEHOLDER ENGAGEMENT

We strive for continuous and open interaction with stakeholders. Using various channels of communication, we encourage a sincere and honest dialogue to identify and address the issues most relevant to stakeholders.

Feedback received from stakeholders is essential in the processes of determining strategic directions, building a business model and policy on social responsibility.



MATERIALITY ANALYSIS



In preparing the 2017 Report we focused on the analysis results of importance of sustainability aspects executed in 2016 according to the approach provided by the GRI G4. The identified material aspects are provided in the 2016 Sustainability Report; they are relevant even for this accounting period.

The Report contains the indicators on “Health and Safety”, indicators on “Training and development” are reflected in addition, information on effectiveness of ecological activity of the Fund and Fund’s group namely on aspects “Compliance with requirements” and “General information” is also provided. This Report raises a number of questions in detail connected with priorities of the Fund performance and sustainability initiatives in 2017.

Based on surveys and interviews, we identified the significant aspects that are relevant to the Fund and our key stakeholders.

This report highlights sustainable development issues of greatest importance to our business and stakeholders.

- Ecological aspects
- Social aspects
- Economic aspects

SUSTAINABLE DEVELOPMENT GOALS

Sustainable development goals of the Fund according to the Sustainable Development Initiatives



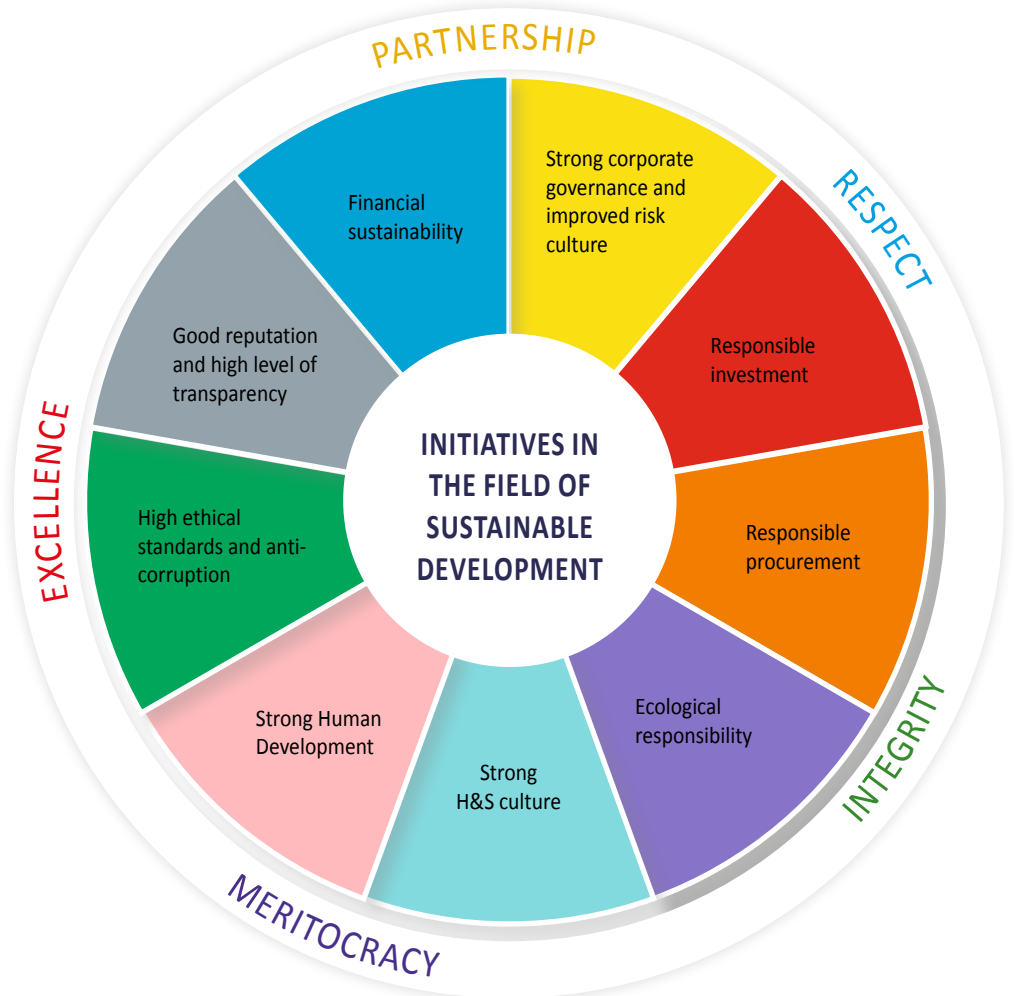
The key priorities and main sustainable development initiatives of the Fund are consistent with the global sustainable development trends and goals adopted by the UN in 2015.

The Fund also shares the principles of the UN Global Compact and declares its commitment to these principles.



SUSTAINABILITY INITIATIVES

In accordance with the principles of sustainable development, based on internal and external assessment, for the productive and effective management of the three categories of sustainable development, we adopted a framework for sustainable development, including the Nine Initiatives



2017 RESULTS ON IMPLEMENTATION OF INITIATIVES

High ethical standards and anti-corruption

- ▶ Updating of the Code of Conduct
- ▶ Approval of the Whistleblowing Policy
- ▶ Introduction of a new hot line

Strong corporate governance and improved risk culture

- ▶ Performing independent diagnostics in 12 PCs
- ▶ Continuous improvement of PC Boards
- ▶ Increase in level of transparency and disclosure of information in the Fund and PCs
- ▶ Determination and implementation of Fund's Sustainability Initiatives

Good reputation and high level of transparency

- ▶ Receiving the highest point by Fund for the LMTI index of transparency and assignment of the 15th place in the rating of TOP 100 of public investors
- ▶ The Annual Report of the Fund was recognized as the winner in The Best Annual Report in the Non-financial Sector nomination in the Contest of annual reports RA Expert

Responsible investment

- ▶ Approval of a new Investment Policy
- ▶ Establishing the Investment and Strategic Committee
- ▶ Approval of the Corporate Standard on the Investment Activities in 2018

Financial sustainability

- ▶ Positive dynamics of financial performance
- ▶ Strengthening of financial sustainability

Ecological responsibility

- ▶ This initiative is new to us. However we annually hold events to ensure that the Groups operations are conducted in a way that protects the environment.

Strong Human Development

- ▶ Approval of the HR Reference Model in the PCs
- ▶ Effective work of HR Qyzmet SSC in Fund and PC
- ▶ Implementation of positions grading in 90% of the PC

Strong H&S culture

- ▶ Forming of the system in labor protection and safety in the PCs
- ▶ Increase in awareness of employees of the Fund and PCs in labor protection and safety
- ▶ Identification of indicators in labor protection for disclosure in the Sustainability Report for 2017

Responsible procurement

- ▶ Implementation of category based procurement
- ▶ Effective results of the EPIS system
- ▶ Implementation of the Pre-qualification Center of Expertise

IMPLEMENTATION METHODS OF SUSTAINABILITY INITIATIVES

Strong corporate governance and improved risk culture

Is provided by adoption and implementation of new Corporate Governance Code and Risk based approach to Sustainability



1

Financial sustainability

Is provided by implementation of development priorities defined in Development plans



2

Strong Human Development

Is provided by launching the new HR system with 3 main components: HR business partnership, HR expertise Center, General HR Service



3

High ethical standards and anti-corruption

Is provided by Implementation of Ethics Code and Compliance function



4

Responsible procurement

Is provided by introduction of the new procurement approach, including category procurement management and launching the system of preliminary qualification of potential suppliers, as well as improved transparency of procurement process



5



6

Good reputation and high level of transparency

Is provided by Implementation of the Communication Plan and increasing the transparency and information disclosure processes



7

Strong H&S culture

Is provided by promotion of strong H&S culture within the Portfolio companies of the Fund



8

Responsible investment

Is provided by implementing key Responsible Investment Principles in Investment Policy of the Fund and fitting sustainability metrics of ESG into the process of design, implementation and monitoring of an investment



9

Ecological responsibility

It is provided by observing environmental legislation, norms and standards in the field of environmental protection, and also by investing in the development of the environmental activities of the Fund and the Fund's Group

CORPORATE GOVERNANCE



Corporate governance, corporate culture and sustainability initiatives are the basis for sustainable development and critical factors affecting shareholder value.

We believe that proper corporate governance is the key to success and creating value for our shareholders. We adopt best practices to form an appropriate corporate governance system both in the Fund and in portfolio companies.

Sovereign Wealth Fund Samruk-Kazyna Joint-Stock Company is a single group of companies. Our corporate governance system includes management, control and accountability of the management bodies across the whole group of companies of the Fund, from the first to the last level.

The Fund's corporate governance system ensures the efficiency of the Company's operations and combines the high quality of management decisions with respect for the rights of shareholders and attention to the interests of other stakeholders.

Improving the corporate governance system and implementing sustainability initiatives are among the key components of the updated Strategy and long-term sustainable development.

Detailed information regarding the corporate governance system of the Fund, Board of Directors, Management Board and committees is presented on the pages of the Annual Report of 2017 published on the website www.sk.kz.

KEY ACHIEVEMENTS OF 2017 IN CORPORATE GOVERNANCE

Independent assessment of the corporate governance system in 6 PCs participating in the Transformation Program

The Fund conducted diagnostics of corporate governance in NC KazMunayGas JSC, NC Kazakhstan Temir Zholy JSC, Samruk-Energy JSC, NAC Kazatomprom JSC, Kazpost JSC, KEGOC JSC. Also, Methodology on PC Board assessment were approved.

Forming Boards in 4 PCs in accordance with the requirements of the Corporate Governance Code

In 2017, the Boards of Directors of the following companies were updated and strengthened: NC KazMunayGas JSC, NAC Kazatomprom JSC, Real Estate Fund Samruk-Kazyna JSC, Qazaq Air JSC which ensures the balance of the Boards of Directors in part of the experience, gender composition, and number.

Increase the level of transparency and disclosure in the Fund and PCs

The work on development of internal regulatory documents in terms of disclosure was initiated. The document defines the principles and approaches to disclosure and protection of information, as well as a list of information to be disclosed to the stakeholders.

Determination and implementation of Sustainability Initiatives of the Fund

In 2017, the first Sustainability Report of the Fund in accordance with GRI was published. The Report presents the Sustainability Initiatives and indicators of the Fund introduced in 2016 for mid-term period.

KEY INITIATIVES FOR 2018

Independent corporate governance diagnostics in 12 PCs of the Fund

In 2018, we are conducting an independent diagnostics of corporate governance in 12 PCs of the Fund. Corporate governance rating is a strategic KPI for the year 2018.



Enhancing performance of the PCs' Boards of Directors

Bringing the compositions of the PCs' Boards of Directors in compliance with the Corporate Governance Code to ensure optimal number of members, required experience as well as gender diversity of the PCs' Boards of Directors.



KEY INITIATIVES ON CORPORATE GOVERNANCE

Enhancing information transparency and disclosure in the Fund and PCs

The Fund continuously works on update of its internal regulations to ensure high transparency level. The PCs will continue development and approval of the documents relating to information disclosure. Besides, within the framework of the transparency initiative, a number of training courses and workshops on information disclosure will be held in 2018.



Implementing Sustainable Development Initiatives in the Fund

The Fund will continue pursuing its aim to implement 9 Sustainability Initiatives within the Fund and its PCs. Results will be presented in annual Sustainability reports of the Fund.

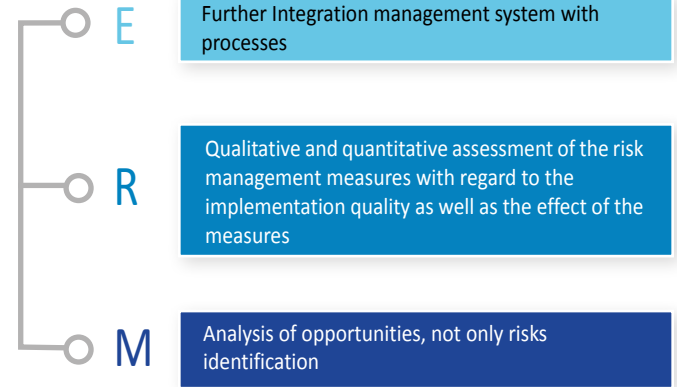


RISK MANAGEMENT

The Fund regularly identifies sources of threats, assesses the level of risks associated with its activities and takes appropriate measures to manage them.

We have a Risk management system that is designed to ensure a sustainable continuous operation and development of the Fund through timely analysis, identification, evaluation and risk management.

The risk management process covers all major areas of the Fund's Group's operations, including health, safety and environmental protection, as well as strategic, operational, investment, financial and legal risks.



RISK MANAGEMENT BASIS

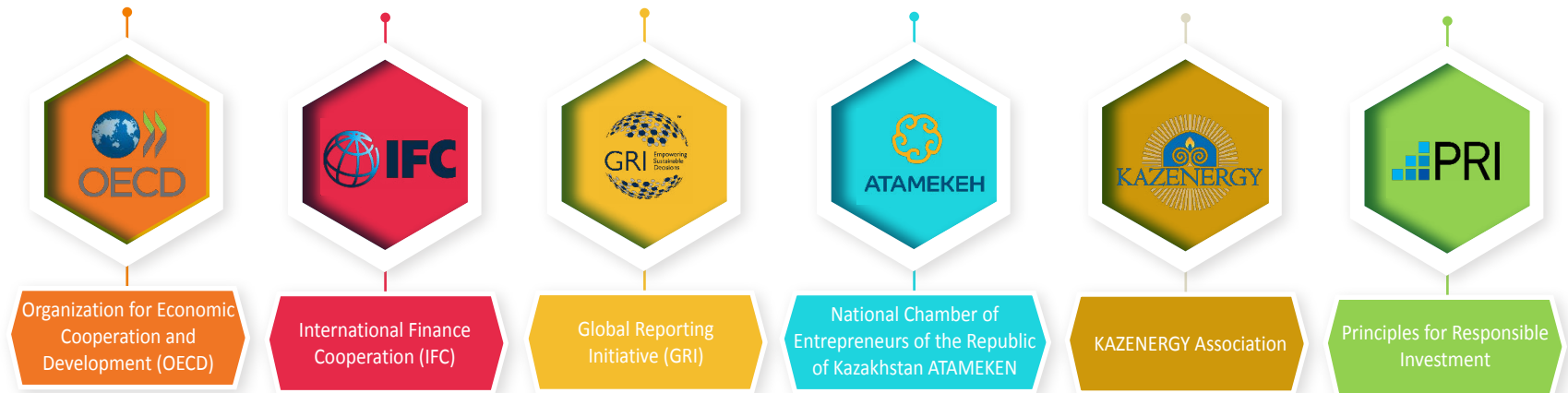
RISKS	STRATEGIC	FINANCIAL	OPERATIONAL	LEGAL
BOARD OF DIRECTORS / COMMITTEES / MANAGEMENT BOARD	BOARD OF DIRECTORS			
	AUDIT COMMITTEE			
	INTERNAL AUDIT SERVICE			
	MANAGEMENT BOARD			
Risk management and internal controls documents	Risk appetite, risk register and map, action plan, corporate reinsurance program, risk and controls matrix			
	Risk Management and internal controls policy and other internal documents			

Detailed information on risk management process be found on pages of the 2016 Annual Report published on the website www.sk.kz.

SHARING EXPERIENCE ON IMPLEMENTATION OF INITIATIVES

The Fund carries out collaborations with many national and international organizations, believing in the importance of sharing experience for a sustainable future.

The Fund supports its activities in international and national associations subscribed below with various task groups.



STEWARDSHIP ASIA CENTRE

Since 2015, the Fund and Stewardship Asia Centre has a Memorandum of Understanding (MoU) that promoted the framework of the implementation of sustainable development principles, introduced in Fund's Corporate Governance Code. Within this Memorandum, the Fund and the Center perform active cooperation and share experience in implementation of the Sustainable Development Initiatives.

SHARING EXPERIENCE ON IMPLEMENTATION OF INITIATIVES



INTERNATIONAL FORUM OF SOVEREIGN WEALTH FUNDS (IFSWF)

Formed in 2009, the IFSWF is an organization of global sovereign wealth funds committed to working together and strengthening the community through dialogue, research and self-assessment.

The Fund has been an official member of IFSWF since 2014 and today it fully complies with the principles of the organization. In September 2017, the IX International Forum of Sovereign Wealth Funds (IFSWF) was successfully held to be the first time in the territory of the CIS. The Forum gathered more than 200 delegates in the capital of Kazakhstan, including representatives of sovereign wealth funds, international organizations, transnational companies and businesses. Representatives of the world sovereign funds, transnational companies and international organizations discussed the global challenges and the role of sovereign funds in the economies of countries.

The theme of the annual meeting of the IFSWF in 2017 - "Exploring New Frontiers". Within the framework of the panel session, heads of sovereign funds shared expert forecasts on the most promising areas of investment and new markets.



COMMITMENT TO THE SANTIAGO PRINCIPLES

Samruk-Kazyna is committed to ensure that its activities comply with the Santiago Principles. One of the achievements of 2017 was the receipt by the Fund of the highest score for the LMTI transparency index and the 15th place in the ranking of top 100 public investors, ahead of Temasek, Russian Direct Investment Fund, Mubadala and Khazanah. The index is the global standard benchmark based on which financial institutions and other stakeholders assess the transparency of sovereign wealth funds' activities. IFSWF members adhere to the 24 "Principles of Santiago", which define the legal and institutional framework for activities, as well as the structure of investment and risk management. The implementation of the principles of Santiago demonstrates to international financial markets that the mechanisms of sovereign wealth funds are set up correctly and investments are made on reasonable economic and financial grounds.

CREATING ECONOMIC VALUE

- ▶ The Investment Policy was reviewed and approved by the Board of Directors;
- ▶ The Investment and Strategic Committee was established;
- ▶ Successful achievement of agreement with independent directors and minority shareholders of KMG EP about the redemption of shares of KMG EP.

 **PORTFOLIO MANAGEMENT IMPROVEMENT**

- ▶ The information system “Digital Mine” was launched in NAC Kazatomprom JSC;
- ▶ The automated system “Digital Deposit” in NC KazMunayGas JSC is being implemented.

 **TRANSFORMATION**

THE MAIN INITIATIVES OF THE FUND IN FINANCIAL SUSTAINABILITY

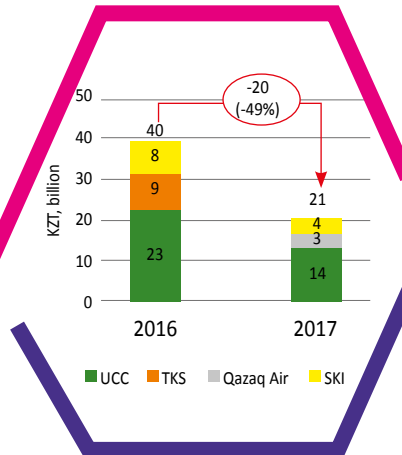
The economic component of the Fund’s Group activity is aimed at increasing the long-term value for shareholders and investors and is of great importance both for the Group and for the state

- ▶ Sustainable progress in the implementation of the Privatization Program as of December 31, 2017:
- ▶ 107 companies left the Fund’s Group;
- ▶ The income as of December 31, 2017 from Privatization is KZT 111.32 billion.

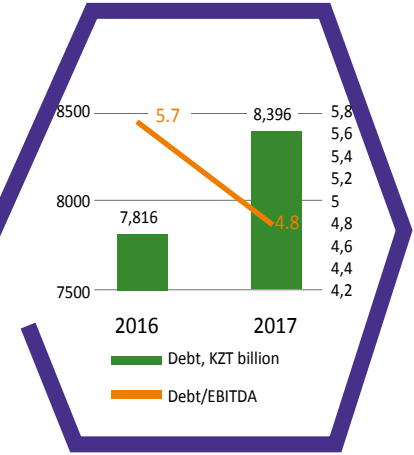
 **PRIVATIZATION**

- ▶ September, 2017, the HR SSC was launched, covers 13 companies, 23 thousand employees;
- ▶ Job Matching for CEO-1 and CEO-2 is complete in 8 PCs;
- ▶ The Memorandum of Understanding is signed with GE Digital.

 **TRANSITION OF THE FUND TO THE NEW FUNCTIONAL MODEL**



 **INVESTMENTS INTO THE GROWING COMPANIES**

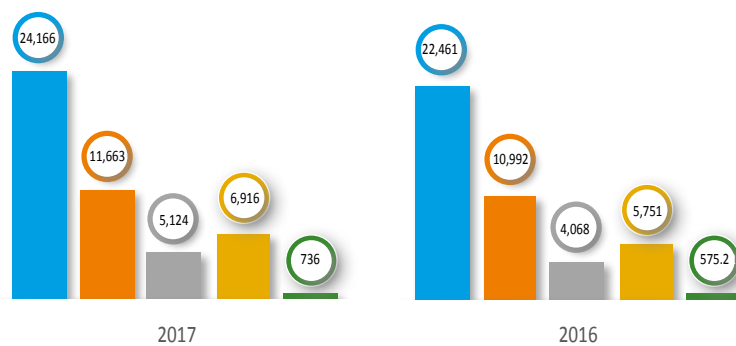


 **FINANCIAL SUSTAINABILITY**

CREATING ECONOMIC VALUE

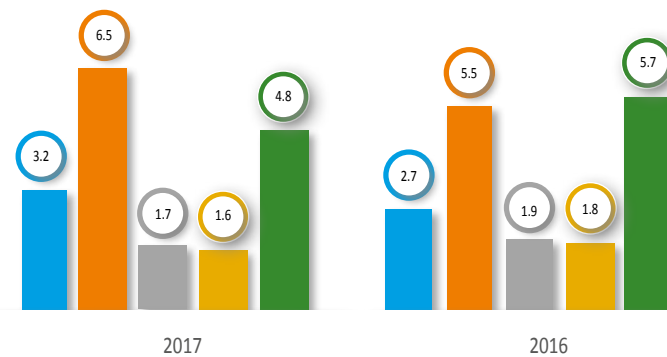
Creation of long-term value for shareholders, employees, partners and other stakeholders is a basis of our business model.

Key financial performance (KZT billion)



■ Assets
■ Share capital
■ Revenue
■ Loans
■ Net profit

Main ratios (%)



■ ROA
■ ROE
■ Current liquidity
■ Instant liquidity
■ Debt/EBITDA

Sharing value created

Indicators, KZT billion	2017	2016
Gross profit	623	729
Dividends paid to the Shareholder	12	10
Taxes paid	1,286	1,137
Payments to personnel	882	791
Payments to suppliers	5,166	3,868
Interest paid	454	410
Sponsorship and charity*	16	17

* Costs for sponsorships in the composition of General administrative expenses

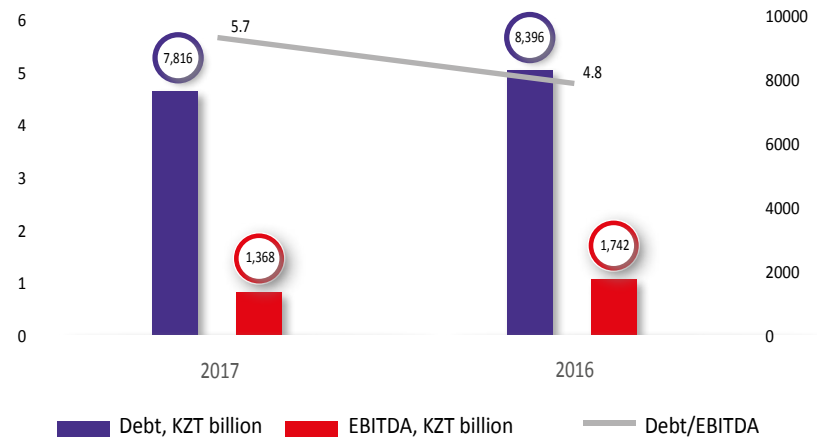
FINANCIAL SUSTAINABILITY

The role of the Fund in enhancing the Financial Sustainability of the Group of companies of the Fund contributes to the strategic goal of long-term Sustainable development. Maintaining the acceptable level of debt will increase the internal value of PCs separately and the Fund as a whole. This objective is achieved through regular monitoring of the level of financial sustainability, both in PCs and at the level of the Fund, leading sound management of financial activities by limiting new borrowing or providing financial support in case of possible violation of financial covenants.

In order to increase the financial sustainability the Fund implemented the following initiatives in 2017 :

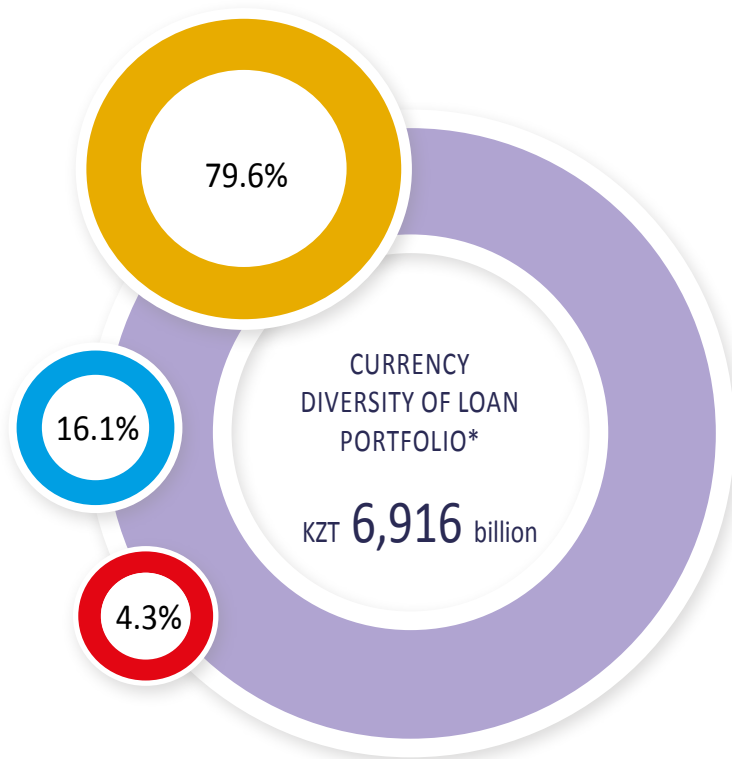
- I** the stress tests based on different scenarios of oil prices and currency rate
- II** development of action plans by PCs on debt portfolio management and improvement of financial sustainability indicators
- III** approval of the regulatory legal acts regulating procedures for investment attraction to the companies
- IV** strengthening of the credit portfolio monitoring

Key Indicators of Financial Sustainability

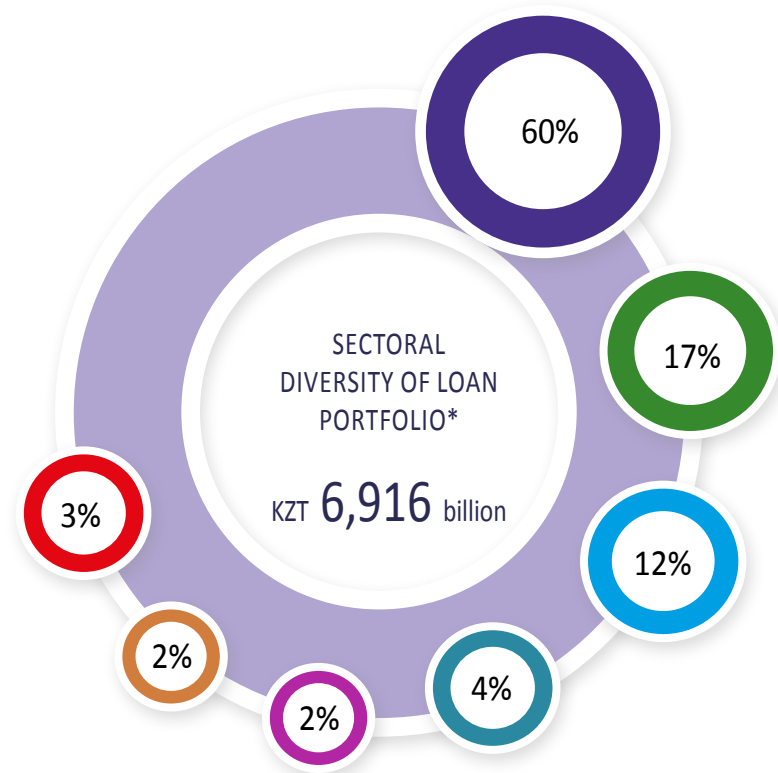


*The figures for 2016 have been recalculated according to the methodology of the Debt and Financial Sustainability Management Policy in the new edition dated January 27, 2017.

FINANCIAL SUSTAINABILITY



■ KZT
 ■ USD
 ■ Other

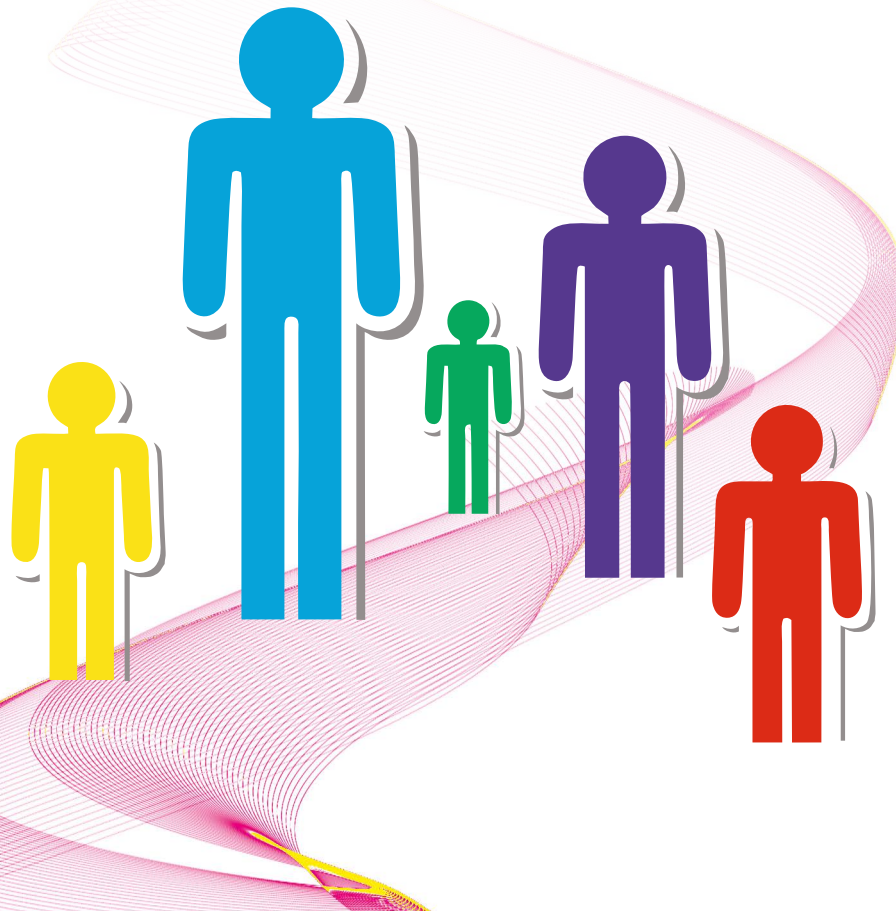
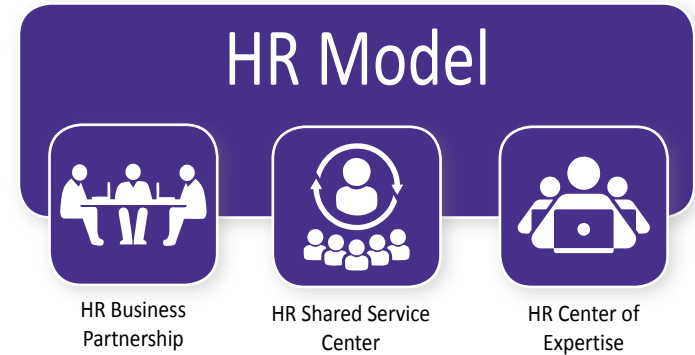


■ KMG Group
 ■ KTZ Group
 ■ Fund
■ S-E Group
 ■ KAP Group
 ■ KEGOC Group
■ Other

* Loan portfolio includes Loans, without including loans from the Government

STRONG HUMAN DEVELOPMENT

Human capital is one of the main factors of successful development for the Fund. Realizing this, the Fund's Group strives to create conditions enhancing the effectiveness of personnel and its involvement in the implementation of strategic tasks and provides a systematic approach to the HR management.

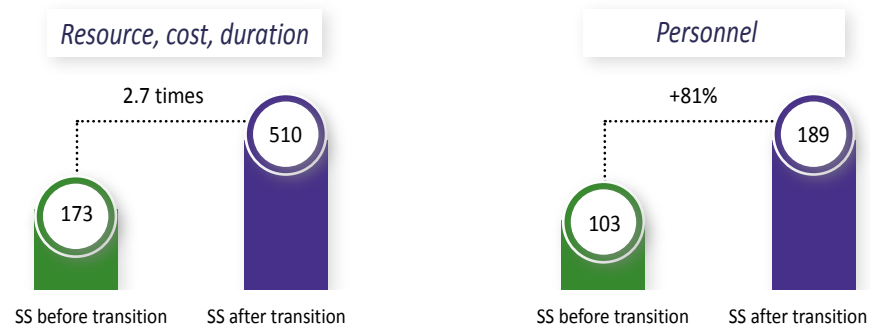


As part of the Transformation in redistribution of powers and responsibility in the Fund and PCs system:

- ▶ introduced a new key performance indicators tree;
- ▶ introduced a new horizontal organizational structure;
- ▶ personnel of the Fund's Corporate Center was renewed by 40%, experts joined, including Kazakhstani people from international sovereign funds, investment companies and other international corporations;
- ▶ developed 15 reference models taking into account international approaches which are now being actively introduced in companies.

STRONG HUMAN DEVELOPMENT

Performance increase - from the first days



SS (Service Standard) = number of company employees / number of company HR

At the moment, within the Transformation Program, we completely revise and change our basic principles and approach to the HR management function introducing the best practice.

In 2017, the Fund approved the HR Reference Model for the Fund's PCs.

In June 2016, the Fund and KazMunayGas JSC established Qyzmet HR Shared Service Center for the PCs of the Fund and subsidiaries of KMG, which has no analogues in Kazakhstan and Central Asia in terms of the scope of companies in various industries.

HR Qyzmet is a centralized organization with routine HR processes, such as staff administration, payroll, social payments, hiring management, outstaffing, foreign labor support, administration of training and employees performance evaluation.

Since January 1, 2017, HR Qyzmet has started its operations and provides services to such companies as Samruk-Kazyna JSC, KazMunayGas JSC, Tau-Ken Samruk JSC, United Chemical Company LLP, Samruk-Kazyna Invest LLP, Samruk-Kazyna Contract LLP, Real Estate Fund Samruk-Kazyna JSC, Pavlodar Oil Chemistry Refinery LLP.

EMPLOYEES CHARACTERISTICS

Gender and age distribution, Fund's Group in the reporting period*

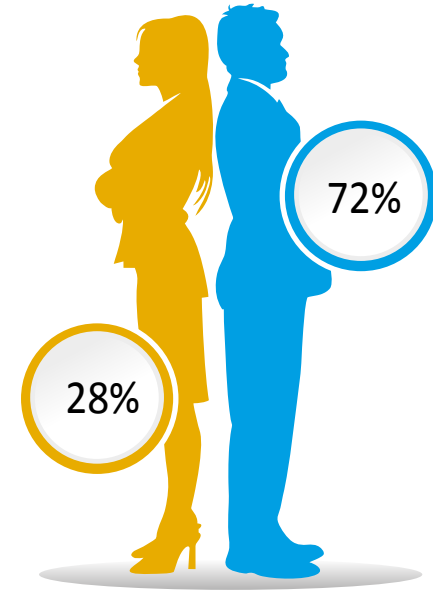
Age	Women	Men	Total
Under 30	19,390	49,803	69,193
31-50	49,712	120,947	170,659
51+	21,292	57,638	78,930
Total	90,394	228,388	318,782

* Based on data received from Portfolio companies on the average number of employees

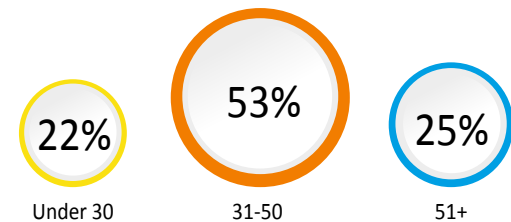
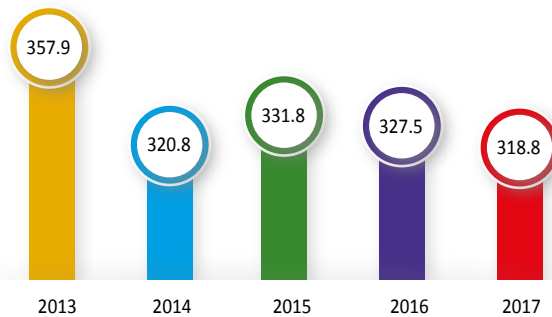
Hired employees and personnel turnover for the Fund's Group in the reporting period

Age	Hired employees	Personnel turnover
Under 30	15,426	9,886
31-50	16,533	16,877
51+	3,626	8,204
Total	35,589	34,967

The number of employees of the Fund's Group at the end of 2017 is 318.8 thousand people. The proportion of men is 72%, women - 28%, while the majority of men falls to the production companies, which activities are associated with difficult and dangerous working conditions. By the age category, the majority of employees represented in the group between 31 and 50 years old make 53%, the share of the group of employees aged 51 and older is 25%, the share of young people under 30 is 22%.

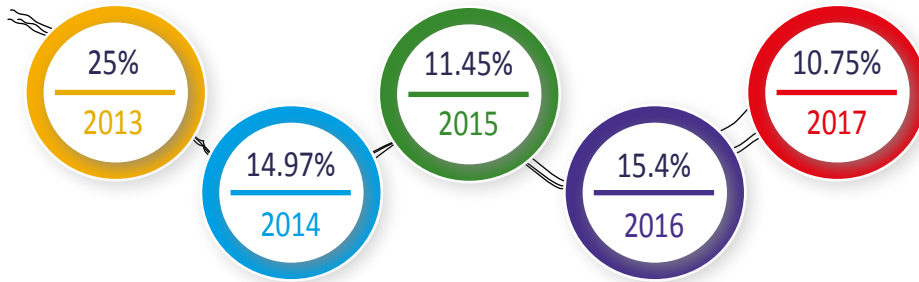


Headcount within the Group of Fund, thousands people

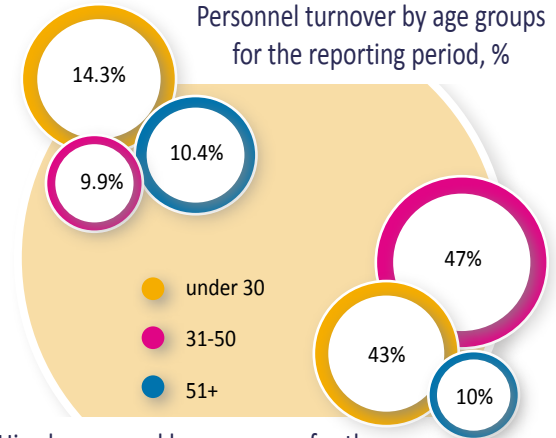


EMPLOYEES CHARACTERISTICS

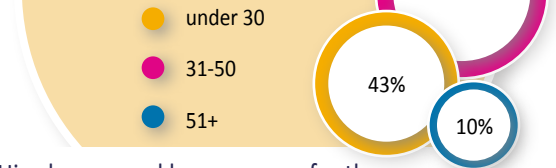
Personnel turnover ratio by the Fund's Group, %



Personnel turnover by age groups for the reporting period, %



Hired personnel by age group for the reporting period, %

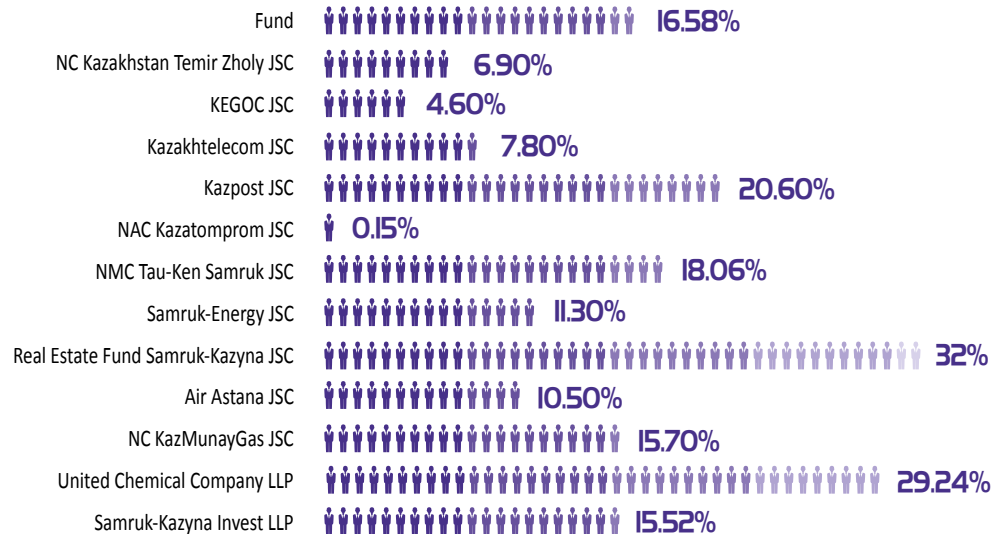


The personnel turnover ratio in the Fund's Group has a decline trend, and in the reporting period equals to 10.75%.

The number of employees with whom the employment relationship was terminated amounted to more than 34 thousand people.

The number of newly hired employees was more than 35 thousand people, where the proportion of employees in the age group of 31-50 years is the majority - 47%, the share of employees under 30 years old is 43%, from 51 and older - 10%.

Personnel turnover by Portfolio companies



HUMAN RIGHTS

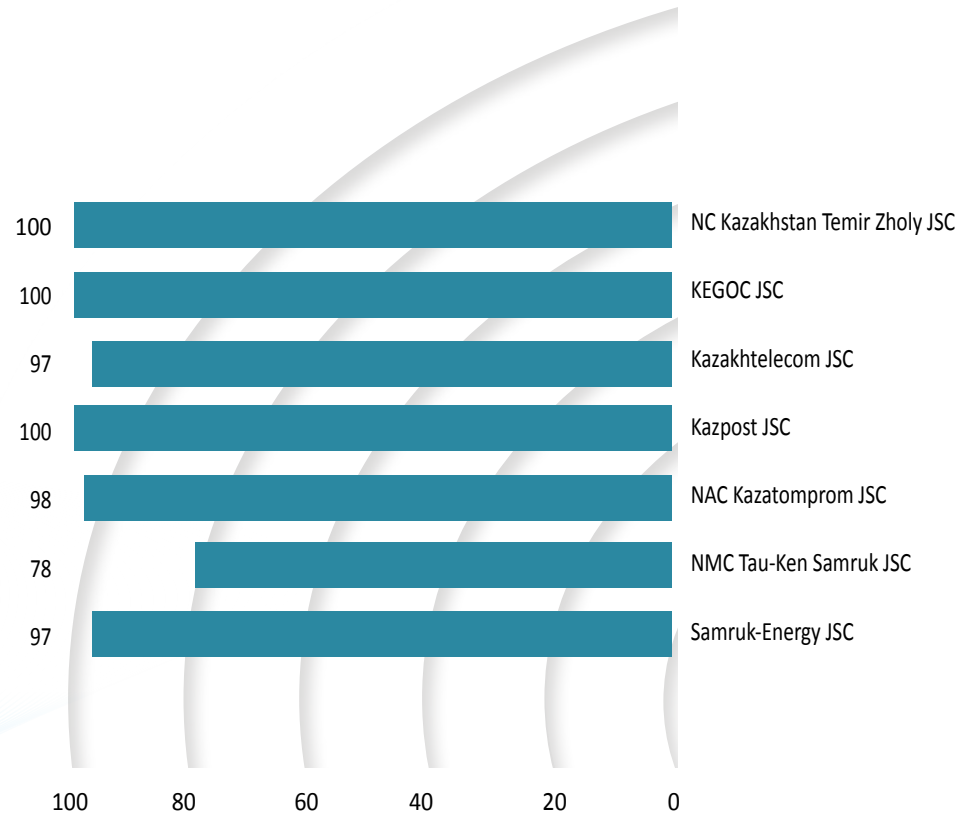
The Fund and its PCs respect human rights, ensure equality of opportunities and does not discriminate by nationality, gender, by birth, age and any other grounds, recognize the right of employees to establish public associations and organizations to protect their rights and interests. The Fund's Group does not use child and forced labor. The basis for personnel issues is the qualification and professional qualities of the employee.

All employees of the Fund are hired on the individual basis, and they are fully provided with rights in compliance with the Labor Code of the Republic of Kazakhstan.

NC Kazakhstan Temir Zholy JSC, KEGOC JSC, Kazakhtelecom JSC, Kazpost JSC, NAC Kazatomprom JSC, NMC Tau-Ken Samruk JSC and Samruk-Energy JSC have the practice of conclusion of collective agreements with employees and trade unions where social obligations of PCs are formalized.

Since 2018, the practice of concluding collective agreements has also been launched in Air Astana JSC and Real Estate Fund Samruk-Kazyna JSC.

Share of employees covered by collective agreements



SELECTION AND EMPLOYMENT

Competitive selection stages



We are looking for talented goal-oriented people who want to make their contribution to the development of the national economy of Kazakhstan. Therefore, we put an emphasis on transparency, career progression, rotation of talents and succession principles in our work. For our part, we offer our employees the opportunity to participate in the implementation of complex and interesting tasks, understandable and fair system of motivation and remuneration, as well as excellent conditions for the development of personal and professional qualities.

In 2017, the Fund improved the procedures for competitive selection for the introduction of transparent recruitment procedures.

Thus, the 8-step system is used to select for vacant administrative positions in the Fund (1 – publication, 2 – resume selection, 3 – computer testing of professional knowledge, 4 – testing in Kazakh and English languages, 5 – testing abilities, 6 – interview on competence assessment, 7 – professional interview, 8 – collegiate interview).

Such selection system allows hiring people not only with high expertise in the professional area but also with the right value orientation, qualities consistent with the corporate culture of the organization. At that, all information about the competition, number of candidates who passed each stage and data on the advantages of the admitted candidate are published on the organization's website and corporate portal.

Thus, during 2017, the Fund closed 51 vacancies through the competitive selection, with 170 candidates taking part in the competition per position on average.

The Fund implemented an automated selection tool used during interviews to assess competencies and values.

Similarly, transparent hiring is introduced in the Fund's Group through the competitive recruitment system:

- 1) all jobs are published on external websites;
- 2) implemented multi-stage selection procedure;
- 3) decision on hiring is taken collectively, results are published on the website.

51 vacancies closed on the basis of competitive selection in 2017

“Electronic Labor Office” (MLSPP RK) Automated Information Base is being finalized, after which it will be possible to expand the sources of search for suitable candidates for vacancies.

REMUNERATION AND ASSESSMENT

The motivation system adopted by the Fund ensures clear dependence of our employees' remuneration on their performance results, including introduced grading system and remuneration reviews.

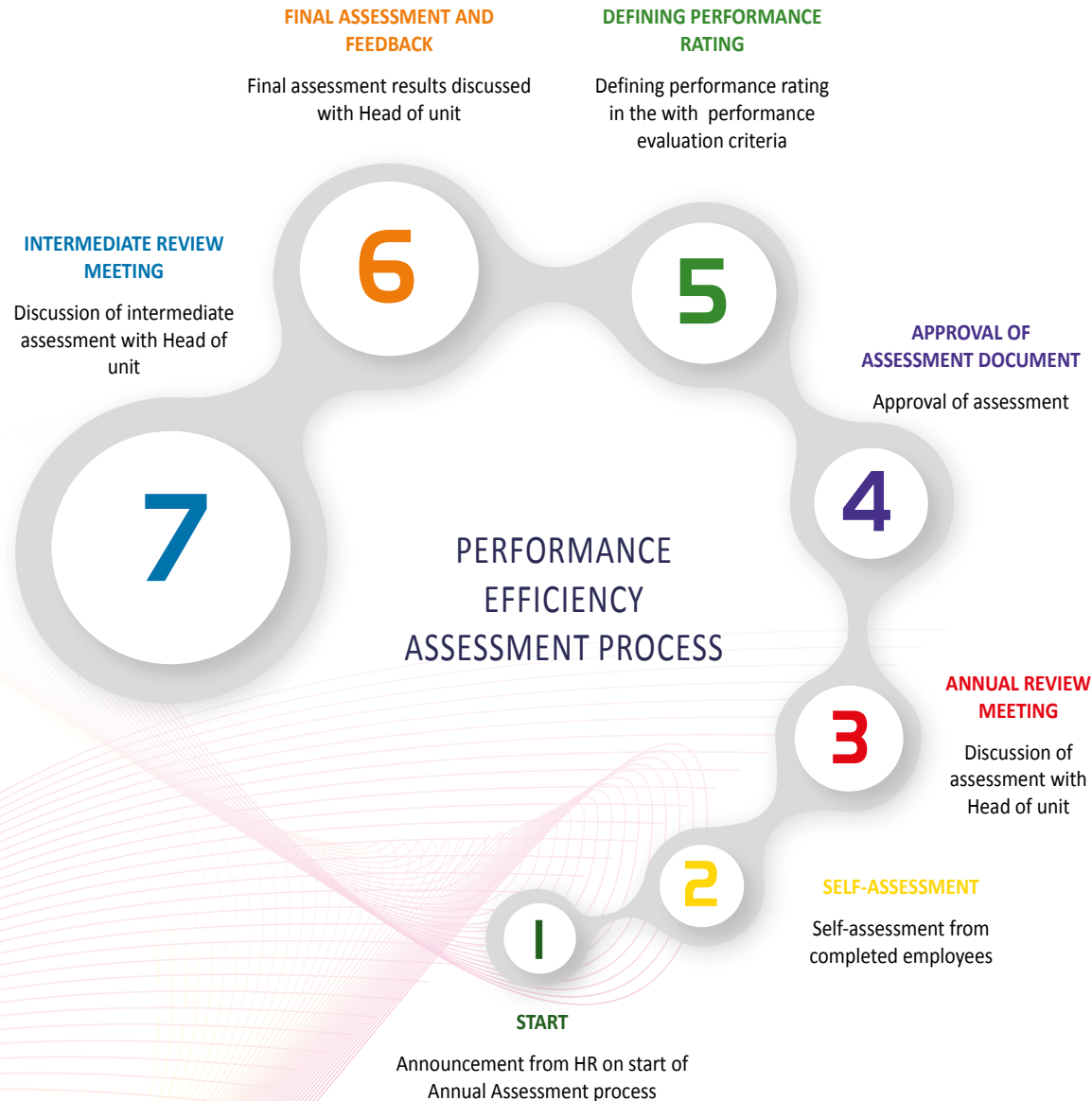
Our labor remuneration system is based on assessment of positions and employees' performance efficiency. The performance evaluation process is the basis for remuneration, promotion, bonuses, training and professional development, and also serves to retain employees.

Starting from 2014, the Fund uses grading system based on Hay Group's method.

The job assessment was introduced in the Fund and PCs, which is an important stage in the transition to the new functional model, which allowed improving the remuneration system. The job assessment in the Fund and PCs made it possible to objectively compare positions between companies, compare remuneration of specialists in the country, region and globally.

In 2017, grading was introduced in 90% of the first level PCs of the Fund.

In order to ensure a constant influx of talents into the Fund's Group in 2017, Zhas Orken Project was implemented, which is aimed at the accelerated development of high-potential young graduates.

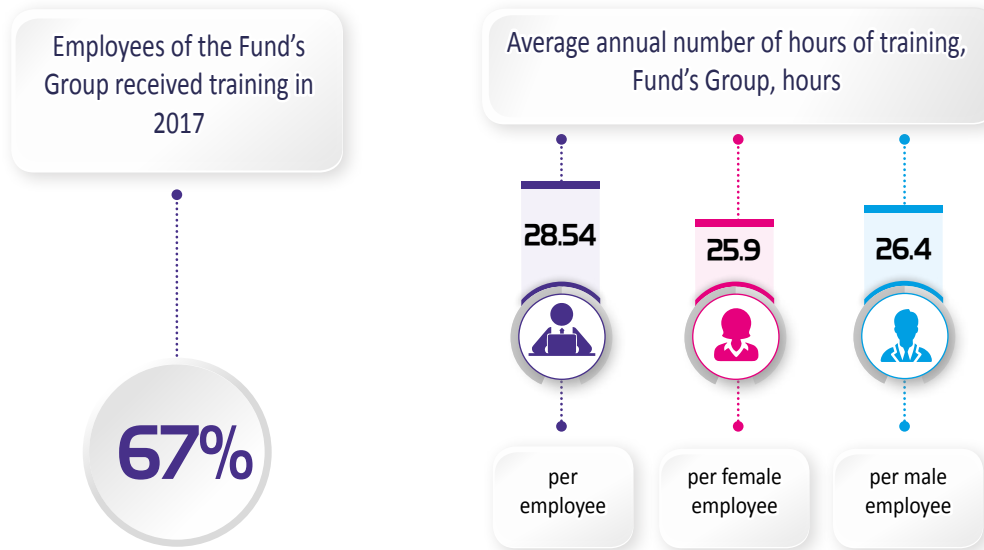


TRAINING AND DEVELOPMENT

We annually invest in training and developing the skills of our employees to ensure the implementation of the long-term objectives of the Fund and provide employees with opportunities for career growth. The Fund creates an environment stimulating the acquisition of new knowledge and self-development of employees, forms the infrastructure for the accumulation and transfer of knowledge and skills within the Fund's Group.

To form a competitive management team, the Leadership Modular Program was launched on the basis of Samruk-Kazyna Corporate University aimed at developing the following key managerial, personal and business competencies:

- ▶ Strategic vision
- ▶ Change management
- ▶ People management
- ▶ Acumen



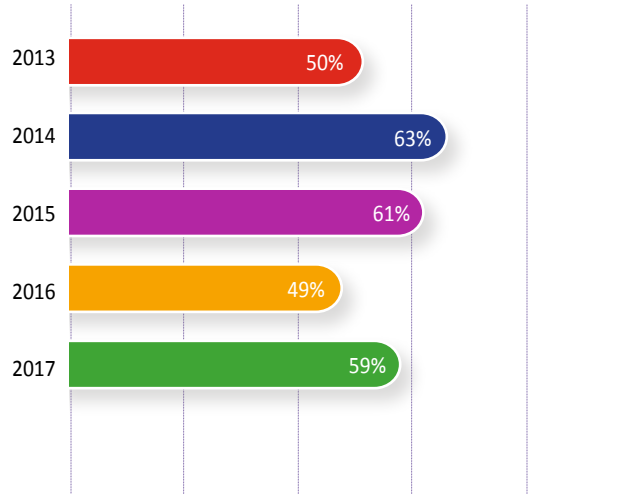
The Fund's employees are provided with training according to individual development plans (IDP) based on the results of the annual performance evaluation.

Individual development plans for the Fund's employees are the main tool for achieving the above goals. They are developed on the basis of the results of the work of the employees and include elements such as training and development programs, rotation within the Group.

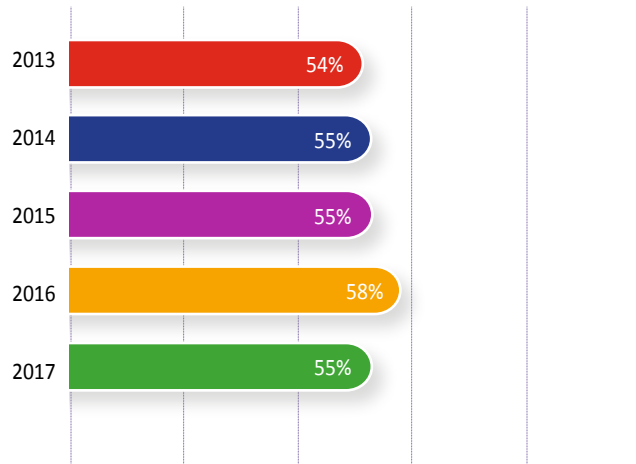


CORPORATE CULTURE DEVELOPMENT

Personnel engagement degree within the Fund



Personnel engagement degree within the Fund's Group



72% Social stability ratio
in 2017



Corporate culture for us is one of the important factors for the successful development of the Fund and effective tool for improving the effectiveness of employees. The formation of corporate culture is facilitated by the system of internal corporate communications:

- ▶ Corporate Portal
- ▶ Corporate Newspaper
- ▶ Corporate events

The Fund's PCs annually conduct surveys to determine the level of satisfaction, loyalty and involvement of employees. The study of the social and psychological climate is one of the key tools for feedback, thanks to which the Fund can assess the degree of employees satisfaction with various aspects of their work, identify the strengths of the Fund as an employer and issues requiring improvement.

The Personnel engagement index of the Fund's employees in 2017 grew by 10% as compared to 2016 and amounted to 59%. The Personnel engagement level in the Fund's Group was 55%. It should also be noted that in 2017 the social stability rating was 72% and has been stable since 2014.

ETHICS AND COMPLIANCE

In 2017, the development of the corporate compliance system is continuing, primarily aimed at ensuring that the activities of the Fund and the Fund’s Group are consistent with applicable Kazakhstan and international anti-corruption legislation.

Samruk-Kazyna JSC builds its work in accordance with international compliance standards. As a basis for compliance, the Fund has adopted the standards of the Organization for Economic Cooperation and Development (OECD), which most fully cover all aspects anti-corruption. The Fund has zero tolerance for possible risks of corruption and fraud. All compliance aspects in the work of the Fund are regulated by the Code of Conduct, which also includes the main requirements for implementing business processes to reduce corruption risks and rules and norms for anti-corruption behavior for all employees of the Fund.

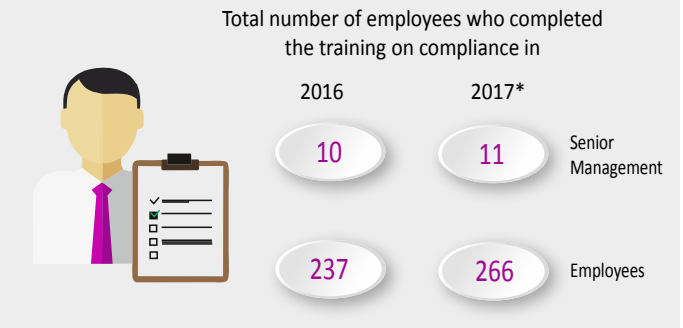


The Fund shares the principles reflected in the conventions of the International Labor Organization, the Universal Declaration of Human Rights and the UN Global Compact, and applies them as a methodological basis for building a management system in this area. The main document, which fixes the position of the Fund in ethics and respect for human rights is the Code of Conduct. The Code sets out the main guidelines and values, approaches and principles in relations with stakeholders, protection of the interests and reputation of the Fund, prevention of violations of the adopted rules and standards. When hiring, all employees are required to become acquainted with the provisions of the Code of Conduct.

Significant risk areas associated with compliance risks



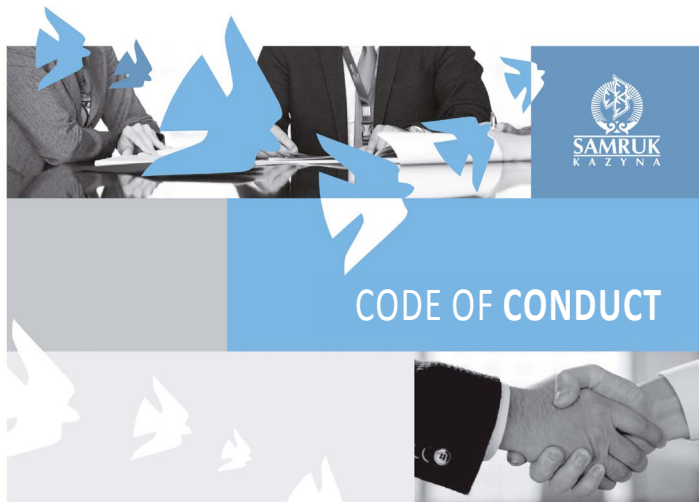
Compliance training and informing



* Data is cumulative

CODE OF CONDUCT

The Fund is committed to and develops PRIME values determined by the corporate culture diagnostics and enshrined in the Fund's Code of Conduct.



The Code of Conduct is a comprehensive guide, which, in addition to ethical standards, incorporates standards of conduct and the obligations of the Fund's employees, a FAQ section and further explanatory statements.

The Code of Conduct is risk-oriented and was developed on the basis of internal assessment of compliance risks and in line with OECD anti-bribery and corruption guidelines.

The Code of Conduct directly applies to all employees, officers and directors of the Fund.

Companies, comprising the Fund's Group are required to adopt the Code of Conduct proportionate to their compliance risks.

Business partners, suppliers and other third parties, who work with or represent the Fund, are encouraged to adhere to the Code of Conduct and/or other similar compliance policies.

OUR VALUES



PARTNERSHIP

- We work in partnership and trust the team
- We put team interests over personal ones
- We build long-term and trusted relations with all stakeholders



RESPECT

- We are careful with everything that surrounds us
- We operate trustfully and respectfully
- We obey laws and respect traditions



INTEGRITY

- We keep our promises
- We do what we say
- We are honest and fair



MERITOCRACY

- We select worthy professionals
- We give everyone opportunity to speak up regardless of his/her role
- We reward results



EXCELLENCE

- We work smart at the high quality bar using best practices and technologies
- We take responsibility and act to create value
- We are curious, we learn constantly and develop the Fund

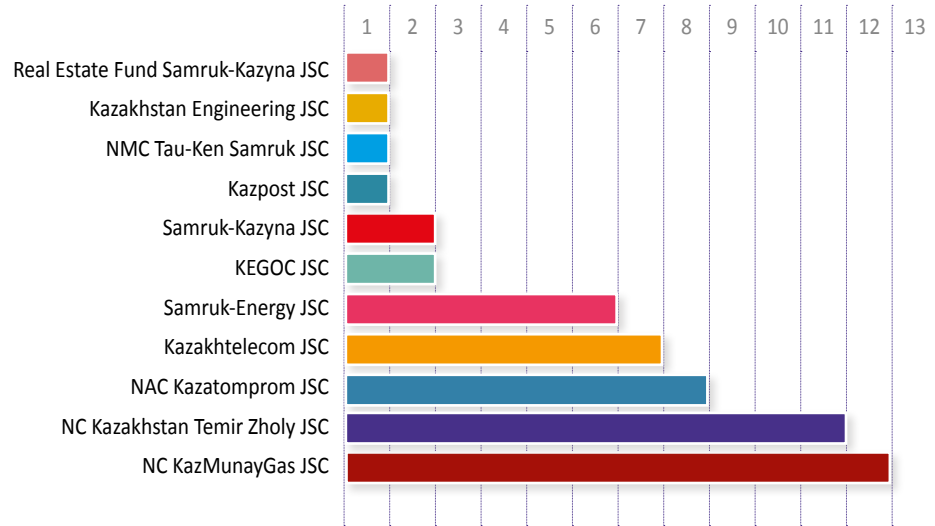
WHISTLEBLOWING POLICY

The Fund has an Whistleblowing Policy aimed at combating corruption in accordance with the OECD principles on anti-bribery and corruption. This Policy refers to the new Code of Conduct and requires information on any non-compliance with the Code of Conduct and the laws against bribery and corruption.

This Policy has a provision for damages and guarantees the protection of the rights and interests of persons who are concerned.

In June 2017, the Fund introduced the whistleblowing line to replace the old hotline that did not have an established system for monitoring follow-up actions (analysis), which statements were confirmed and whether any measures had been taken. Since June 2017 every relevant report is kept and supported indicating dates, company, applicant and facility, violation scope, whether it is confirmed or not (and what disciplinary or corrective measures are taken).

Relevant Messages Statistics by legal entities



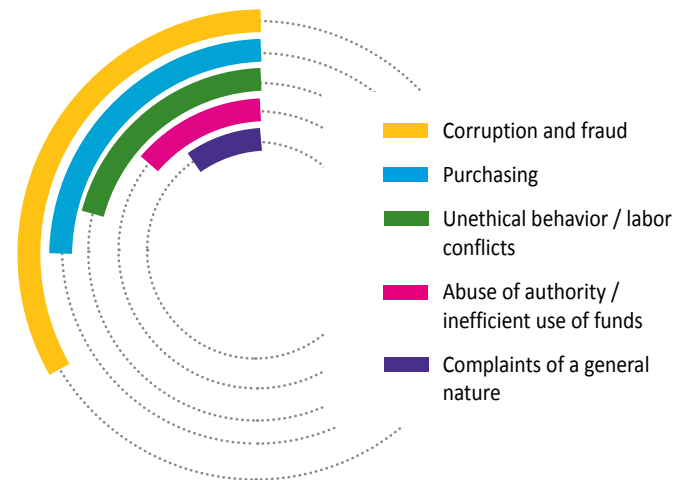
Hotline calls statistics in the reporting period



As of 31.12.2017

- 2,894** Number of hotline calls
- 50** Number of messages recognized as highly relevant
- 11** Number of messages on which facts were confirmed and measures taken

The areas of activity of the alleged violations



RESPONSIBLE PROCUREMENT

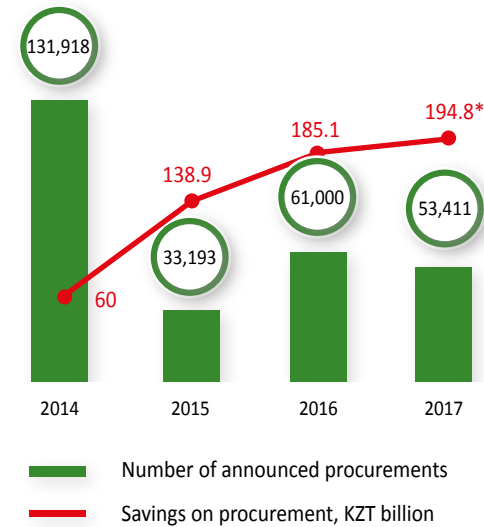
Procurement system

Our supply chain management system guarantees transparency of procedures, equal competition conditions, honest partnership, timely delivery of goods and services, supplier reliability and full compliance with relevant standards by all parties.

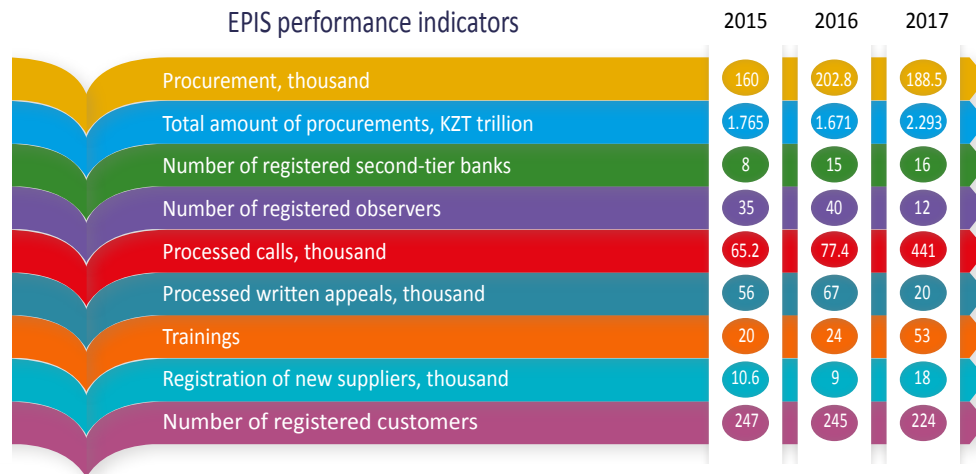
The Fund's Group has shifted to e-procurement since February 2013. The e-procurement information system is a unified e-procurement portal for the companies of the Fund, the use of which allows providing a competitive environment for tenders by increasing the level of openness for all participants in the process, equal rights, quick search for necessary procurement, participation in procurement regardless of the supplier location. The portal has registered more than 67 thousand potential suppliers and 224 subsidiaries of the Fund. According to 2017 results, over 188 thousand procurements were served through the e-procurement system of the Fund. At that, the portal has registered over 18,000 new suppliers, processed over 20,000 written appeals, over 440,000 calls, conducted over 53 in-presence and online seminars.



In 2016, the Fund approved procurement standards that allowed PCs to start implementation of an integrated approach to managing procurement processes and category management in 2017.



EPIS performance indicators



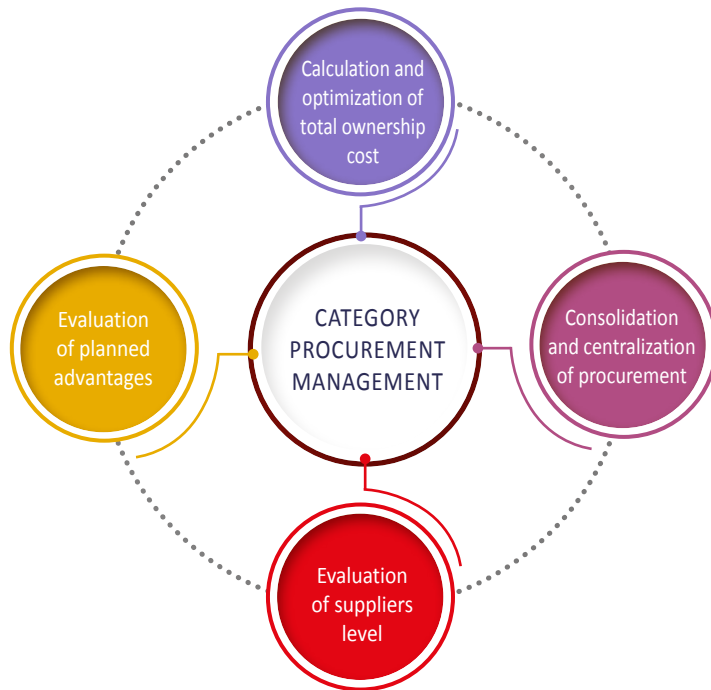
* Savings achieved in 2017 on the basis of the results of procurement by all means (competitive procurement, procurement from a single source).

PROCUREMENT SYSTEM

Procurement category management

In 2016, as part of the Transformation Program, the Fund launched a project to categorize the procurement of companies. Category procurement management is a new procurement mechanism based on a full analysis of the product life cycle, determining the main criteria for the effectiveness of consumption of procured GWS, and formation of procurement strategies for the GWS categories that maximize the economic benefits to the customer and minimize losses throughout the consuming cycle of the procured GWS.

In 2017, within the project, the Fund initiated the creation of the Fund's Competence Center for category procurement management.

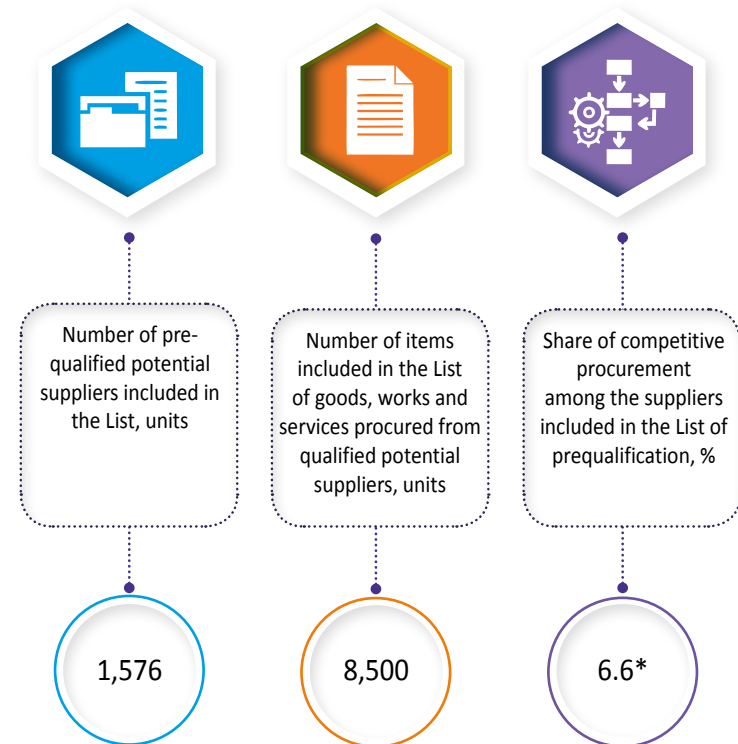


Following the results of 2017, the Competence Center developed and approved a list of 54 procurement categories in accordance with the submitted proposals from the PCs of the Fund for the development and approval of the PCs both at the Fund level and at the level of PCs in the Transformation perimeter.

As part of the implementation of category management in 2017, KTZ, KEGOC, Kazpost and KAP developed 49 category strategies and achieved an economic effect of over KZT 1.5 billion.

Pre-qualification of potential suppliers

International procurement practice demonstrates the wide development of the prequalification mechanism of potential suppliers who wish to participate in the procurement of the customer. The qualification of potential suppliers implies the supplier's compliance with international standards and corresponding level of requirements for quality, resources and other indicators. Since July 25, 2016, the Fund has initiated the procedure of prequalification of potential suppliers through Samruk-Kazyna Contract LLP.



**low value is caused by the fact that until October 2017, the list of GWS procured from prequalified suppliers consisted of 64 items.*

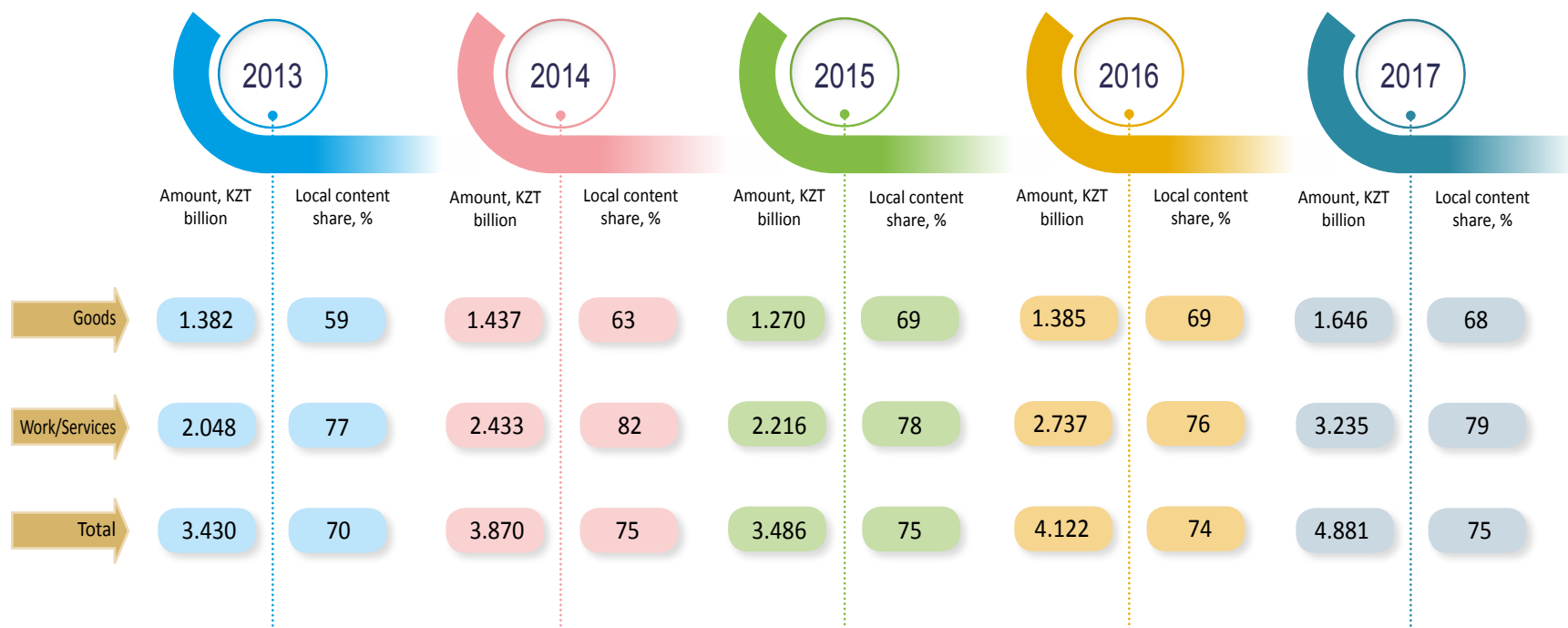
DYNAMICS OF CHANGE IN THE LOCAL CONTENT IN THE PROCUREMENTS OF THE FUND

As a result of 2017, the local content share in procurement of goods of the Fund's Group increased by 1% compared to 2016. The share of local content for work and services increased by 3%.

In 2016, the campaign for long-term contracting of the Fund's companies with domestic producers was activated.

As a result, in 2017, the Fund concluded 14 long-term contracts with domestic producers for a total of KZT 907 billion.

In general, within the procurement campaign for the Fund's Group, there are 1,739 long-term contracts with domestic for KZT 2.9 trillion.



RESPONSIBLE INVESTMENTS

Investment Goals and Principles of the Fund



Investment Policy of the Fund

The Fund seeks to become a highly effective and dynamically developing strategic holding company, operating in accordance with the best global practice of leading sovereign wealth funds. The Fund successfully transits from the passive investor role to the active investor role. The Fund has developed the Investment Policy reflecting the new business model of the Fund in order to achieve strategic financial goals:

- ▶ The new Investment Policy is in line with the main areas of the state policy;
- ▶ It is developed in compliance with other strategic documents of the Fund and best practices of leading SWFs;
- ▶ Key tool for improving the investment process and monitoring investments;
- ▶ Ensures compliance with the "yellow pages" rule and focus on co-investment with strategic partners.
- ▶ Portfolio management is introduced to create and increase the value of assets to the shareholder.

Portfolio approach to investment management is introduced to increase and maintain value through development of strategic tools and mechanisms, such as the Investment Project Evaluation Criteria, Strategic Financial Model, KPI Tree of the Fund, Investment Activity Shows, analysis and clear link to megatrends and active monitoring of target and threshold values of financial sustainability indicators.

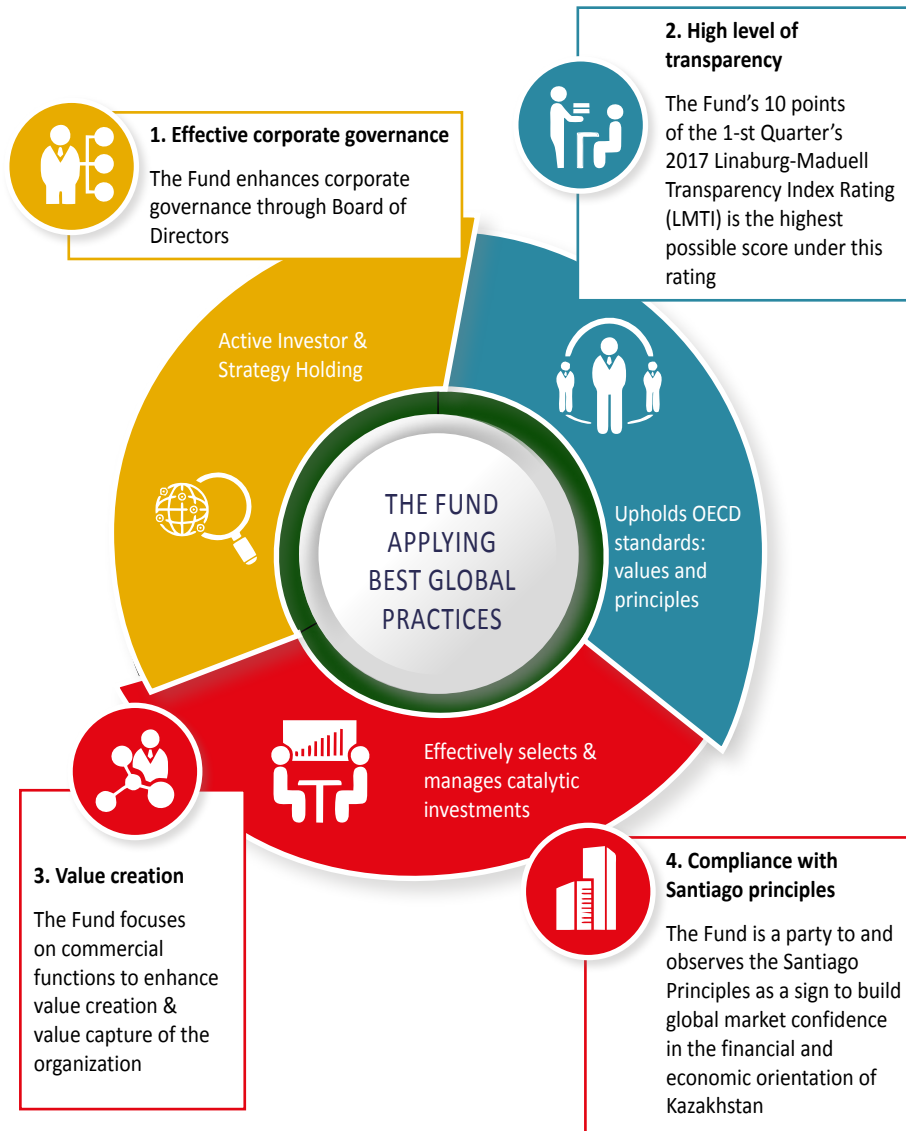
Using the example of other sovereign funds (Temasek, etc.), the Fund seeks to develop and protect the investment portfolio from concentration risk and reduce dependence on one economy and commodity markets by diversifying the portfolio to preserve and multiply the yield for the shareholder, and investing outside the Republic of Kazakhstan the Fund established the Investment and Strategic Committee in 2017, which significantly simplified and improved the management of investment and strategic activities.

In 2017, over 100 ideas were analyzed, 10 investment concepts were worked out: 8 concepts were considered at the ISC, 8 were approved.

The investment activity of the Fund is implemented by the Asset Portfolio Management Unit of the Strategic Development Department supervised by the Managing Director for Strategic Development.

In order to build the most effective bilateral communication between the Fund, investment community and other stakeholder groups, the Fund has the Investor Relations Department. Communications with investors are carried out through organization of roadshows, holding conference calls and business meetings, preparation of applications and press releases, information materials about the Fund and PCs.

RESPONSIBLE INVESTMENTS



The Fund believes that in order to fulfill its commitments and to protect and enhance the value of the Fund's investments over the long-term, it should promote responsible investment. As part of the Development Strategy and the Corporate Governance Code, the Fund took the lead on the implementation and integration of sustainable development principles in the activities of the Fund and PCs.

The Fund emphasizes its responsibilities for contributing to society's development through the alignment with economic and national agenda, which also includes broader strategy that incorporates environmental, social, governance principles and sustainable development plans.

As a responsible investor and shareholder, the Fund aims to apply the same high ESG standards and business integrity across all of its underlying PCs and Group as a whole.

In evaluating ESG principles, the Fund is guided by the provisions of the Corporate Governance Code and best international practices recognized and accepted by the international community, such as the United Nations Sustainable Development Goals, Global Reporting Initiative (GRI), Environmental and Social Standards of the IFC and the EBRD, the UN Principles for Responsible Investment (PRI) etc. The ISC considers investment projects of PCs for compliance with ESG criteria.

The Fund adheres to the following key principles directly linked to investments:

- I. incorporation of ESG issues into investment analysis and decision-making processes;
- II. observance of the law of the Republic of Kazakhstan, including the Environmental Code, and non-abuse of privileged information availability;
- III. preparation of annual reports, including financial statements, sustainability reports, including ESG factors, in accordance with generally recognized international or national auditing standards;
- IV. presence of a formalized system for risk identification, assessment and management, including reputational, operational and financial risks.

The Fund had not invested in sustainable development in the reporting period, however PCs actively participate and finance social projects and environmental protection projects.



INNOVATION PROJECTS OF THE FUND'S GROUP

Development and implementation of innovations is an important factor in maintaining the technological leadership of the Fund's Group and increasing profitability.



Kazpost JSC



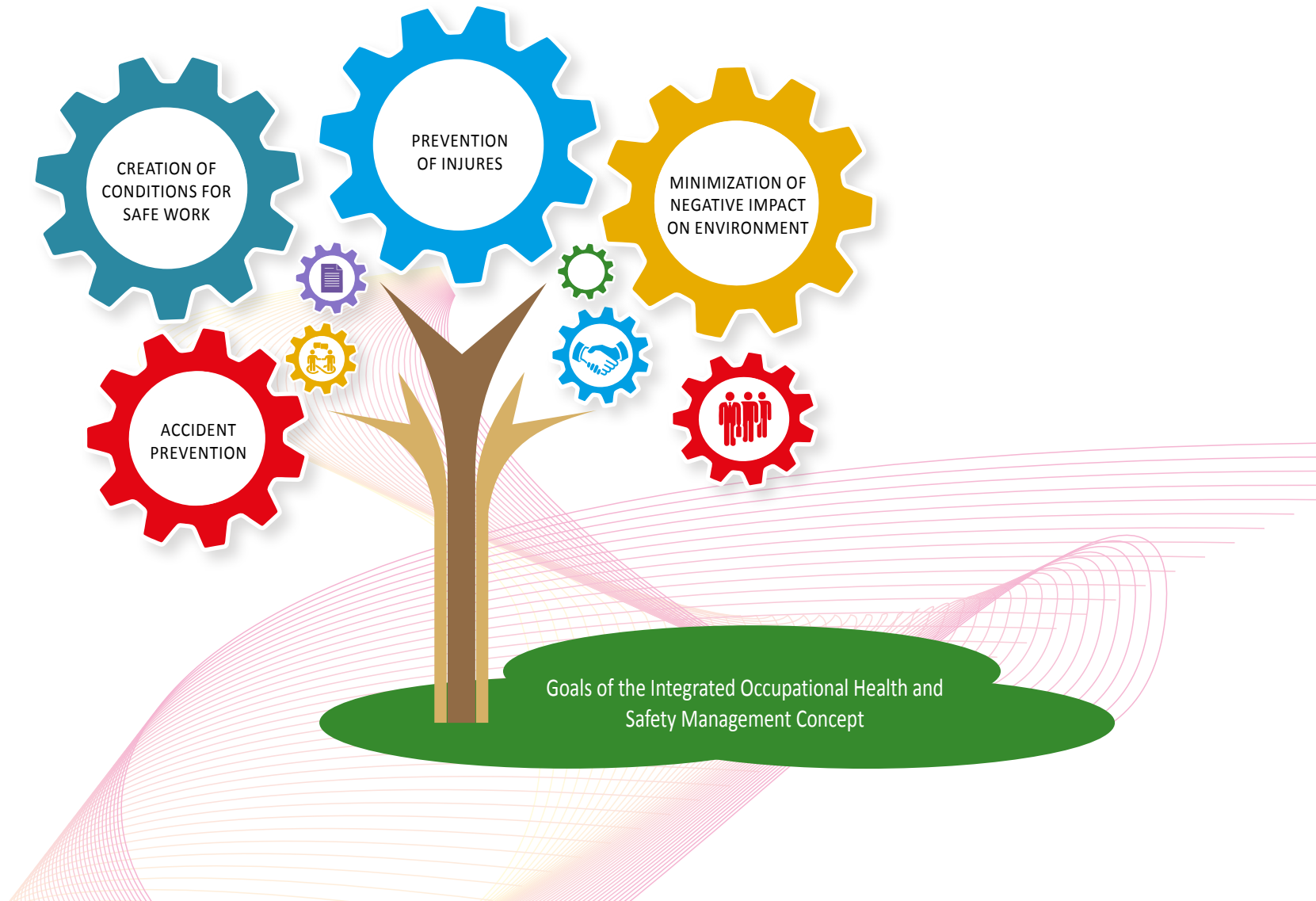
- ▶ In 2017, Kazpost JSC presented its first digital office where hybrid ATMs, electronic cashier, parcel terminal and a parcels supermarket operate as well as the work of drones and post.kz capabilities.
- ▶ Over the last three years, Kazpost has been consistently implementing the Transformation Program, reengineering internal processes, introducing innovative services, involving new partners, expanding its presence in the online and mobile space to improve the quality of customer service. To this end, in 2017 Kazpost JSC started implementing the target model of IT management including automated processes.

Samruk-Energy JSC



- ▶ In the framework of the international exhibition "ASTANA EXPO-2017" under the slogan "Energy of the Future" along with the leading world and domestic companies, it was presented the stand of Samruk-Energy JSC. The exposition of Samruk-Energy JSC was held under the name "Natural Sources - Clean Energy". Samruk-Energy JSC as a global partner of the international exhibition "ASTANA EXPO-2017" offered visitors information on the potential of alternative energy, implemented RES projects. A fragment of the gondola layout was constructed to visualize the scale of the existing wind turbines, where a video was shown and information on the future stages of the expansion of the Yereimentau wind farm to 300 mW.
- ▶ Taking into account the trends in digitalization and modernization of the economy within the framework of the tasks, it is planned to implement projects "Digital Power Station", "Digital Section" and "Non-Mute Boiler Start-Up". In addition, Samruk-Energy JSC will continue the work on asset modernization with the introduction of automated production systems, using forecast analytics and elements of artificial intelligence. The recognition of last year results was ranking of Samruk-Energy JSC as the 3rd in the TOP-10 innovative companies of Kazakhstan.

OCCUPATIONAL HEALTH & SAFETY REFERENCE MODEL FOR PORTFOLIO COMPANIES



OCCUPATIONAL HEALTH AND SAFETY

We consider it is our duty to provide a safe environment for employees, partners and population in the regions of operations. The Fund's Group constantly improves production processes, pays special attention to the reliability of technological equipment, ensures its safe operation and introduces new technologies.

We are striving to create a "zero accident" culture where each employee is responsible for both his own safety and the safety of the whole team. We always encourage responsible behavior to ensure safe working conditions for all of our employees and contractors. **Whilst we do our utmost to ensure accidents are eliminated, and international standards and regulations observed, as well as our internal control procedures, regrettably during 2017 the number of fatal accidents at work was 44**.**

We fully comply with the requirements of the legislation in labor protection and industrial safety in the regions of presence and take into account international standards in this area. The internal regulatory documents that regulate labor protection and industrial safety are applied in the companies of the Fund's Group. When employed, new employees have training where they get acquainted with these documents which are also available on the corporate websites of Portfolio companies.

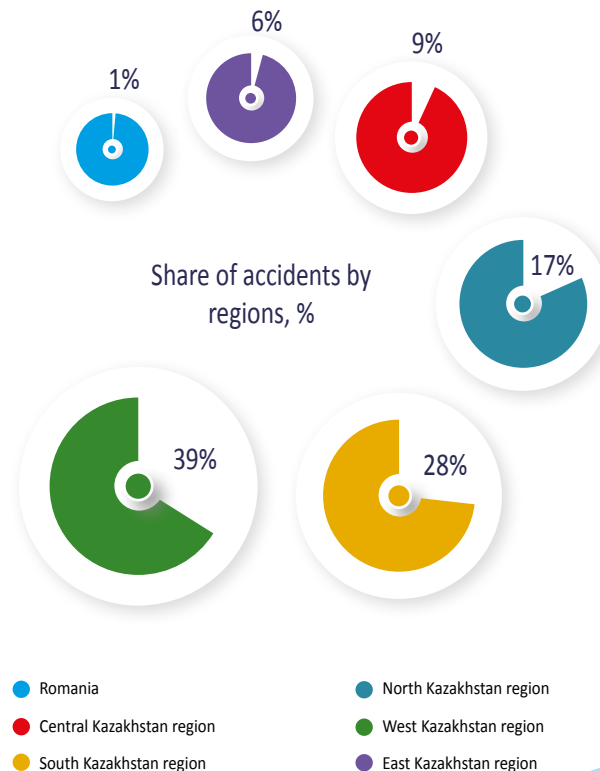
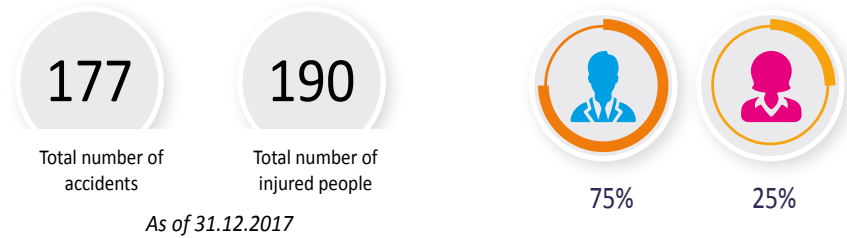
The Fund offers the online training in occupational health and safety.

**26 deaths of them are not related to labor activity*

*** According to the facts, measures were taken and financial assistance was provided to families and relatives of the deceased.*

In 2017, Portfolio Companies made structural and cultural changes in occupational safety and health.

Share of injured people by gender, %



- Romania
- North Kazakhstan region
- Central Kazakhstan region
- West Kazakhstan region
- South Kazakhstan region
- East Kazakhstan region

ECOLOGICAL RESPONSIBILITY



Investment in environment
was in 2017

KZT 23.9
billion

One of the most important aspects of responsible business of the Fund's Group is the environmental friendliness.

The main objectives of the Environmental Policy of the Fund in environmental protection are:

- ▶ Assessment and management, prevention and mitigation of the negative impact of PCs activities on the environment.
- ▶ Creation of modern corporate system of quality control and monitoring of the current state of technological equipment, production facilities and environment.
- ▶ Ensuring the information disclosure on efforts in environmental protection.
- ▶ Participation of personnel in activities to reduce environmental risks, improve management and efficiency in environmental protection.

The Fund's approach to environmental responsibility is based on active interaction with all stakeholder groups and is aimed at building an effective dialogue on environmental issues. Thus, the companies of the Fund's Group actively cooperate with government and non-government organizations, scientific and educational institutions.

The Fund will ensure adherence to the principles of a "green economy" and implement the activities and indicators of the Concept to transition the Republic of Kazakhstan to a "green economy"



KZT 269.4 million are fines imposed for
non-compliance with environmental legislation and regulatory
requirements

PROJECTS INVOLVING ENVIRONMENTAL PRESERVATIONS OF FUND'S GROUP

Portfolio companies of the Fund implement projects to minimize the impact of their activities on the ecology and take significant steps to protect the environment.



Projects on gasification of facilities

To date, in order to implement measures to reduce emissions, pollutants into the atmosphere, Kazpost JSC has developed a project to gasify the facilities of Kazpost JSC, within which, in 2017, design estimates were prepared for gasification of 25 facilities in Zhambyl Region. Facilities gasification contributes to reducing emissions of pollutants into the environment

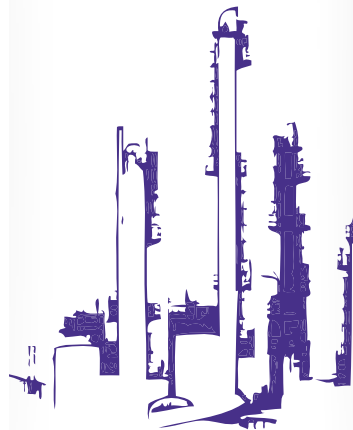


Modernization and reconstruction of Refinery

It should be noted that KazMunayGas JSC took part in the project of the first environmental responsibility rating for oil and gas companies of Kazakhstan and was recognized by independent international organization as a leader and environmentally responsible company.

The Group of KazMunayGas JSC completed the modernization of Atyrau and Pavlodar refineries, and started modernization and reconstruction of Shymkent Refinery. Thus, the first single point loading of oil products in Kazakhstan was commissioned in Shymkent Refinery in 2017, which was designed and built taking into account environmental requirements. Its technology provides hermetic filling of oil products on two separate points to tank cars with a capacity of 730 m3 per hour each through telescopic equipment preventing the release of hydrocarbon fumes into the atmosphere. Also, as part of the modernization, new diesel hydro-treaters, sulfur production units, gas-flare unit providing safe removal of process gases have been commissioned.

One of the important stages in the modernization of Shymkent Refinery is the design and construction of new treatment facilities. New treatment facilities will reduce the risks of emissions of harmful vapors and gases into the atmosphere. Also, ultrafiltration and reverse osmosis units are envisaged to increase significantly the reuse of treated effluents.



SOCIAL RESPONSIBILITY

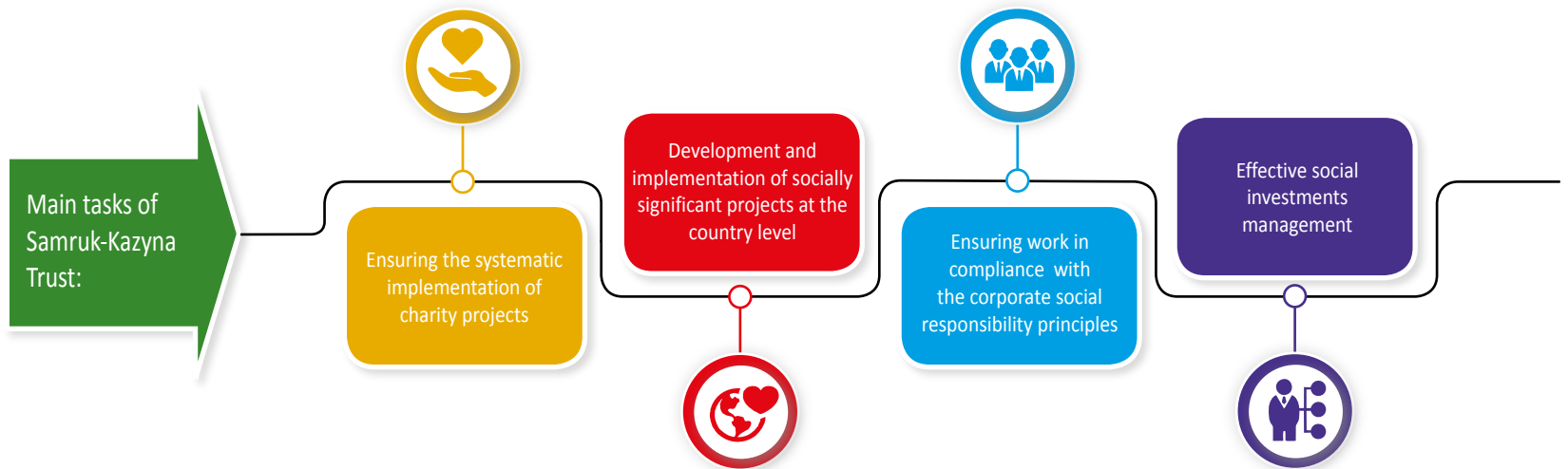
SAMRUK-KAZYNA TRUST Social Projects Development Fund implements charity projects and programs aimed at solving socially important issues for the population from the entire Group of Samruk-Kazyna JSC. State authorities, Government of Kazakhstan and experts in public and social policy support the activities and charitable projects of SK Trust.

Mission of SK Trust

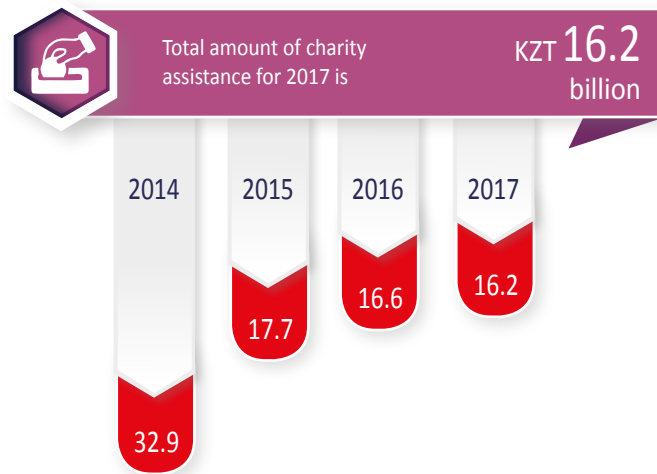
Improve the socio-economic life of the population and prosperity of the Republic of Kazakhstan

Key principles of SK Trust

- ▶ Efficiency
- ▶ Systematic
- ▶ Social significance
- ▶ Transparency



SPONSORSHIP AND CHARITY



Efficiency of the charity policy

2010-2017



2017



The budget of the charity program was reduced, however, the effectiveness is growing in the number of direct beneficiaries

THE PROGRAM OF SOCIAL INVESTMENTS “MENIN YELIM”

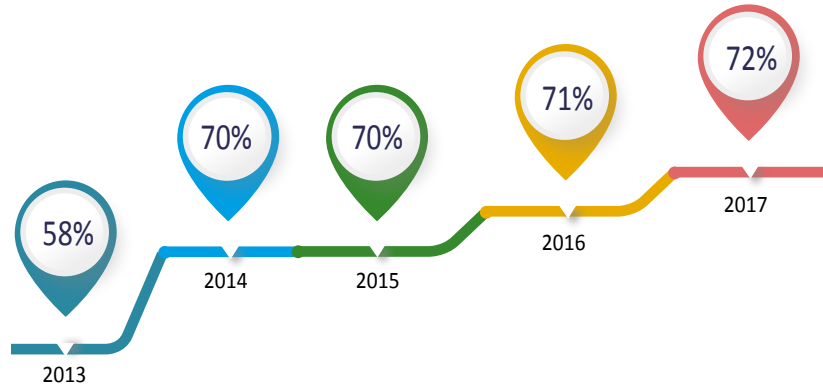


Target group: Residents of 9 priority regions of the presence of the Group of Samruk-Kazyna JSC

Project results:

- ▶ two medical trains were launched to cover 252 remote stations and crossing points, 74,368 residents were examined and 854 minor surgeries were performed;
- ▶ 241 schools are provided with sports equipment in 5 regions of Kazakhstan (Pavlodar, Mangystau, Aktope, West Kazakhstan and Turkestan, including Shymkent);
- ▶ 33 children inclusive and universal sports sites were installed in four regions of Kazakhstan (Pavlodar, Mangystau, Aktope, West Kazakhstan);
- ▶ 2 tours of the children’s sightseeing tourist train “Tugan Yelge Sayakhat” were organized with a total of 388 children and adolescents from remote villages and stations;
- ▶ 92 special schools and boarding schools across Kazakhstan are provided with special corrective equipment;
- ▶ 3 sports organizations of Pavlodar Region are supported;
- ▶ 15 music schools are equipped with tools and instruments;
- ▶ EXPO-camp youth campground for a total of 1,178 children was organized including children diagnosed with diabetes mellitus.

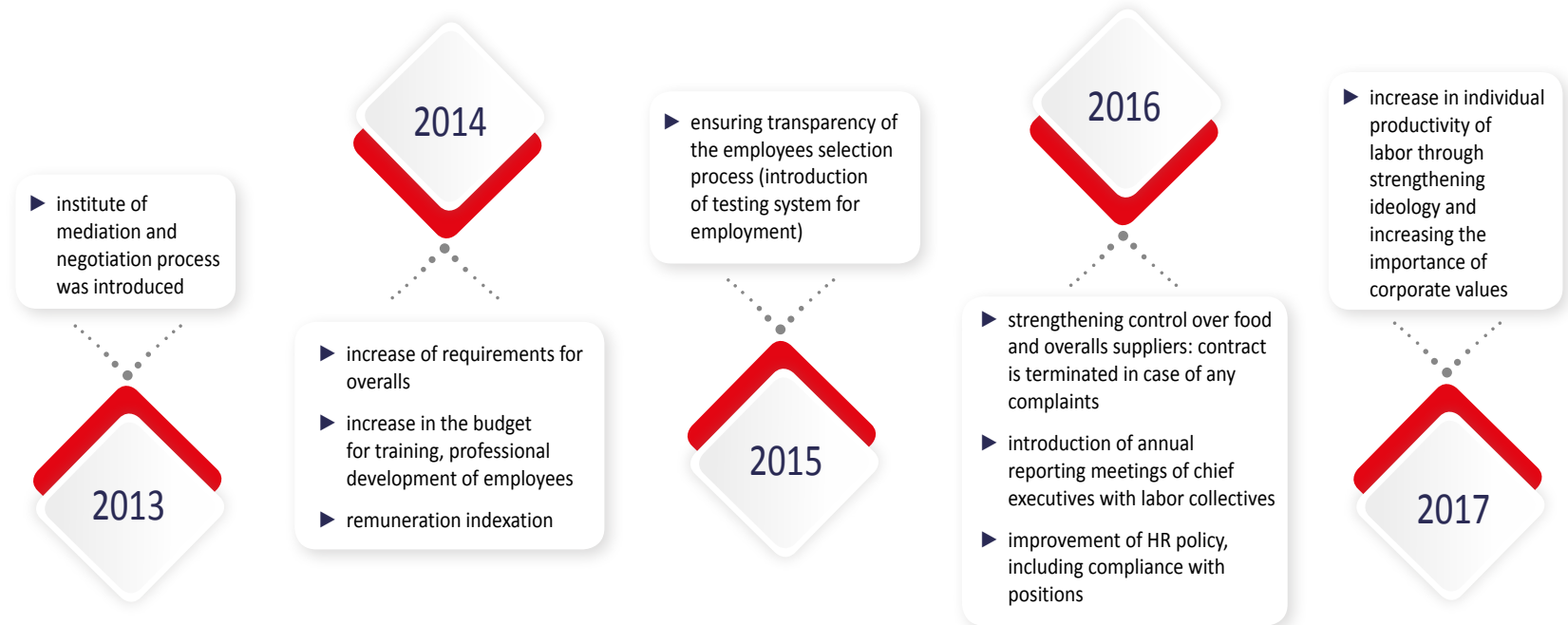
SOCIAL STABILITY



Social stability Ratio

The Fund succeeds in solving social issues by removing problem areas. Building standards in social, HR and communication policies and their further distribution within the Fund’s Group allow to ensure and strengthen social stability among 300,000 employees throughout the country.

Decisions taken to ensure social stability



SOCIAL STABILITY

The independent survey results show **significant improvement** in living conditions in shift camps, working conditions in the workplace, quality of food and overalls, and, importantly, attitude of line managers to the employees.

This is the result of planned, continuous and joint work of management of companies, employees and the Fund.



Labor Conditions

Satisfaction with working conditions has increased significantly over 5 years. Management receiving feedback from employees takes appropriate measures.



Catering/Meals

Strict requirements are set for suppliers of food in companies with rotational work, in others, as far as possible, separate premises are allocated, equipment is procured.



Trust in Management

Openness, providing feedback, creating possibility of appealing, personal meetings of top management with the team increase trust to the manager, thereby loyalty of employees to the company in general.



Transparency of Appointments

Employees note formalization and substantial openness of the process of appointing and admitting new employees.

TRANSPARENCY

In its activities, the Fund is guided by the principle of improving transparency and information openness.

Transparency in business implementation requires from the Fund to be open and willing to provide information on key areas of activity including informing about strategic and operational tasks. At the same time, it is not only about openness in interaction with the general public, but also about the strengthening of internal communications of PCs of the Fund.

Since 2016, the Fund has been implementing the Information Disclosure and Protection Policy and Regulation, under which the Fund undertake the obligation to provide stakeholders with material information on its activities.

In order to raise public awareness of the activities of the Fund's group of companies and clarify operational tasks for employees of portfolio companies, the unified Communication Strategy of Samruk-Kazyna JSC was approved. The Strategy lays the general principles of communication and media planning process as well as formulates key messages for the internal and external audience.

Transparency is one of the main conditions for building trust from external stakeholders, including potential investors. In 2017 the Fund continued implementation of the Privatization Program - information support was provided for the Investors Days held abroad. In 2017, events with participation of the international investment community were held in London, Astana, Almaty and Hong Kong. Since early 2018, similar events have been held in Shanghai, St. Petersburg, Moscow and Beijing.

Information on the activities of the Fund is regularly updated on the official website www.sk.kz, including corporate reporting and information on privatized assets, which are published in Kazakh, Russian and English in the special section on privatization.

In 2017, about 500 appeals from citizens were received in various areas of the Fund's activities. In addition, there are 2 call centers - on procurement issues and proactive information line. Contact details of the key structural units of the Fund are also published on the website.

1

The best annual report
in the non-financial sector in 2017
in the RA Expert Annual Report
Competition

15

Transparency Index
The Fund is ranked 15th in the
transparency index among
Top-100 of public investors



GRI G4 SUBJECT INDEX

General Standard Disclosures G4

General Standard Disclosures	Description	Omissions	Page
Strategy and Analysis			
G4-1	Statement from CEO about the relevance of Sustainability to the organization and the organizations strategy or addressing strategy		CEO's Welcome address, page 4
G4-2	Description of key impacts, risks and opportunities		CEO's Welcome address, page 4
Organizational Profile			
G4-3	Name of organization		About the Fund, page 5
G4-4	Primary brands, products and services		About the Fund, page 5-9 Development Strategy of the Fund, page 7
G4-5	Location of the organization's headquarter		About the Fund, page 5
G4-6	Number of countries where the organization operates, and names of countries either the organization has significant or that are specifically relevant to the sustainability topics covered in the report		Republic of Kazakhstan About the Fund, page 5-9 Development Strategy of the Fund, page 7
G4-7	Nature of ownership and legal form		About the Fund, page 5-9
G4-8	Markets served		About the Fund, page 5-9 Portfolio of the Fund, page 8
G4-9	Scale of the organization		About the Fund, page 5-9 Portfolio of the Fund, page 8 Financial Indicators, page 27-30
G4-10	Number of employees by employment, region and gender		Strong Human Development, page 31-38
G4-11	Percentage of total employees covered by collective agreements		The Fund does not have collective agreement. Information on the collective agreement in the Fund's Group - Human rights, page 35
G4-12	Organizations supply chain		The Funds suppliers are consultants and financial institutions. Apart of these, the Fund works with local suppliers of technology, transpiration, catering, cleaning, office materials and other related needs. Stakeholder Engagement, page 13-15 Responsible Procurement, page 43-45

General Standard Disclosures	Description	Omissions	Page
G4-13	Significant changes during reporting period regarding organization's size, structure, ownership or its supply chain		There has not been any significant change during the reporting period. Responsible Procurement, page 43-45
G4-14	Explanation of whether and how the precautionary approach or principles is addresses by the organization		The Fund supports precautionary approach and consistent with that principle, the Fund advocates a risk-based approach to sustainability in operations through extensive management systems. Risk-based Approach to Sustainability, page 12
G4-15	External developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses		The Fund is member of many international and local organizations and has also participated in a number of international initiatives and adopted their principles in accordance with best practices. Our approach to Sustainability, page 10-12 Sharing Experience on Implementation of Initiatives, page 25-26
G4-16	Membership of associations and national and international advocacy organizations		The Fund is member of many international and local organizations and has also participated in a number of international initiatives and adopted their principles in accordance with best practices. Our approach to Sustainability, page 10-12 Sharing Experience on Implementation of Initiatives, page 25-26
Identified Material Aspects and Boundaries			
G4-17	All entities included in the organizations consolidated financial statements		Portfolio of the Fund, page 8
G4-18	Process of defining the report content and Aspect Boundaries How the organization has implemented the Reporting Principles for defining the Report content		About the Report, page 3 Our approach to Sustainability, page 10-12 Materiality Analysis, page 16
G4-19	Material Aspects identified in the process of defining the report content		Materiality Analysis, page 16 Sustainability Initiatives, page 17-20
G4-20	For each material aspect, the Aspect Boundary within the organization		Details are disclosed in Material aspects disclosure sections. Stakeholder Engagement, page 13-15 Materiality Analysis, page 16
G4-21	For each material aspect, the Aspect Boundary outside the organization		Details are provided in the sections of significant aspects disclosure Stakeholder Engagement, page 13-15 Materiality Analysis, page 16
G4-22	The effort of any restatements of information provided I previous reports and the reasons for such restatements		More detailed information on the Fund is given in the Annual Report for 2017
G4-23	Significant changes from previous reporting in the Scope and Aspect Boundaries		About the Report, page 3 Our approach to Sustainability, page 10-12 Materiality Analysis, page 16

General Standard Disclosures	Description	Omissions	Page
Stakeholder Engagement			
G4-24	A list of stakeholder groups engaged by organization		Stakeholder Engagement, page 13-15
G4-25	Basis for identification and selection of stakeholders within whom to engage		Stakeholder Engagement, page 13-15
G4-26	Organizations approach to stakeholder engagement		Stakeholder Engagement, page 13-15
G4-27	Key topics and concerns that have been raised through stakeholder engagement		Stakeholder Engagement, page 13-15
Report Profile			
G4-28	Reporting period and information provided		About the Report, page 3
G4-29	Date of most recent previous report		October 2017
G4-30	Reporting cycle		About the Report, page 3
G4-31	Contact point for questions regarding the report		Elvira Konakbayeva, Corporate Governance Department Email: E.Konakbayeva@sk.kz Phone: +77172559268 Nazerke Konysbay Corporate Governance Department Email: N.Konysbay@sk.kz Phone: +77172552682
Report Profile			
G4-32	"In accordance" option the organization has chosen and GRI Content Index for the chosen option		About the Report, page 3
G4-33	Organization`s policy and current practice with the regard to seeking external assurance for the report		This report was prepared without external consultations.
Corporate Governance			
G4-34	Governance structure of the organization, including committees of the highest governing body		Corporate Governance, page 21-24 More detailed information on the Fund is given in the Annual Report for 2017
Ethics and Integrity			
G4-56	Organizations values, principles, standards and norm of behavior such as codes of conduct and codes of ethics		Strong Human Development, page 31-38 Ethics and Compliance, page 39-41 Code of Conduct, page 41

Specific Standard Disclosures G4

Material Aspect	DMA and Indicators	Description	Omissions	Page
Category: Economic				
Economic performance	G4-DMA			About the Fund, page 5 Portfolio of the Fund, page 8 Sustainability Initiatives, page 17-20 Financial indicators, page 27-30
	G4-EC1	Direct economic value generated (Revenues, employee wages and benefits, operating costs, payments to government)		Financial indicators, page 27-30
Procurement practices	G4-DMA			Responsible Procurement, page 43-45
	G4-EC9	Procurement budget spent on local suppliers		Responsible Procurement, page 43-45
Category: Environmental				
General information	G4-DMA			About the Fund, page 5 Portfolio of the Fund, page 8 Sustainability Initiatives, page 17-20 Ecological Responsibility, page 51-52
	G4-EN31	Total costs and investments for environmental protection by types		Ecological Responsibility, page 51-52
Compliance with the requirements	G4-DMA			Our approach to Sustainability, page 10-12 Ecological Responsibility, page 51-52
	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		Ecological Responsibility, page 51-52
Category Social: Labor Practices and Decent Work				
Employment	G4-DMA			About the Fund, page 5 Portfolio of the Fund, page 8 Sustainability Initiatives, page 17-20 Strong Human Development, page 31-38
	G4-LA1	Total number and rate of new employees hired, total number and rate of employee turnover during the reporting period by age, gender and group		Strong Human Development, page 31-38

Material Aspect	DMA and Indicators	Description	Omissions	Page
Labor/Management Relations	G4-DMA			About the Fund, page 5 Portfolio of the Fund, page 8 Sustainability Initiatives, page 17-20 Strong Human Development, page 31-38
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements		The Fund complies with the requirements of labor Law of the republic of Kazakhstan and regulations applicable to such issues in Kazakhstan.
Occupational health and safety	G4-DMA			About the Fund, page 5 Portfolio of the Fund, page 8 Sustainability Initiatives, page 17-20 Occupational health and safety, page 49-50
	G4-LA6	Types and levels of occupational injuries, level of occupational diseases, the coefficient of lost days and the absence rate in the workplace, as well as the total number of work-related deaths by region and gender		Due to the different scale and specifics of the activities of Portfolio companies, the Fund discloses the information on the number of accidents, including fatalities related to work by region and gender across the Fund's Group in the section "Occupational Safety and Health", page 49-50
Training and education	G4-DMA			About the Fund, page 5 Portfolio of the Fund, page 8 Sustainability Initiatives, page 17-20 Strong Human Development, page 31-38
	G4-LA9	Average annual number of hours of training for one employee by gender and staff categories		Strong Human Development, page 31-38
Equal remuneration for men and women	G4-DMA			About the Fund, page 5 Portfolio of the Fund, page 8 Sustainability Initiatives, page 17-20 Strong Human Development, page 31-38 Evaluation and Remuneration, page 37
	G4-LA13	The ratio of the base salary of men and women by staff categories and by significant regions of the organization's operation		The Fund adheres to the principle of equal remuneration for men and women. The basis for personnel issues is qualification, professional knowledge and business requirements.

Material Aspect	DMA and Indicators	Description	Omissions	Page
Category Social: Society				
Anti-corruption	G4-DMA			About the Fund, page 5 Portfolio of the Fund, page 8 Sustainability Initiatives, page 17-20 Ethics and Compliance, page 39-42
	G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified		Ethics and Compliance, page 40
	G4-S04	Communication and training on anticorruption policies and procedures		Ethics and Compliance, page 39-42

