



# KEGOC – ENERGY FOR LIFE

KEGOC  
ANNUAL REPORT  
2020





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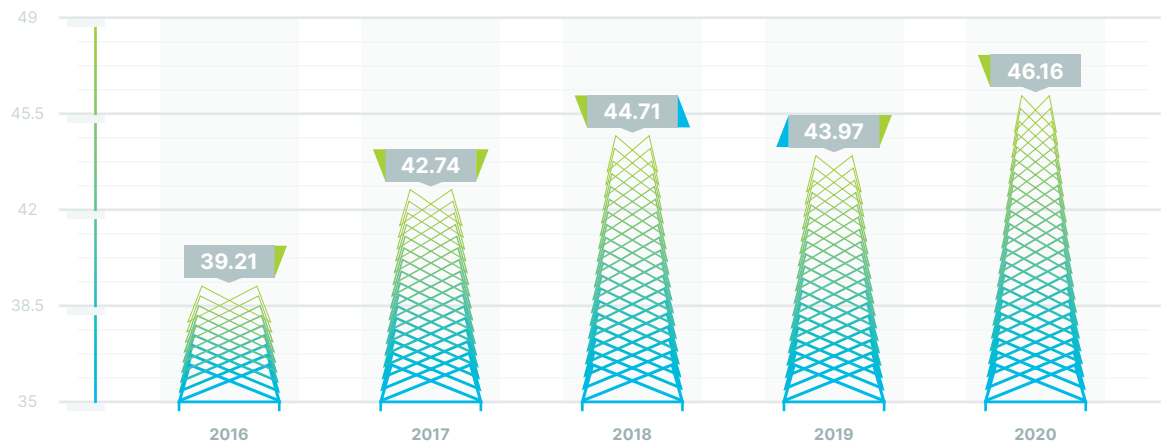
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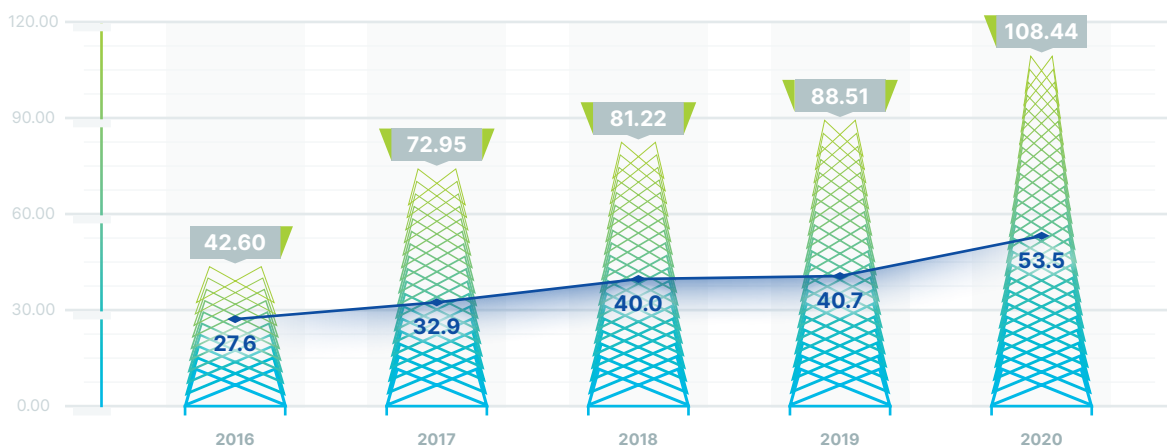
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# Key Indicators

Electricity transmission in KEGOC's networks, billion kWh

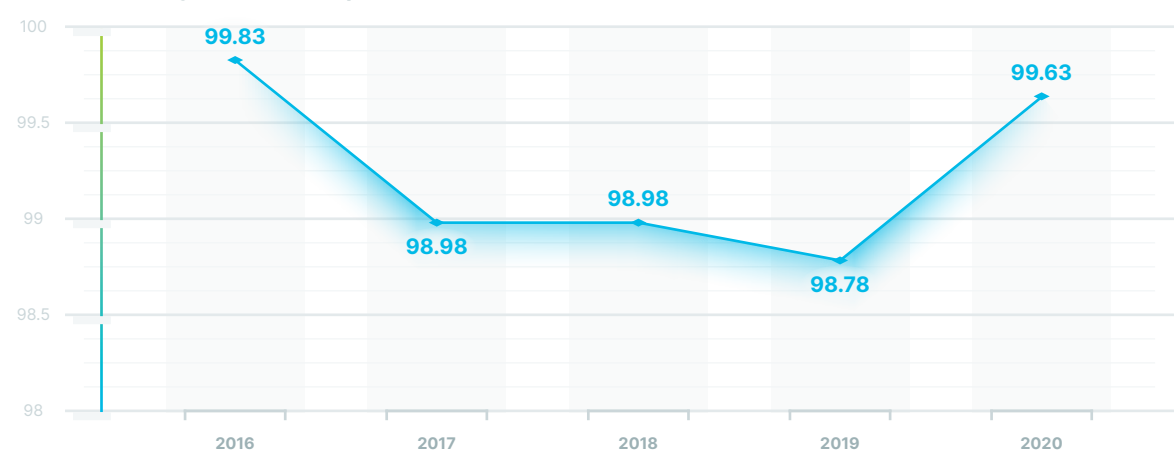


Profitability, KZT billion

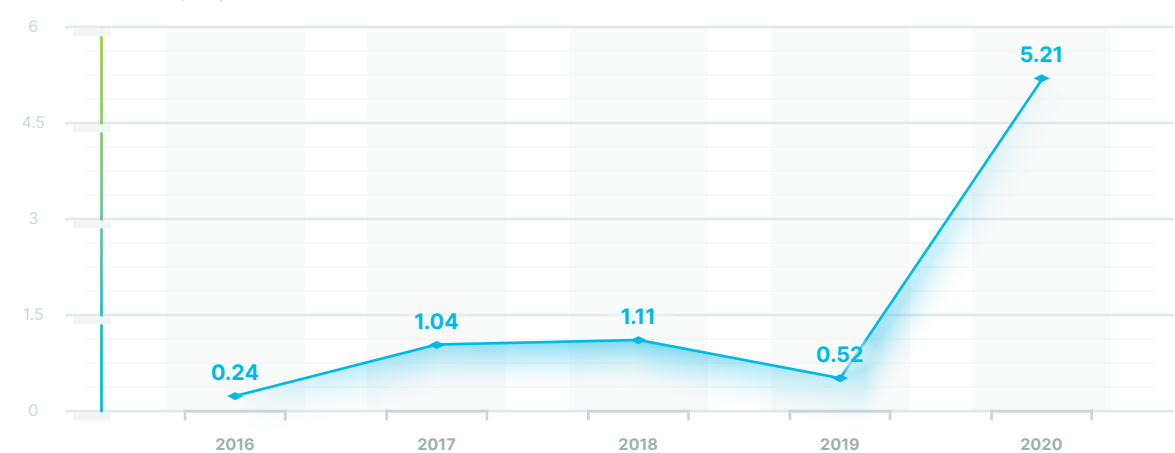


EBITDA  
Net income

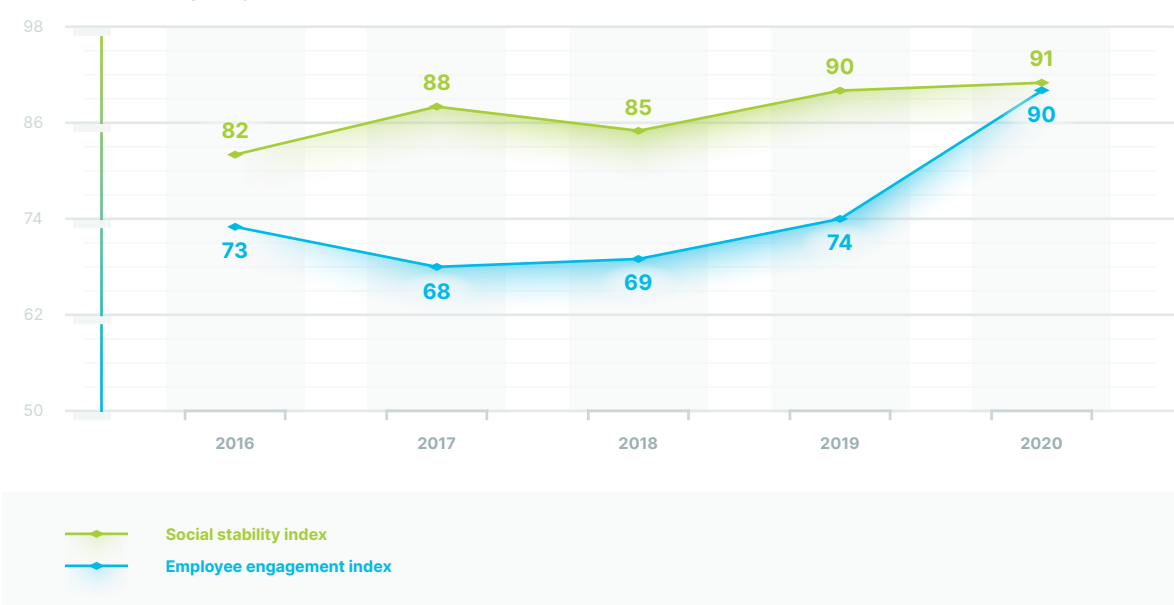
Network reliability: work without problems (WWP),%



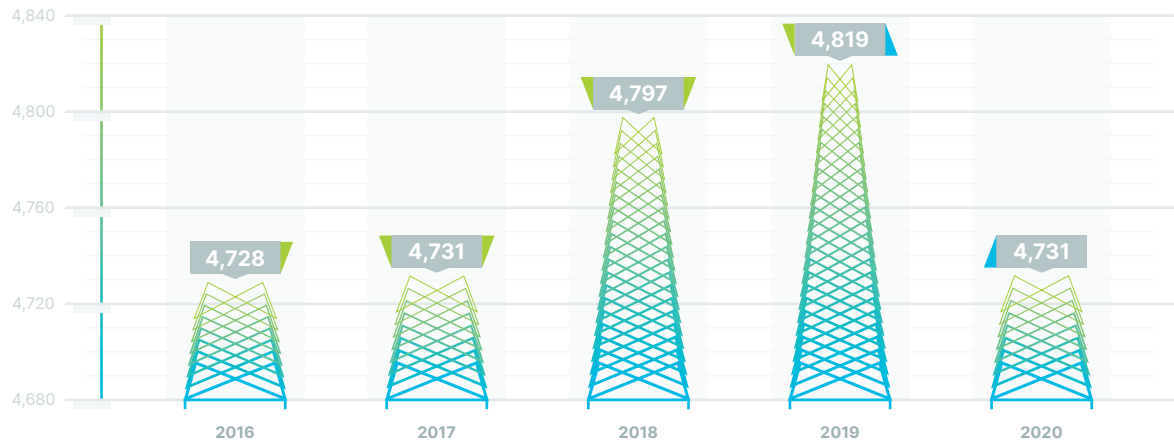
Network reliability: System minutes lost (SML), min.



Human resources policy, %



Personnel, number of employees





# Letter from the Chairman of the Board of Directors of KEGOC

102-14

Dear Shareholders:

2020 was not an easy year, but a very important  
one for KEGOC.



**ALMASSADAM SATKALIYEV**  
CHAIRMAN OF THE BOARD  
OF DIRECTORS OF KEGOC

In March, the Board of Directors decided to allocate 100% of net income to the payment of dividends to shareholders. This fulfilled President Kassym-Jomart Tokayev's instruction to the national companies to pay all their net profits in the form of dividends.

In 2020 the Board of Directors demonstrated a high quality of management decisions, taking into account the interests of all stakeholders. The Board of Directors approved an updated Portfolio and Roadmap for the Business Transformation Programme in 2020. The benefits of the

Business Transformation Programme projects for 2020 amounted to KZT 2.3 billion. In addition, an updated version of KEGOC's business continuity rules was approved and amendments were made to the Company's Business Plan for 2020-2024.

In 2020, KEGOC successfully continued the implementation of the strategic goals and objectives defined by the Board of Directors in KEGOC's Development Strategy 2018-2028, demonstrating a high-quality level of business process management, efficient performance of the functions of the system operator of the UPS, as well as financial reliability.

The company has demonstrated its commitment to the best standards of corporate governance and its adherence to the principles of transparency: the activities of the Corporate Governance Enhancement Plan have been successfully implemented.

As a major employer, KEGOC was committed to creating decent and safe working conditions for its employees, and the staff showed a high level of commitment by successfully carrying out their duties under the quarantine conditions and achieving good operational and financial performance. As a result, 2020 ended with a net income of more than KZT 53.5 billion.

All of this enables KEGOC to maintain a high profile and to be an industry leader across the entire spectrum of operation and financial activities and to demonstrate high social stability performance. The conclusions of international rating agencies also attest to this. For example, in 2020, Fitch Ratings affirmed KEGOC's long-term rating at BBB- with a stable outlook.

The company enters 2021 confidently and is determined to achieve its goals and objectives. The sound strategy, highly qualified and engaged staff is the foundation on which KEGOC's further growth will take place in 2021.



KZT BILLION OF  
NET INCOME

On behalf of the KEGOC Board of Directors, I would like to thank all partners for their mutually beneficial cooperation, the staff for their highly efficient work, and all stakeholders for their support.

## Our strategic priorities:



### Ensure reliable operation of Kazakhstan UPS:

- deliver quality performance of the functions of the System Operator of the UPS of Kazakhstan;
- deliver quality maintenance;
- repair and upgrade the existing assets;
- increase capacity of the Republic of Kazakhstan's NPG by constructing new transmission lines and substations;
- promote technological development and digitalisation of the business.



### Ensure KEGOC's efficient operations:

- enhance efficiency of invested capital and develop new types of business;
- implement KEGOC's Business Transformation Programme;
- develop international cooperation.



### Enhance corporate governance and sustainable development:

- enhance OHS management system;
- enhance corporate governance;
- develop human capital;
- preserve the environment.

# Letter from the Chairman of the Management Board of KEGOC

102-14

Dear readers:

Despite the challenges of 2020, not only for KEGOC,  
but also for the country and the world.



**BAKYTZHAN KAZHIYEV**  
CHAIRMAN OF THE MANAGEMENT  
BOARD KEGOC JSC

Despite the challenges of 2020, not only for KEGOC, but also for the country and the world, the Company was doing its best to implement all tasks assigned by its shareholders and the Board of Directors according to KEGOC's Development Strategy and we managed to achieve good results for the year. The team had to work under the growing threat of coronavirus infection. In order to minimise its spread, a large portion of the team has switched to teleworking. At the same time all employees retained the same wages and bonuses and continued receiving all

the financial support stipulated in the Collective Agreement.

Also, in the reporting period, a new Collective Agreement for 2021-2025 was concluded between KEGOC and employee representatives, which was brought in line with new amendments to the Labour Code and regulations of the Republic of Kazakhstan, as well as the Sectoral Agreement in the field of energy.

It should be noted that our staff showed self-discipline and understood the need for self-isolation, and even in such circumstances did everything possible to ensure that KEGOC, as the organisation responsible for the viability of the country, would ensure the reliable operation of the UPS to maintain uninterrupted transmission of electricity to industrial enterprises and electricity supplying organisations. The personnel completed the repair campaign according to the schedule and KEGOC received the certificate of readiness for operation in the autumn-winter period 2020-2021 on time.

**At the same time, the Company, in successful collaboration with the power systems of the neighbouring states, were engaged in controlling the parallel operation, ensuring stable operation of the Kazakhstan power system, which is one of the Company's top priorities.**

As a result, KEGOC provided the following services in 2020: electricity transmission in the amount of 46.2 billion kWh, or 5% more than in 2019; technical dispatch

in the amount of 99 billion kWh (102%). The amount of electricity generation-consumption balancing services in 2020 was 192.9 billion kWh, or 2.2% higher than in 2019.

Net income for the year was more than KZT 53.5 billion, up 31.2% on 2019.

KEGOC's strong financial position is clearly evidenced by the Company's share price. In 2020, the market price per KEGOC share reached a historic high of KZT 1,756, up almost 3.5 times the price of its initial public offering (KZT 505). For the Company, respecting and realising shareholders' rights and interests is the key. **E.g., in 2020, the Company paid dividends twice to the total amount of more than KZT 32.7 billion.**

In the reporting year, an important area of operations was the implementation of investment projects aimed at improving the reliability of the National Power Grid of Kazakhstan. These include the rehabilitation of 220-500 kV overhead lines at Aktyubinskiye MES, Zapadnye MES and Sarbaiskiye MES branches of KEGOC, and West Kazakhstan Electricity Transmission Reinforcement Project.

As part of "Digital Kazakhstan" state programme KEGOC has started to build smart grids and continues the successful implementation of the Business Transformation Programme together with the central team of the Samruk-Kazyna JSC.

In the context of COVID-19 pandemic, the issue of support for domestic producers



has become acute. I am pleased to note that KEGOC is among Samruk-Kazyna's portfolio companies, whose long-term partners are domestic commodity producers. The Company also successfully cooperates with the Disabled Society, from whom it traditionally purchases workwear for operation staff that meets modern requirements.

In 2020, the Company's employees demonstrated a high level of social and labour relations within the team despite the pandemic. As a result, the Social Stability Index (acc. Samruk Research Services) of KEGOC operation personnel in 2020 was 91% and the Engagement Index of the administrative and managerial staff was 90%.

In 2021, we intend to continue the implementation of major investment projects, carry out all scheduled maintenance work on overhead lines and substation equipment in a timely manner and obtain a certificate of readiness for the autumn-winter period in 2021-2022. An important area of work will be the implementation of optimisation projects (REVEX) aimed at improving the efficiency of our Company's operations. In addition, we will be introducing a Process Indicator Management System in 2021.

I am confident that in the coming year, KEGOC will achieve all of its goals based on the considerable experience of its administrative and operational staff, the financial stability of the Company and the application of best practices.

98.63

WWP, %

108.44

EBITDA, KZT BILLION

9.48

ROACE, %

5.21

SML, MIN.

0

LTIFR

# KEGOC's Corporate Events in 2020

01

## 17 JANUARY

Zhandos Nurmaganbetov was appointed Managing Director for Strategy and Development.

Zhanibek Kuanyshbayev was appointed General Director of the Financial Settlement Centre for Renewable Energy Sources Support LLP.

03

## 6 MARCH

Fitch Ratings affirmed KEGOC's long-term foreign currency issuer default rating of BBB- with a stable outlook.

04

## 27 APRIL

An extraordinary General Meeting of Shareholders of KEGOC was held by absentee voting, at which Zhanbota Bekenov was elected to the Board of Directors of KEGOC as an independent director.

05

**6 MAY**

On the occasion of the 75th anniversary of Victory in the Great Patriotic War and Defender of the Fatherland Day, KEGOC's employees planted 75 trees.

**28 MAY**

KEGOC successfully placed bonds (KZT 9.7 billion at par value) at the Kazakhstan Stock Exchange (KASE) to the total of KZT 9.03 billion at a yield of 12% per annum. The securities were placed as the first bond issue of the second bond programme with total amount of KZT 80 billion. The payback period is 15 years. As a result, 89.6% of the bonds were purchased by second-tier banks, 9.9% by other institutional investors and 0.5% by other legal entities.

**28 MAY**

Kazakhstan's Minister of Energy, Nurlan Nogayev, visited KEGOC and held a meeting to discuss the development of the electricity sector.

**29 MAY**

KEGOC's Annual General Meeting of Shareholders was held, which approved the annual financial statements and net income distribution procedure, decided on payment of dividends on ordinary shares and approved the amount of dividends per one ordinary share of KEGOC for 2019.

KEGOC paid the interests for the fourth coupon period on bonds of the first issue within the first bond programme of KEGOC (NIN: KZP01Y15F281, ISIN: KZ2C00003572, main market: KASE, category: bonds, KEGCb1). The total amount of coupon interest paid amounted to KZT 3,752,500,000.00 (three billion seven hundred fifty-two million five hundred thousand tenge 00 tiyn), coupon yield: 7.9% (seven point nine percent) per annum.

06

**11 JUNE**

KEGOC has paid dividends for 2019. The total amount of dividends was KZT 12.7 billion, or KZT 48.86 per ordinary share.

**26 JUNE**

An extraordinary General Meeting of KEGOC Shareholders was held by absentee voting, at which the following decisions were taken: early terminate powers of Janusz Bialek, a member of KEGOC Board of Directors, independent director, and elect Nurlan Akhanzaripov to KEGOC Board of Directors as independent director.



### 3 SEPTEMBER

KEGOC paid interest on the third coupon period on bonds of the second issue within the first bond program of KEGOC (NIN KZP02Y15F289, ISIN KZ2C00003978, KASE main market, category “bonds”, KEGCb2). The total amount of coupon interest paid was KZT 4.1 billion, with a coupon yield of 11.5% per annum.

### 7 SEPTEMBER

KEGOC paid an author's royalty of KZT 5 million to the employees of Vostochnye MES branch: Aleksei Zapolsky, Anatoli Ivanov, and Yerlan Tastanbekov for the innovator's proposal of “Formation of OG-2 command when switching off L-2034 or L-2044”, the implementation of which saved KEGOC over KZT 51 million.

### 18 SEPTEMBER

KEGOC, together with the Kazakhstan Stock Exchange (KASE), held the “Issuer Day” in a video conference format.

The event presented the Company's performance for the first half of 2020.



### 1 OCTOBER

KEGOC employees took part in a charity event to mark the International Day of Older Persons.

### 22 OCTOBER

The Committee for Nuclear and Energy Supervision and Control of the Ministry of Energy of the Republic of Kazakhstan issued a certificate of readiness for operation in the autumn-winter period of 2020-2021 to KEGOC.

### 23 OCTOBER

An Extraordinary General Meeting of KEGOC Shareholders was held, at which the semi-annual financial statements of KEGOC, the procedure for distribution of net income, the decision on payment of dividends on ordinary shares and the amount of dividend per one ordinary share of KEGOC for the first half of 2020 were approved.

### 30 OCTOBER

KEGOC paid dividends on KEGOC ordinary shares for the first half of 2020. The total amount of funds allocated to dividends was KZT 20 billion, or KZT 77.09 per ordinary share.



## 11 DECEMBER

The city of Nur-Sultan hosted one of the most important events in the regional electricity sector, the meeting of the Central Asian Electricity Coordination Council, chaired by KEGOC.

## 14 DECEMBER

KEGOC announced the payment of interest on the first coupon period on bonds of the first issue within the second bond programme of KEGOC (ISIN KZ2C00006658, KASE main market, “bonds” category, KEGCb3) on 9 December 2020. The total amount of coupon interest paid was KZT 533,500,000.00 (five hundred thirty-three million five hundred thousand tenge 00 tiyn), coupon: 11.0% (eleven percent) per annum.

## 15 DECEMBER

By decree of the President of the Republic of Kazakhstan on Independence Day the Order of Kurmet was awarded to Zhanabay Beksary, Chief of Staff – Managing Director for Human Resources Management of KEGOC, and Zhanabay Alshynbekov, Head of Akmolinskiye MES branch of KEGOC. The medals were awarded to Serikbay Ryskeldi, Director of Aktyubinskiye MES branch of KEGOC and to Bauyrzhan Arystanov, Head of the Operations Department.

## 22 DECEMBER

An online event was held to celebrate the professional holiday of “Energy Worker Day” and the KEGOC Business Transformation Programme Information Day: IDEAS TO GROW with participation of representatives of Samruk-Kazyna JSC and colleagues of the Fund’s portfolio companies.

## 28 DECEMBER

A new collective agreement for 2021-2025 was signed between KEGOC and employee representatives.



# Company Profile



## Kazakhstan Electricity Grid Operating Company (KEGOC) was established in accordance with Decree No.1188 of the Government of Kazakhstan

Kazakhstan Electricity Grid Operating Company (KEGOC) was established in accordance with Decree No.1188 of the Government of Kazakhstan dated 28 September 1996 “On some measures to restructure power system management in Kazakhstan”, and is the company managing the National Power Grid of the Republic of Kazakhstan and has the status of the System Operator of the Unified Power System of the Republic of Kazakhstan. The date of initial registration of KEGOC is 11 July 1997.

102-1

Until 2006, 100% of KEGOC shares had been owned by the government. In 2006, state share (100%) was transferred to Samruk JSC (the Kazakhstan holding company for management of public assets) as a payment for the placed shares. In 2008, the joint-stock companies: Kazyna Sustainable Development Fund and Samruk State Asset Management

Holding of Kazakhstan were merged to form Sovereign Wealth Fund Samruk-Kazyna JSC (Samruk-Kazyna JSC or the Fund), the successor of Kazakhstan Holding for Management of State Assets Samruk JSC.

On 18 December 2014 as part of the Programme for public offering of Samruk-Kazyna’s shares of affiliates and subsidiaries on the stock market, KEGOC placed 25,999,999 authorized ordinary shares on the Kazakhstan Stock Exchange through subscription.

Address: 59 Tauyelsizdik ave, Z00T2D0, Almaty district, city of Nur-Sultan.

102-3



DATE OF  
INITIAL  
REGISTRATION  
OF KEGOC JSC

1997

In accordance with the legislation of the Republic of Kazakhstan in the electricity sector, KEGOC carries out the following main activities:

- electricity transmission in the national power grid;
- technical dispatching of the electricity supply and consumption in the grid;
- management of electricity production and consumption balancing.

The above-mentioned services in Kazakhstan are considered by the regulations as the natural monopoly services, which is why KEGOC's operations are regulated by the law of the Republic of Kazakhstan "On natural monopolies".

102-2

## Mission and Values

### MISSION

Reliable operation and effective development of Kazakhstan Unified Power System (UPS) in accordance with the state-of-the-art technical, economic and environmental challenges and occupational health-and-safety requirements.

### VISION

**We are a leading Company having reliability and performance indicators consistent with the level of the best world companies.**

Our aim is to continuously increase the value for all stakeholders through development of the National Power Grid using advanced technologies, providing conditions for utilisation of transit and export potential and fostering corporate social responsibility.



L

JUSTICE  
AND HONESTY

## VALUES

We hear the opinion of everyone and discuss complex issues openly to make a decision  
We fulfil our obligations and keep our word  
We act ethically

I

CHALLENGE AND  
DEVELOPMENT

We are looking for new ways to improve efficiency and support initiatives  
We constantly improve and develop ourselves using the best practices as a reference  
We overcome any difficulties and achieve our goals

GH

UNITY AND  
RESPONSIBILITIES

We do not allow damage to the company, society and the environment  
We personally take responsibility and make decisions  
We help and trust each other, share experience and knowledge

T

TRADITIONS  
AND RESPECT

We put the interests of the company before the personal ones and do not allow conflicts of interest  
We respect people and value everything that has been achieved in the company  
We share and follow company standards, rules and values



## Ownership Structure

As on 31 December 2020, the number of authorised and placed ordinary shares of the Company was 260,000,000, of which 234,000,001 shares (90% plus one share) belong to Samruk-Kazyna, the

major shareholder, and 25,998,609 shares (9.9995%) belong to minority shareholders, the remaining 1,390 shares (0.0006%) were repurchased by KEGOC.

102-5

## Partnership

102-12 102-13

**KEGOC is a member and participant in important industry and other organisations and associations, including:**

[www.kea.kz](http://www.kea.kz)

**Kazakhstan Electricity Association,**

which supports all organizations that are directly or otherwise related to power industry; participates in designing the state programmes, laws and regulatory acts in power industry; supports its members in relations with the Government, judicial and other authorities.

[www.kazenergy.com](http://www.kazenergy.com)

**KazEnergy Kazakhstan association of oil, gas and energy sector organizations (KazEnergy),**

which supports its members in their relations with the state bodies; harmonizes the regulatory framework; creates an single information network for subsoil users, power generation companies, transporters and consumers of goods and services of the energy sector; develops and supports industry-specific cooperation and entrepreneurship projects at local, regional and international level; creates a positive image of the Association, its members and the industry as a whole at the regional and global level; stimulates economic, social, environmental, and scientific-technical activity of the Kazakhstan community.



### Kazakhstan Electric Capacity Reserve Pool,

the main purpose of which is to mobilize the necessary amount of reserves with the structure and location that would ensure uninterrupted power supply during unforeseen failures of power equipment to the participants of the pool and / or interregional and regional power transmission lines, in accordance with the rules of the pool;

[www.ark.org.kz](http://www.ark.org.kz)

### Association of Competition Development and Commodity Markets,

a non-profit voluntary association that coordinates entrepreneurial activity and represents and protect the interests of its members in their relations with the state bodies, government agencies, international and public organizations on the matters of competition development and commodity markets. Accession to this organization will enable the Company to initiate and promote necessary changes in antimonopoly legislation. As a member of the association the Company will be able to develop and participate in development of draft regulatory legal acts, establish international non-governmental contacts to exchange the experience, hold workshops, conferences, roundtables and other activities, support the development of competition and entrepreneurship, and prevention of antimonopoly legislation violations.

# 260

MILLION SHARES  
AUTHORISED AND PLACED  
AS ON 31 DEC. 2020

In addition, to establish efficient electricity market relations with the neighbouring countries and develop international cooperation, KEGOC joined such international sectoral organizations as:

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

# Business Model

102-6

## MISSION

Reliable operation and effective development of Kazakhstan unified power system (UPS) in accordance with the state-of-the-art technical, economic and environmental challenges and occupational health-and-safety requirements.

## VISION

We are a leading Company with reliability and efficiency performance at the level of the best world peers.

Our aim is to continuously increase the value for

all stakeholders through development of the National Power Grid using advanced technologies, providing conditions for utilisation of transit and export potential and fostering corporate social responsibility.



VALUES

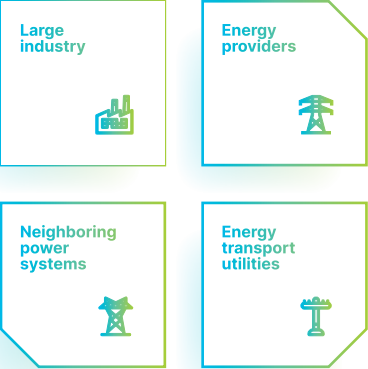
- Justice and honesty
- Challenge and development
- Unity and responsibilities
- Traditions and respect

OUR BUSINESS

Electricity transmission	46.16 billion kWh
Technical dispatching of electricity supply to the grid	98.99 billion kWh
Balancing of production and consumption of electricity	192.86 billion kWh

Implementation of infrastructure projects

DISTRIBUTION, SUPPLY AND CONSUMPTION



OUR PERFORMANCE

Net profit	KZT 53.4 billion
Dividends paid per share	KZT 48.86 for 2019 KZT 77.09 for the 1st half of 2020
Share price as on 31 December 2020	KZT 1,687.81
Reliability	WWP 98.63%, SML 5.21 minutes
Social stability rating	91%
Occupational accidents	0

OUR ASSETS

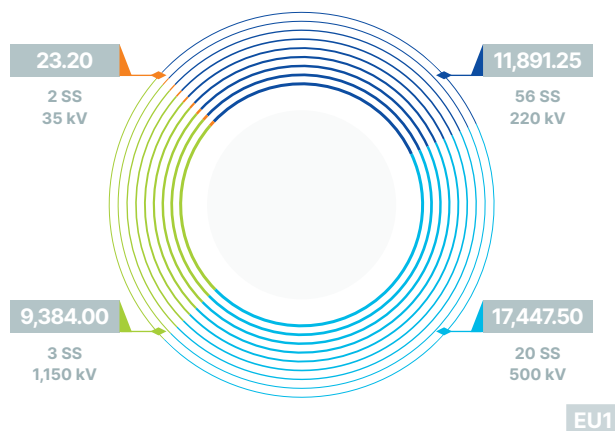
- 81 substations with the installed transformer capacity of 38,746.05 MVA
- 9 MES branches and the NDC SO

- 26 997.923 km of overhead transmission lines
- 4731 employees
- Modern technologies



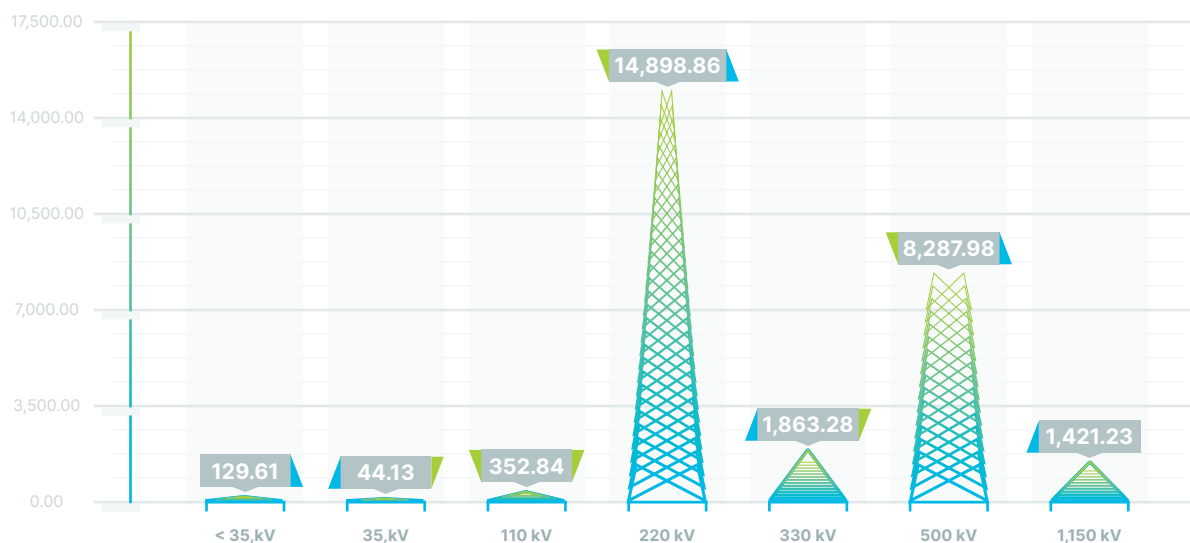
## Capacities

Capacity and number of KEGOC substations as of 31 Dec. 2020, MVA



The main asset of the Company is the National Power Grid (NPG), which at the end of 2020 consists of 377 overhead transmission lines (OHTL) of 0.4-1150 kV with a total length of 26,997.923 km (circuits) and 81 electrical substations (SS) of 35-1150 kV with an installed transformer capacity of 38,746.05 MVA. They ensure the cross-border electric power flows, transmit electric power from power plants and connect the regional power companies with major consumers.

Length of KEGOC OHTLs as on 31 Dec. 2020, km



## Company Structure

KEGOC operations cover the entire territory of the Republic of Kazakhstan. The structure of the Company includes 9 intersystem electric networks branches (MES branches) and the National Dispatch Centre of the System Operator (NDC SO) also as a branch.

KEGOC is the parent company of Energoinform JSC and Financial Settlement Centre for Renewable Energy Sources Support LLP (FSC RES LLP).

Energoinform JSC provides maintenance of NPG equipment and telecommunication services for the Company's operations.

FSC RES LLP was established in 2013 to encourage investments in renewable energy sector and increase the share of renewable energy in the Kazakhstan energy mix through

government-guaranteed and centralized electricity purchase from all renewable energy facilities (who have chosen such support scheme) in accordance with the fixed rates.

FSC RES LLP was assigned by the Minister of Energy of the Republic of Kazakhstan (order No. 357 dated 7 September 2018) the single buyer of centralized procurement of services service of maintaining the readiness of electric capacity and centralized provider of services of ensuring readiness of electricity capacity to bear the power load.

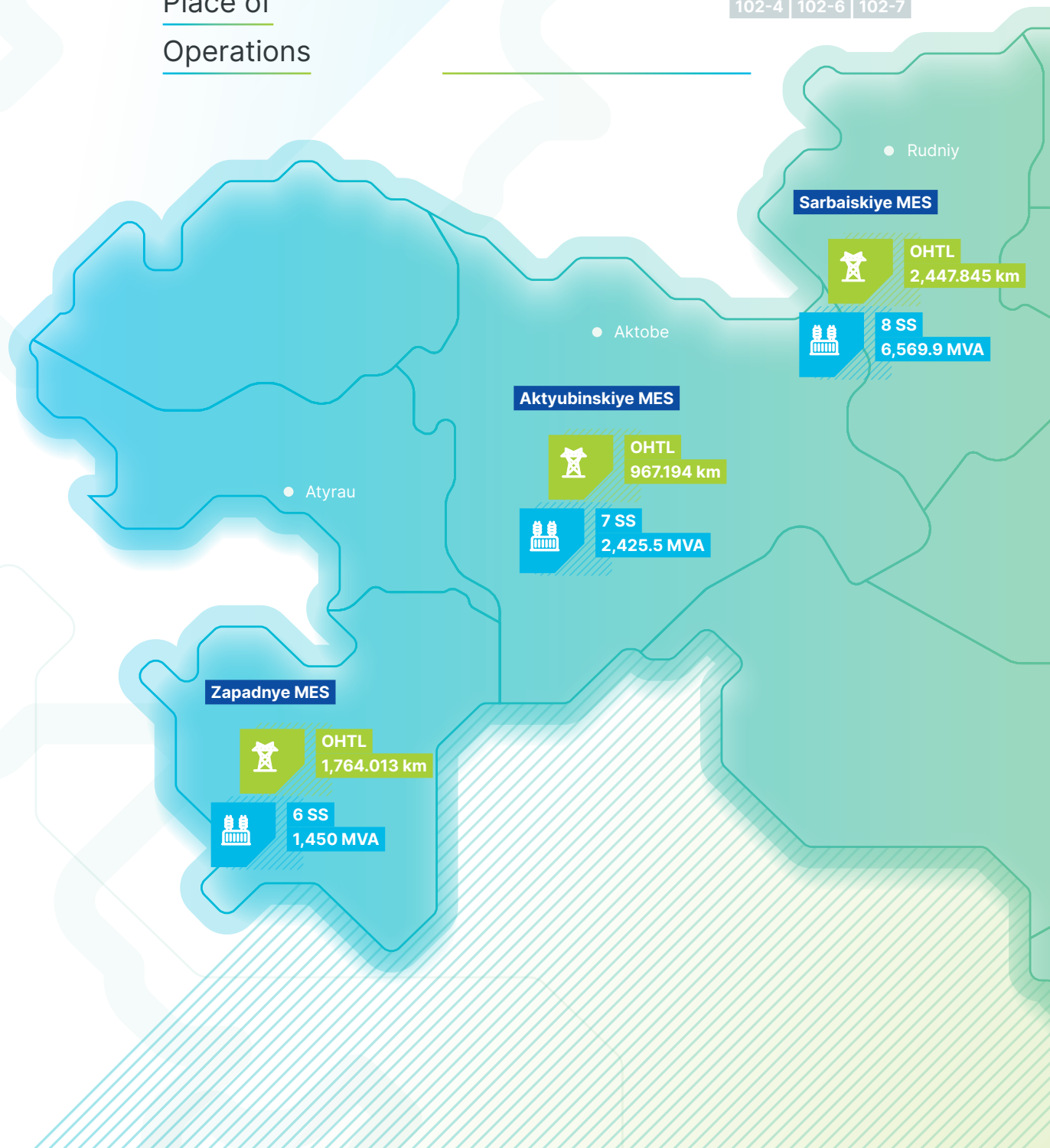
KEGOC is also a co-founder (20%) of Batys Transit JSC established in 2005 to implement the project for the construction of inter-regional power transmission line linking the North Kazakhstan with Aktobe oblast.

102-7



## Place of Operations

102-4 | 102-6 | 102-7







# Development Strategy



The business of KEGOC has a strategic importance for the development of the entire economy of Kazakhstan and can affect the interests of a wide range of stakeholders.

The business of KEGOC has a strategic importance for the development of the entire economy of Kazakhstan and can affect the interests of a wide range of stakeholders, which shall be taken into account by the company, when making decisions and building a long-term strategy. The company focuses on careful consideration of the interests of the society and proactive development of Kazakhstan national power grid, decent working conditions and welfare of people, and protection of the environment. This is reflected in the development strategy of KEGOC.

The Government assigned to KEGOC the status of the system operator of Kazakhstan UPS and thus invested the Company with the following functions: secure parallel operation with power systems of other countries, maintain balance in the power

system, render system services, purchase ancillary services from the wholesale electricity market entities, transport electricity in Kazakhstan national power grid, service the grid and maintain its operational availability.

The important factors for successful development are:

- better efficiency of the Company and use of the portfolio approach to asset management and investment projects;
- tracking of the trends in the electric power industry that could have a significant impact on the development of the electric power industry (development of renewable energy sources (RES), digitalization of business, process automation and information security, etc.); and
- transformation of people's minds.





KEGOC BECAME  
COLLECTIVE  
MEMBER  
OF CIGRE

2016





## Long-Term Strategic Objectives

### GOAL 1.

#### Ensure reliable operation of Kazakhstan UPS,

i.e., quality delivery of functions of the System Operator of the UPS of Kazakhstan; quality operational maintenance, repair and modernization of existing assets; increasing the transmission capacity of the NPG through the construction of new power transmission lines and substations; technological development and digitalization of business.

### GOAL 2.

#### Ensure efficient operation of KEGOC

by increasing the efficiency of invested capital and developing new types of business; implementation of KEGOC's Transformation Programme and the development of international cooperation.

### GOAL 3.

#### Enhance corporate governance and sustainability

by improving the OHS management system; improving corporate governance; human capital development and environmental protection.

## Strategic Goals

### Performance in 2020

The Development Strategy roadmap includes projects, activities and strategic KPIs.

The list of investment projects was made using the portfolio approach, i.e., investment projects are based solely on the principles of operational and commercial viability, the achievement of long-term interests of the company and the return of invested capital.

#### GOAL 1. Ensure reliable operation of Kazakhstan UPS

In order to meet the objective of **quality maintenance, repair and upgrade of the existing assets**, KEGOC launched a large-scale rehabilitation of 220-500 kV overhead lines.

Within the first stage of rehabilitation of 220-500 kV overhead lines of KEGOC branches the implementation of the project of “Rehabilitation of 220-500 kV overhead lines of KEGOC branches” with total length of 2,029 km was continued. Since the start of the project, 850 km of 2,029 km of overhead lines have been rehabilitated, of which 625 km were rehabilitated in 2020.

Within the second stage of “Rehabilitation of 220-500 kV overhead lines of KEGOC branches” project the selected contractor continued the development of feasibility study. The rehabilitation project is expected to cover 48 overhead lines of 220-500 kV owned by KEGOC.

Also in 2020, the implementation of the project for “Replacement of the ground wire at 220 kV Ust-Kamenogorskaya – SS 14 power transmission line” was completed.

A number of strategic investment projects are being implemented by KEGOC **to increase the capacity of Kazakhstan's NPG through the construction of new transmission lines and substations.**

- “West Kazakhstan Electricity Transmission Reinforcement Project” is aimed at increasing the capacity and reliability of power supply to consumers in the Zone West of UPS of Kazakhstan by strengthening the 220 kV power grids in the western regions of the country. The project involves the construction of the second circuit of the existing 220 kV Uralskaya – Pravoberezhnaya – Inder – Karabatan – Kulsary – Tengiz line about 820 km long.

- “Turkestan External Power Supply Reinforcement Project” is being implemented in accordance with the Decree of the President of the Republic of Kazakhstan No. 762 of 29 September 2018 “On approval of the Concept of the Master Plan for the Development of Turkestan as a Cultural and Spiritual Centre of the Turkic World”. Construction of the new 220 kV substation in the Turkestan region will connect it to the existing 220 kV network.

A high-speed backbone network was built and commissioned as a part of an effort to develop fibre-optic communication lines for data transmission. The design of the FOCL to the Data Processing Centre of KazakhTelecom JSC in Pavlodar and the communication hub of KazTransCom JSC for commercial interaction with communication service providers has been completed. Implementation of a system of remote access to corporate e-mail and implementation of the target model of accounting and tax accounting component of the ERP system has been completed. Delivery of WAMS equipment to the Kazakhstan NPG and construction work on the project has been completed. An acceptance certificate has been signed for the project.

A project is being implemented to automate the operating control in Kazakhstan UPS as a part of the “Digital Kazakhstan” programme and includes 3 components:

1. The monitoring and control system based on WAMS / WACS synchrophasor technologies utilises the most of available network transmission capacity in real-time. The project is expected to be completed in 2021;
2. The Centralised Emergency Control System (CECS) ensures the automatic stability of the power system in the event of a disturbance. The system has been put into operation;
3. Automatic Frequency and Power Control (AFPC) system automatically balances generation-consumption of electricity in the power system. The project is expected to be completed in 2021.

Also, during 2020, the Company has been assessing the feasibility of the following promising capacity enhancement projects:

- North-South HVDC Construction Project is expected to cover the necessary backbone network capacity along the strategic North-South power flow direction and improve the reliability of power supply to Zones South and Central of the UPS of Kazakhstan in all possible network schemes (jointly or separately with the CA IPS).
- the project of the External Power Supply to the Industrial Zone of Ekibastuz requires construction of a new 500 kV substation including connection to the 1150 kV Ekibastuzskaya SS, which will supply power to consumers of the Industrial Zone of Ekibastuz.

# 2,029

**KM TOTAL OF REHABILITATED  
220-500 KV TRANSMISSION LINES**

This substation will supply power to the Industrial Zone of Ekibastuz and consumers of the Ekibastuz energy hub.

### Goal 1 performance

Name of KPI	2018 / actual	2019 / actual	2020 / plan	2020 / actual
<b>WWP, %</b>	98.78	99.64	98.35	<b>98.63</b>
<b>SML, minutes</b>	1.11	0.52	1.00	<b>5.21</b>

#### The main objectives for 2021 are:

- quality delivery of the functions of the system operator of the UPS of Kazakhstan and higher consumer satisfaction with system services. With this objective in mind, a feasibility study for the SCADA upgrade is envisaged;
- high-quality maintenance, repair and modernization of the existing assets. For this objective KEGOC plans to continue implementation of the project stages for rehabilitation of 220- 500 kV OHTL at KEGOC branches and to equip the substations with modern complex security technical systems including video surveillance systems, access control management systems and perimeter alarm systems, build checkpoint buildings, fences and security lighting.

- Improve the transmission capacity of Kazakhstan NPG through the construction of new power transmission lines and substations. Work will continue on ongoing and future projects related to the construction of new overhead lines and the strengthening of external power supply.

The technological development and business digitalization efforts of the company will continue in 2021 with the project for “Operating Control Automation of Unified Power System of Kazakhstan” included in “Digital Kazakhstan” government project.

## GOAL 2.

### Ensure efficient operation of KEGOC

As part of the implemented SAP PPM (Project Portfolio Management) system, the 2020-year projects have been initiated in the system, classified and transferred to PS project management system with the

appropriate status. A step-by-step approach to decision-making and implementation of major and significant projects with approval of their parameters by KEGOC's Board of Directors is applied.

In 2019 the company updated the Portfolio and Roadmap of the Business Transformation Programme. The benefits of the Business Transformation Programme projects for 2020 amounted to KZT 695 million.

# 625

## KZT MILLION OF BENEFITS FROM THE BUSINESS TRANSFORMATION PROGRAMME

In accordance with the Information Security Development Programme for 2018-2022, KEGOC put into commercial operation the data leakage prevention (DLP) system and the privileged access management (PAM) system. The company also continued its effort on the implementation of a centralised authentication system for industrial devices (NAC). TUV NORD carried out an external audit of the information security management system in accordance with ISO 27001.

A certificate of compliance was obtained as a result of the audit.

In 2020, the transition to a print-as-service (a set of services for the provision of equipment, its technical support and maintenance, as a single service, billed per printed sheet) in the Company's branches has been completed. The implementation of this approach has resulted in savings of KZT 80.57 million for 2020.

Also, as part of the Business Transformation Programme Roadmap, KEGOC carried out work for the following projects: "Building effective human resources capacity", "Development of data architecture", "Research work on the use of data analysis in production processes", "Automation of HSE processes", "Enhancement of project and portfolio management".

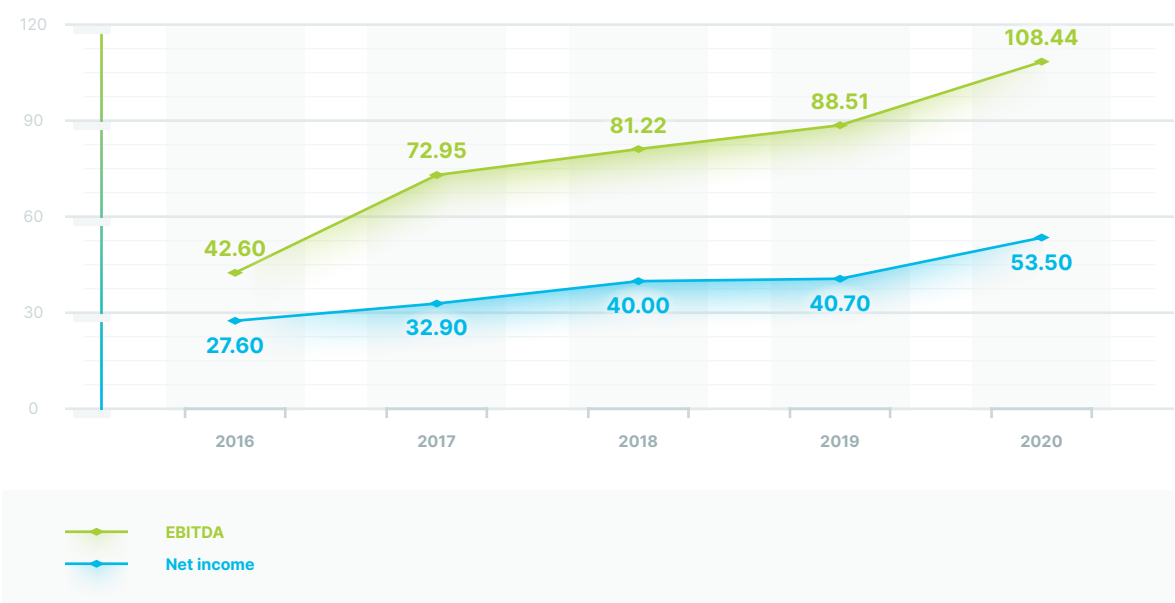
To develop international cooperation, the Company actively participated in the work of the CIS Electric Power Council and the Eurasian Economic Union.

## Goal 2 performance

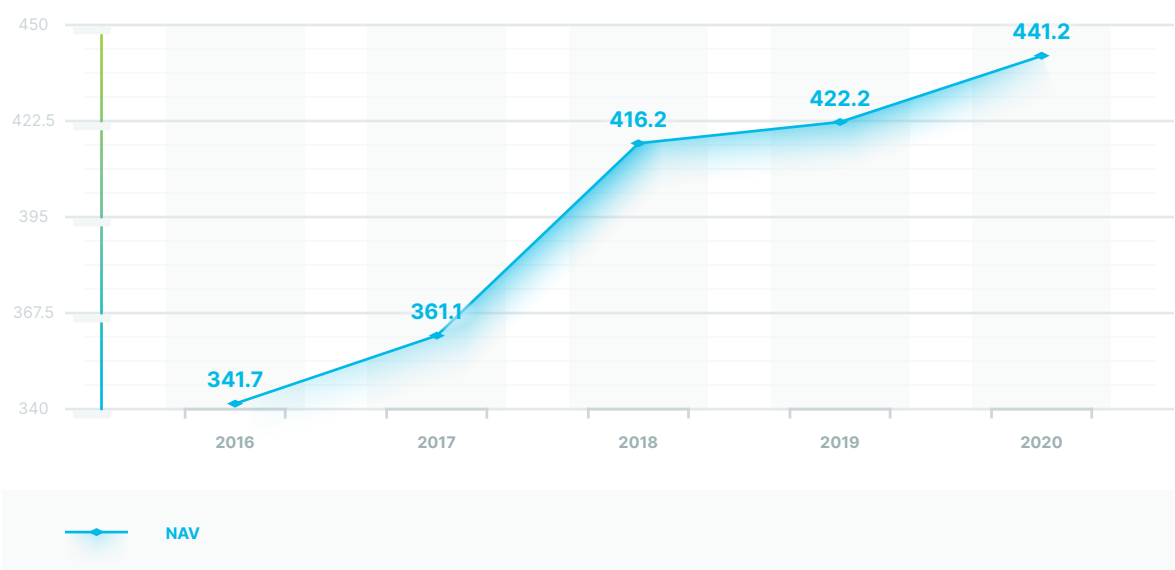
Name of KPI	2018 / actual	2019 / actual	2020 / plan	2020 / actual
<b>EBITDA, KZT billion</b>	81.2	88.5	100.5/87.7*	<b>108.4</b>
<b>Net income, KZT billion</b>	40.0	40.7	50.4/28.5*	<b>53.4</b>
<b>ROACE, %</b>	7.16	7.47	10.61/6.57*	<b>9.48</b>
<b>NAV, KZT billion</b>	416.2	422.2	433.2	<b>441.2</b>

\* Indicators are calculated in accordance with Annex 4 to KEGOC Development Strategy 2018-2028 (impact of key external and regulatory factors).

Financial performance, KZT billion



NAV, KZT billion



To meet the challenge of enhancement of the efficiency of invested capital and developing new businesses, KEGOC plans to complete a project to introduce a portfolio approach to investment planning and project management. In 2021, the Company also has a lot of work to do to approve the cap tariffs for system services for the period 2021-2025.

The development of international cooperation is planned to be pursued through the activities of the CIS Electric Power Council, EEC, CEC CA, WEC, IEC, CIGRE.

Also, as part of the implementation of the KEGOC Business Transformation Programme, the company will continue implementation of the expanded enterprise processes.

### GOAL 3. Enhance corporate governance and sustainability

The Company is committed to its systemic effort in the area of occupational health and safety. Ensuring workplace safety and employee health is an absolute priority for the Company. Safe labour conditions, low-level of operational injuries, improved operational and sanitary-household and labour conditions of the employees, as well as low level impact of harmful and adverse factors are the constant development priorities of the Company.

In 2020, the Company's branches conducted a behavioural safety audit. KEGOC has been implementing Occupational Health and Safety Management System Programme 2020, in accordance with the international standard ISO 45001.

In addition, the Company organized annual and pre-shift medical examinations of the operating personnel.

Also, defibrillator emergency training has been provided.

No occupational diseases of the Company's employees were reported in 2020.

In 2020, KEGOC's Corporate Governance Improvement Plan for 2019-2020 was implemented. In 2020, 380 internal IMS audits were conducted in the structural business units of the Executive Administration, MES branches, and NDC SO.

The Company has made significant progress in implementing the principles of sustainable development: the Company's performance shows tangible achievable results in the area of overall sustainable development and the areas of economic, environmental and social performance of the Company. The Company aimed to achieve the strategic goal of "BBB" corporate governance rating in 2020, however, the corporate governance diagnostic of the Fund has been postponed until 2021 and the Company will develop an Action Plan to enhance KEGOC's corporate governance for 2021 in line with the consultant's recommendations and the



results of the self-assessment by the Board of Directors.

The activities of the Roadmap for the implementation of KEGOC's Human Resources Policy 2019-2022, environmental protection, energy saving, and energy efficiency measures and the Environmental Programme were carried out. The human resources of KEGOC are the most important strategic factor for the Company's development success.

One of the key indicators of KEGOC's HR policy is the Personnel Engagement Index (calculated based on questionnaires and an online survey of administration and management employees) and Social Stability determined among operation personnel. In 2020, the Employee Engagement Index was 90% and Social Stability Index was 91%, which generally indicates a favourable social environment and successful social policy pursued by the Company.

### Goal 3 performance

Name of KPI	2018 / actual	2019 / actual	2020 / plan	2020 / actual
<b>LTIFR</b>	0.29	0	3.6	<b>0</b>
<b>Frequency of fatal accidents at work</b>	0.25	0	0	<b>0</b>
<b>Corporate governance rating</b>	BB	-	BBB	<b>BB*</b>

\* In accordance with the letter of Samruk-Kazyna JSC, the diagnostics of Corporate Governance to confirm the level of corporate governance "BBB" is postponed to 2021. Therefore, the assessed level of corporate governance has been left at the level confirmed in 2018.

In 2021, to meet the objective of enhancing the occupational safety management system, improvements in safety performance with a zero tolerance for fatal occupational accidents are envisaged.

Human capital development will be carried out as part of the implementation of KEGOC's Human Resources Policy Roadmap 2019-2022.



## Outlook

Given the country's stable economic growth, KEGOC anticipates an increase in electricity consumption and production in the future, which will increase the amount of electricity transmission and regulated services provided by the Company. Therefore, KEGOC expects future growth in revenues and other financial indicators (ROACE, EBITDA, NAV). However, much of the positive growth in these indicators depends on the forthcoming approval of system cap tariffs for system services for the next five years this year.

KEGOC will continue to implement projects to modernise and develop its assets that ensure the reliable operation of the UPS of Kazakhstan and contribute to a qualitative improvement in such indicators as system uptime (WWP), system minutes lost (SML), electricity not supplied (ENS) and customer satisfaction with system services.

KEGOC's future sustainable development will be ensured through further improvement of corporate governance and occupational health and safety management system, and through increasing the Company's responsibility for environmental protection in accordance with the plans and programmes developed.

The key performance indicators, or KPIs, are the key indicators of achievement of the Company's strategic goals and objectives, reflecting the effectiveness of its operations.

The Company's KPI system is focused on:

- implementation of the Company's Development Strategy and Business Plan, major strategic projects and initiatives;
- enhancing of the operational and financial performance of the Company;
- ensuring of the safe and accident-free operation of the Company;
- balanced approach to assessing the effectiveness of the Company's activities.

The corporate KPIs and executive KPIs are approved by the Company's Board of Directors. The KPIs for managerial staff and branch heads are approved by the Company's Management Board.

The corporate KPIs and executive KPIs are monitored for the six and nine months of the reporting year. At the end of the reporting year, the actual KPI values of all levels are calculated.

On 19 March 2020, KEGOC's Board of Directors approved the corporate KPIs and their target values for 2020, which include financial and economic indicators, the Company's operational efficiency indicators and occupational safety indicators. At the end of 2020, the corporate KPI targets have been achieved with the exception of the Corporate Governance Rating KPI: in accordance with a letter from Samruk-Kazyna JSC, the corporate governance diagnostic, which was planned to confirm "BBB" level, has been postponed until 2021. Therefore, the estimated level of corporate governance has been left at the level confirmed in 2018.

Leadership and management KPIs are reviewed regularly to ensure they are relevant and in line with strategic goals and objectives. The Company will continue to monitor the applicability and relevance of these KPIs. The remuneration system for executives and managers is directly linked to KEGOC's performance, while the terms of appointment and determination of annual bonuses are linked to KPIs and the Company's strategic priorities.

# Operating Performance Review



## Industry Review

### INDUSTRY REGULATION

The main policymaker in the electric power industry is the Government of Kazakhstan. The Ministry of Energy of Kazakhstan is the public authority that manages the industry. The Committee of Atomic and Energy Supervision and Control under the Ministry of Energy of Kazakhstan is the public authority to supervise and monitor the industry.

The Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan is the state body responsible for the control and regulation of a state monopoly operations (including the operations of KEGOC).





FOR THE FIRST TIME, A PARALLEL  
OPERATION SCHEME HAS BEEN  
ESTABLISHED FOR THE POWER SYSTEMS OF  
RUSSIA, KAZAKHSTAN, AND CENTRAL ASIA

2000

INDUSTRY STRUCTURE

The Unified Power System (UPS) of Kazakhstan is a system of power plants, transmission lines and substations.

The electric power industry in Kazakhstan includes the following sectors:

- electricity generation;
- electricity transmission;
- electricity supply;
- electricity consumption;
- other activities in electric power industry.

ELECTRICITY GENERATION  
SECTOR

179

POWER PLANTS  
GENERATING ELECTRICITY  
IN KAZAKHSTAN

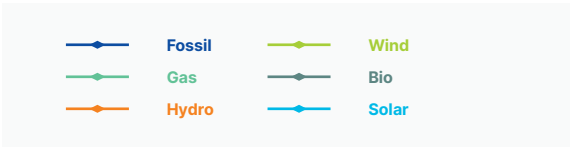
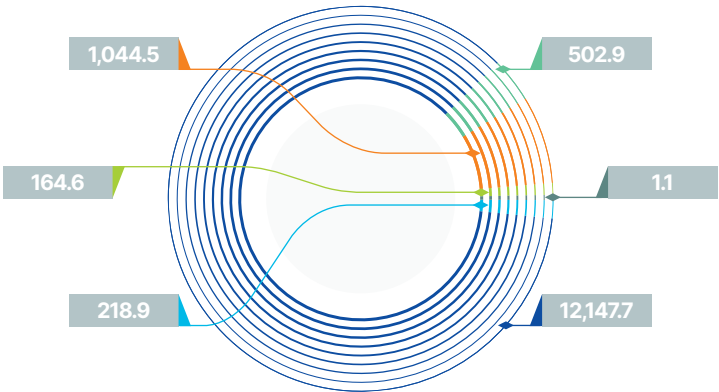
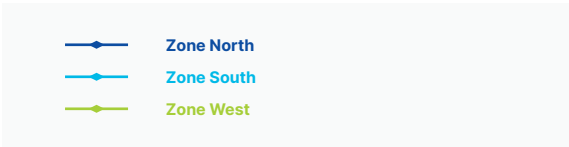
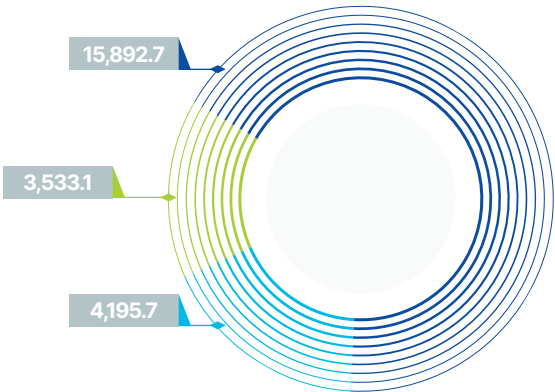
Electricity in Kazakhstan is generated by 179 power plants of various forms of ownership. The total installed capacity of power plants in Kazakhstan as of 31 December 2020 is 23,621.6 MW; the available capacity is 20,078.6 MW.

Power plants	Installed capacity, MW
<b>Thermal power plants total</b>	<b>19,419.5</b>
steam turbines	17,404.5
• pulverized coal	13,407.0
• gas and fuel oil	3,997.5
gas turbines	2,015.0
<b>Wind farms</b>	<b>508.6</b>
<b>Solar power plants</b>	<b>958.3</b>
<b>Hydro power plants</b>	<b>2,734.1</b>
including small hydro	211.5
<b>Biogas plants</b>	<b>1.067</b>
	<b>23,621.6</b>

The total available capacity by zone:

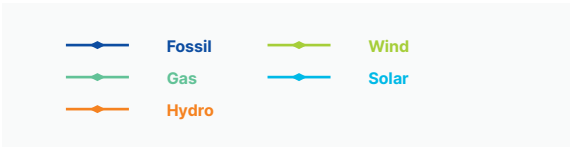
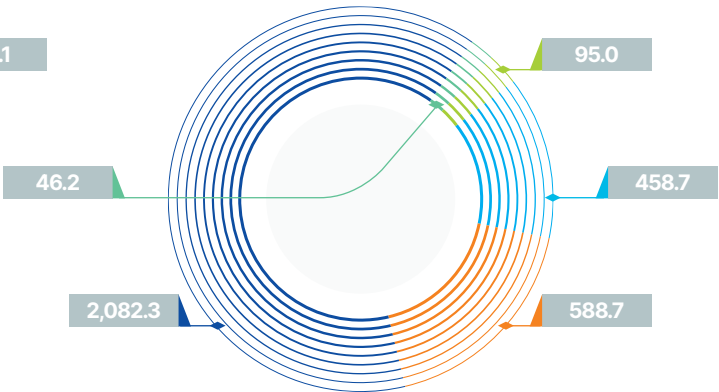
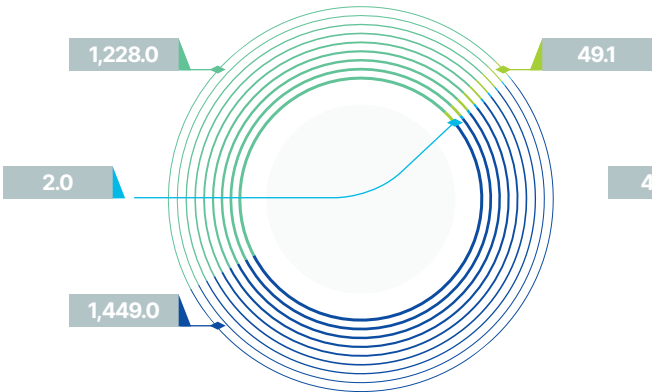
Installed capacity of power plants by zones, MW

Zone North, MW



Zone West, MW

Zone South, MW



**In 2020, 541.6 MW of new generation capacity was commissioned as follows:**

<b>Akmola oblast</b>	<b>133.95 MW</b>
WPP-1, Golden Energy corp LLP	4.95 MW
Nura PVPP, KB ENTERPRISES LLP	100.00 MW
WPP-2, Golden Energy corp LLP	25.50 MW
Krasny Yar WPP, Wichi LLP	3.50 MW
<b>Aktobe oblast</b>	<b>48.00 MW</b>
Badamsha-1 WPP, Arm Wind LLP	48.00 MW
<b>Almaty oblast</b>	<b>67.45 MW</b>
Kaskelen PVPP-50, Misrtal Energy LLP	50.00 MW
Nurly-2 WPP, Nurly LLP	4.50 MW
Sarybulak PVPP, KapshagaiSolarPark LLP	4.95 MW
WPP Shelek, SamrukGreenEnergy LLP	5.00 MW
PVPP, TechnoBasalt LLP	3.00 MW
<b>Zhambyl oblast</b>	<b>69.90 MW</b>
Koktal-1 WPP, Wind Power city LLP	4.95 MW
Koktal-2 WPP, Wind Electricity LLP	4.95 MW



Zhanatas WPP, Zhanatas Wind Power Plant LLP	60.00 MW
<b>Karaganda oblast:</b>	<b>36.00 MW</b>
Kengir PVPP, KAZ GREEN ENERGY LLP	10.00 MW
Agadyr-2 WPP, KazSolar 50 LLP	26.00 MW
<b>Kyzylorda Oblast</b>	<b>28.00 MW</b>
Zhalagash PVPP, Nomad Solar LLP	28.00 MW
<b>Mangistau Oblast</b>	<b>15.00 MW</b>
WPP, Service LLP	10.00 MW
WPP, Zhangiz LLP	5.00 MW
<b>Turkestan oblast:</b>	<b>143.30 MW</b>
Zadarya PVPP, KazGreenTekSolar LLP	14.00 MW
Zhetysai PVPP, KaDi LLP	4.80 MW
UKSES 50 PVPP	50.00 MW
Shymkent PVPP, HEVEL KAZAKHSTAN LLP	20.00 MW
Kentau PVPP, HEVEL KAZAKHSTAN LLP	50.00 MW
Darhan small HPP by KelesHydroStroy LLP	4.50 MW



## ELECTRICITY TRANSMISSION

Electric networks in Kazakhstan include 0.4-1,150 kV substations, switchgears, and electricity transmission lines connecting them to transmit and/or distribute electricity. The backbone network in Kazakhstan UPS the national power grid (NPG), which provides electric connections between the regions of the Republic of Kazakhstan and the power systems of neighbouring countries (the Russian Federation, the Kyrgyz Republic and the Republic of Uzbekistan), and enables the supply of elect power by the power plants and its transmission to wholesale consumers. KEGOC owns 220 kV and higher substations, switchgears, interregional and/or interstate transmission lines being a part of the NPG including lines used for connection of power plants.

**Regional electric networks** provide electric connections inside the regions and deliver electricity to the retail consumers and belong to and are being operated by the regional electric network companies.

**Power transmission organisations** transfer electricity using their own or third party's power networks (rent, lease, trust management and other types of use) based on the contracts with the wholesale and retail market consumers or energy supplying organisations.

## ELECTRICITY SUPPLY

Kazakhstan electricity market power supply sector includes power supplying organisations, which purchase electricity directly from power generators or at the centralized auctions and further sell it to the end retail consumers. Some of power supplying organisations have a role of the “guaranteed power supplier”.

### The participants of the wholesale electricity market are:

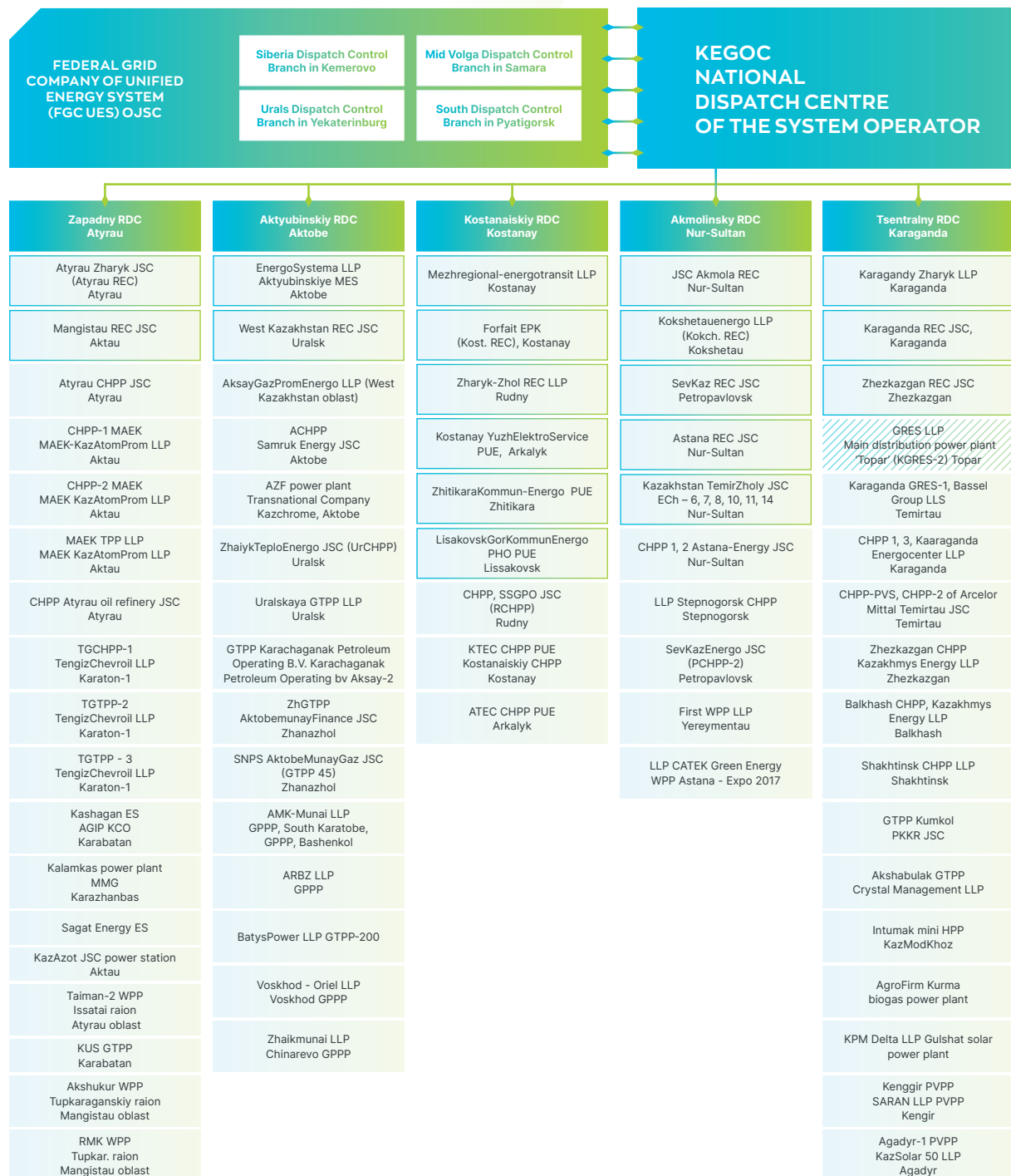
- the power generating organisations that supply electricity to the wholesale market in the amount of not less than 1 MW of the daily average (baseline) capacity;
- the power transmission organisations;
- the power supplying organisations that buy electricity on the wholesale market for power supply purposes in an amount of at least 1 MW of average daily (base) capacity;
- the consumers who buy electricity on the wholesale market in the amount of not less than 1 MW of the daily average (baseline) capacity;
- the system operator, the functions of which are performed by KEGOC;
- the operator of the centralized electricity market, KOREM;
- Financial Settlement Centre for Renewable Energy Support LLP.

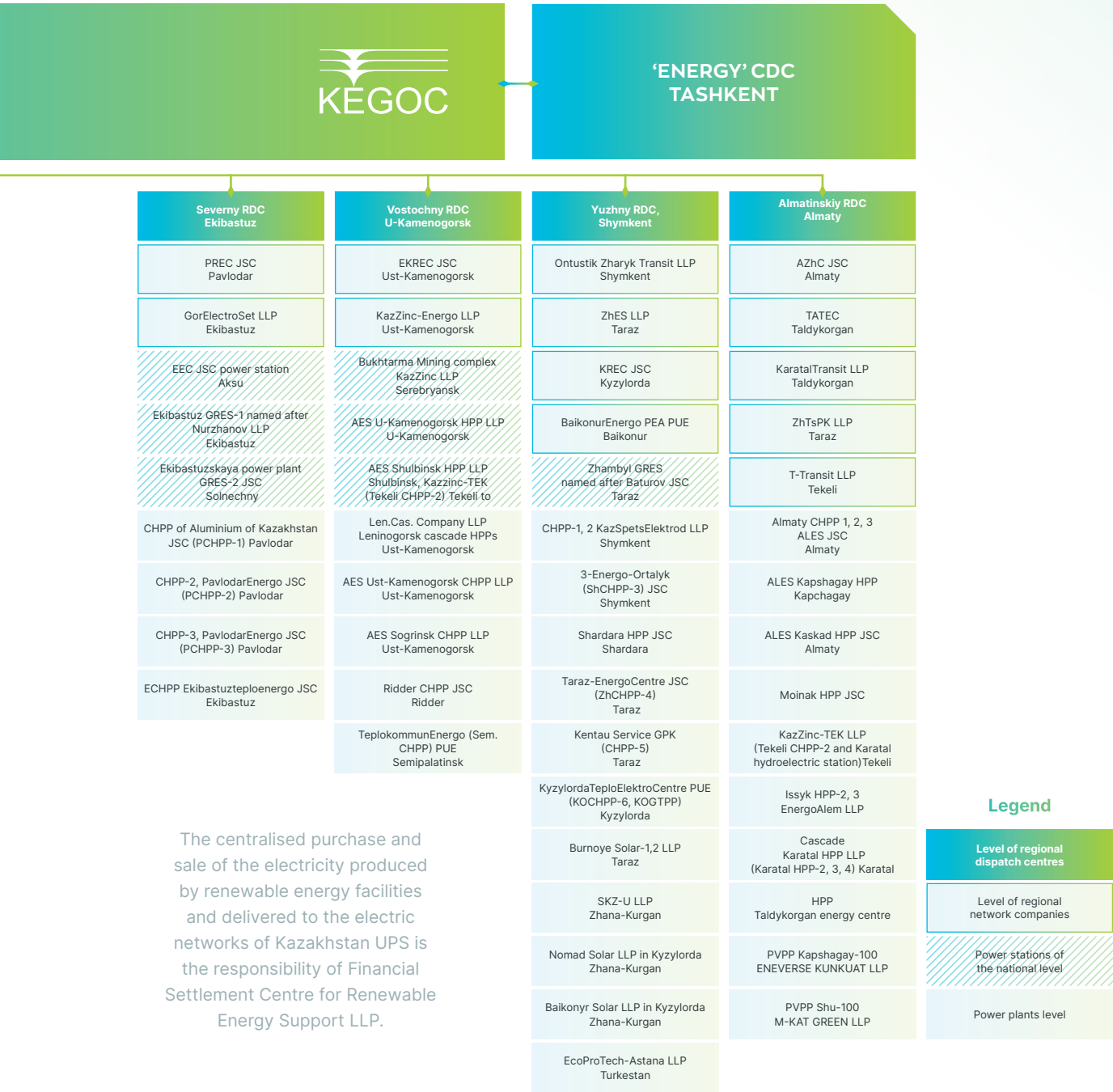
# 541.6

MW  
INSTALLED GENERATION  
CAPACITY COMMISSIONED  
IN 2020

The centralized dispatch control of Kazakhstan UPS is a task of the National Dispatch Centre of the System Operator (NDC SO), the branch of KEGOC. The centralized operational and dispatch control in Kazakhstan UPS is organised as direct operational subordination of nine regional dispatch centres (RDCs) to NDC SO; these RDCs are the structural subdivisions of KEGOC's Interconnection Electric Networks (MESS) the branches of the company.

## STRUCTURE OF OPERATIONAL DISPATCH CONTROL OF KAZAKHSTAN UPS AS ON 01 JAN. 2020



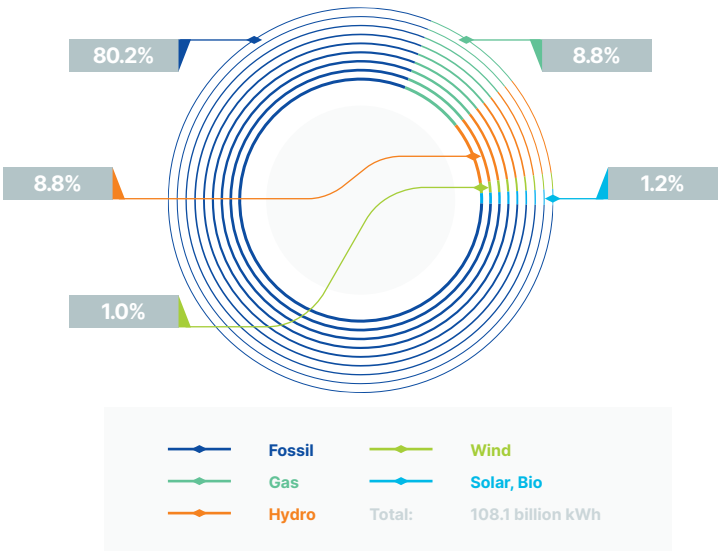


ELECTRICITY BALANCE

Electricity generation in 2020 for Kazakhstan was 108,085.8 million kWh, including:

Power plants	Generation, million kWh
Thermal power plants total	96,190.3
steam turbines	86,662.6
• pulverized coal	74,497.6
• gas and fuel oil	12,165.0
gas turbines	9,527.7
Hydro power plants	9,545.8
Wind farms	1,092.7
Solar power plants	1,252.1
Biogas plants	4.9

Structure of electricity production by UPS power plants in Kazakhstan in 2020



In 2020 electricity generation increased by 2,056.0 million kWh or 1.9% compared to 2019.

In this respect:

the electricity generation increased at the following power plants:

Power plants	Amount of increase in electricity generation	
	million kWh	%
Ekibastuz GRES-1 JSC	1,164.9	6.4
EEC JSC	247.4	1.8
CHPP-2 of Arcelor Mittal Temirtau JSC	200.4	9.7
CHPP-3, PavlodarEnergo JSC	141.0	4.8
CHPP-1, ALES JSC	121.1	5.6
3-Energoortalyk JSC (ShCHPP-3)	85.4	12.4
CHPP-3, ALES JSC	77.5	7.3
Balkhash CHPP, Kazakhmys Energy LLP	50.5	4.7
Ekibastuz GRES-2 Power Plant JSC	45.7	0.9
CHPP-1, Aluminium of Kazakhstan JSC	5.6	0.3

the following large power plants saw a decrease in generation:

Power plants	Amount of reduction in electricity generation	
	million kWh	%
Zhezkazgan CHPP, Kazakhmys Energy LLP	-163.7	9.9
PPCHPP-2, SevKazEnergo Petropavlovsk LLP PPTETs-2	-141.5	4.1
ES AZF TNK Kazchrome (GTU)	-130.9	15.8
CHPP-2, ALES JSC	-117.8	4.3
Zhambyl GRES	-69.7	3.7
GRES, Topar LLP	-62.9	1.3



Zhambyl GRES has been working in two-unit mode since the beginning of a year, 1 unit were in operation since 28 March. Since 11 August the power plant has been working in two-unit mode, since 20 December to 1 January 2021 the station has been working in three-unit mode.

# 80%

## OF ELECTRICITY IN KAZAKHSTAN IS GENERATED BY FOSSIL FUEL

Power generation at Kazakhstan's hydro power plants decreased by 439.1 million kWh (4.4%) compared to the same period in 2019. The generation profile of these power plants was dictated by irrigation water management and hydrological conditions.

Electricity generation at TPPs increased by 707.6 million kWh (0.8%).

Electricity generation increased at GTPPs by 552.1 million kWh (6.2%) and RES (solar, wind, bio) by 1,235.4 million kWh, more than two times.

Non-flexible thermal power plants account for the main portion of electricity generation in the UPS of Kazakhstan (about 80%). About half of all hydro power plants are tightly regulated by water irrigation schedules,

which leads to a shortage of flexible generation in the UPS of Kazakhstan. The solution to this problem is the construction of new flexible capacity, digitalisation of the power system, introduction of a balancing market, development of energy storage systems, forecasting and modelling of power system operation. The construction of new flexible power plants is being addressed by relevant amendments to the Electricity Law adopted in December 2020. According to the Plan for Locating the Flexible Generation Facilities and Organising Auctions for Construction of New Gas Power Plants, construction of the new flexible power plants in the south of Kazakhstan is expected to start in 2022.

In 2020, KEGOC completed a (digitalisation) project to create an Automatic Frequency and Power Control (AFPC) system, which ensures the most efficient use of the available flexible generation. Five power plants are expected to be connected to the AFPC in 2021: Ekibastuz GRES-1, Moinak HPP, Bukhtarma HPP, Shulbinsk HPP, Ust-Kamenogorsk HPP with a total AFPC reserve of 500 MW.

In 2020, Kazakhstan's electricity consumption, compared to 2019, increased by 2,151.7 million kWh or 2.0% to 107,344.8 million kWh.

Consumption increased in all zones of Kazakhstan: by 1,468.6 million kWh (2.1%) in Zone North, by 76.4 million kWh (0.6%) in Zone West, and by 606.7 million kWh (2.7%) in Zone South.

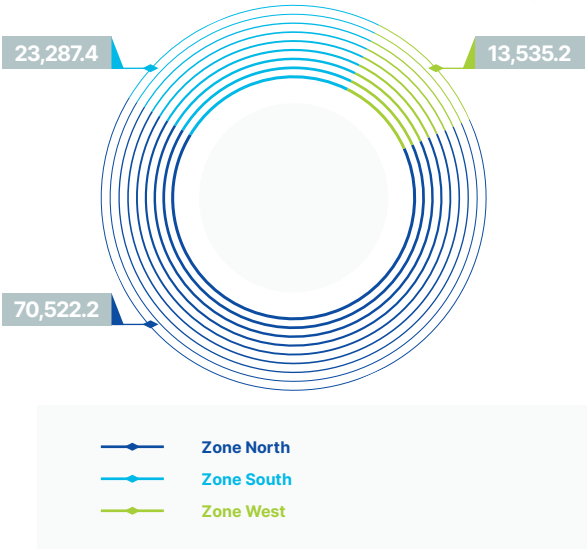
Consumption increased at:

Consumers	Amount of increase in electricity consumption	
	million kWh	%
TNK Kazchrome JSC (Aksuysky ZF)	114.7	2.0
Taraz Metallurgical Plant LLP	112.3	67.5
Canal named after Satpayev RGP	66.6	32.5
TNK Kazchrome JSC (Aktyubinskiy ZF)	66.3	2.1
Kashagan PP, AGIP KCO NCOC	50.6	4.7
Corporation Kazakhmys LLP	39.4	3.2
Kazakhmys Smelting LLP	33.2	2.8
Arcelor Mittal Temirtau JSC	24.9	0.7
Kazakhstan Electrolysis Plant JSC	19.0	0.5
KazPhosphate LLP	9.1	0.4
Aluminium of Kazakhstan JSC	2.3	0.2
Temirzholenergo LLP	1.9	0.1

Compared to 2019 the consumption decreased at:

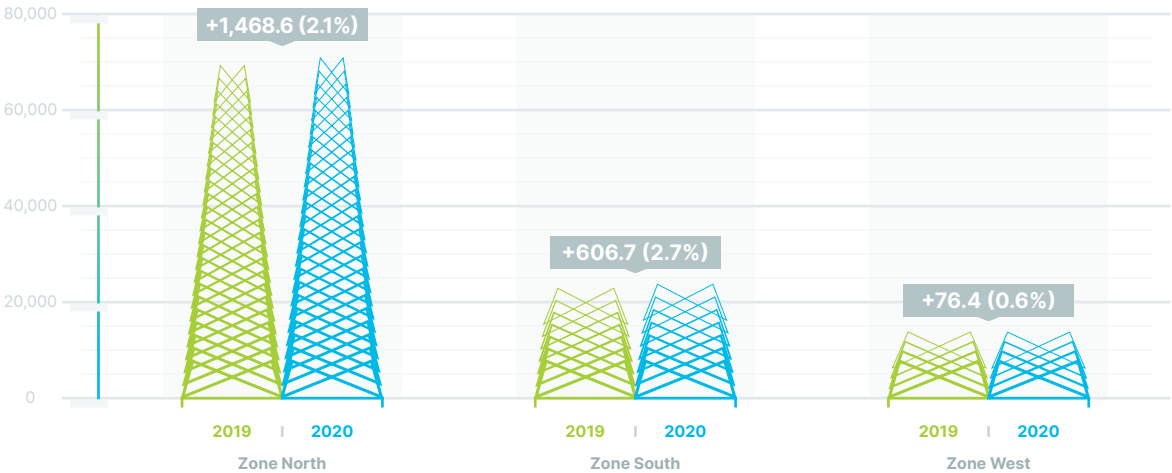
Consumers	Amount of increase in electricity consumption	
	million kWh	%
UKTMK JSC	-228.5	26.2
Sokolovsko-Sarbaiskoye GPO JSC	-100.9	5.5
TengizChevroil LLP	-70.3	3.7
ANPZ LLP	-3.8	0.5
KazZinc LLP	-1.8	0.1

Structure of electricity consumption  
by zones, million kWh



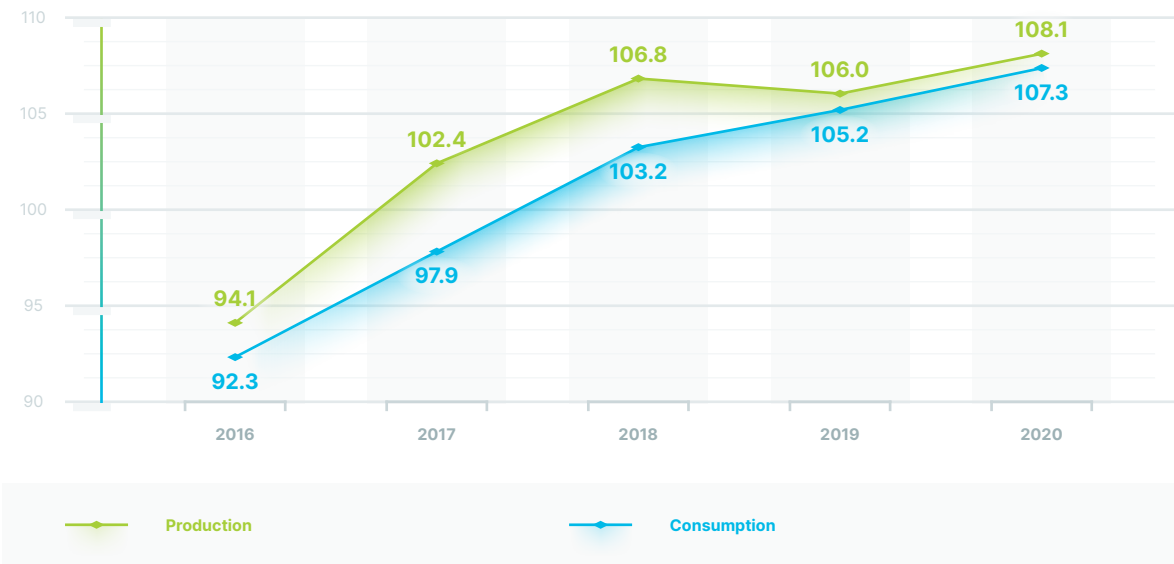
In the reporting period of 2020 compared to the same period of 2019, the most significant increase in electricity consumption was observed in Karaganda oblast: by 470.3 million kWh (2.6%), Pavlodar oblast: by 1,204.4 million kWh (6.2%), Aktope oblast: 210.1 million kWh (3.3%), West Kazakhstan oblast: 258.7 million kWh (12.9%), Zhambyl oblast: 475.6 million kWh (10.6%), Turkestan oblast: 114.2 million kWh (2.2%).

Electricity consumption by zones, million kWh

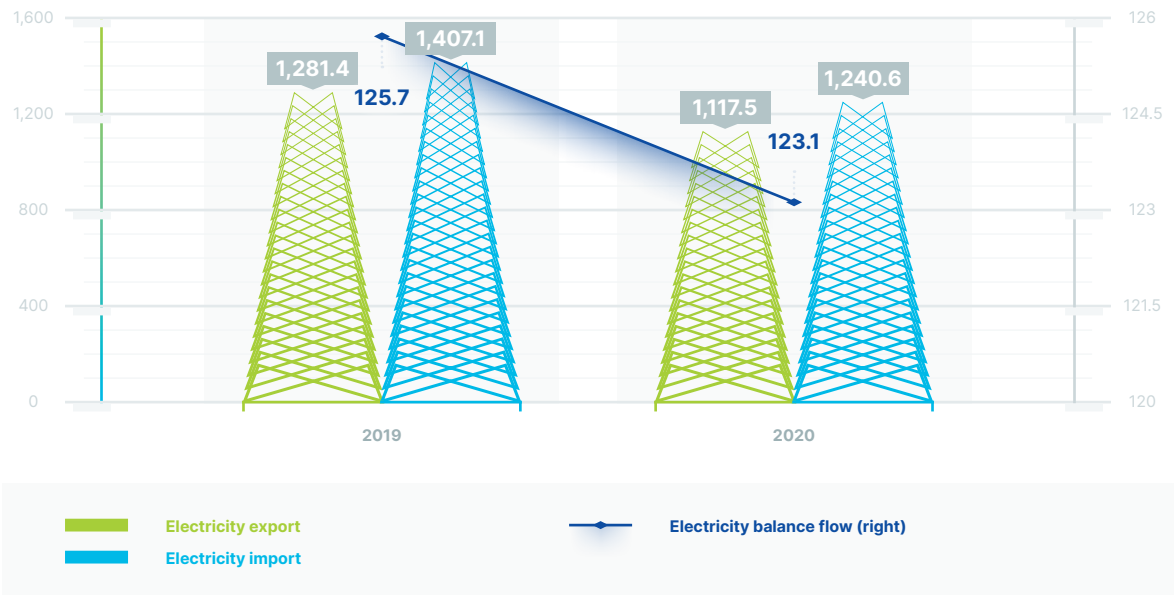


In 2020, electricity generation exceeded consumption by 741.0 million kWh.

Electricity production-consumption, billion kWh



Electricity balance flow on the border with Russia, million kWh



During the reporting period, the balance of electricity flow from the Russian Federation was 123.1 million kWh (125.7 million kWh to the Russian Federation in 2019). At the same time, electricity exports to the Russian Federation amounted to 1,117.5 million kWh (1,281.4 million kWh in 2019), which is 163.9 million kWh lower than in 2019. Electricity imports from the Russian Federation amounted to 1,240.6 million kWh, which is 166.5 million kWh lower than in 2019). Both export and import are shown here net of the balancing electricity provided by Russia.

The balance flow to Central Asia was 864.1 million kWh, with electricity exports amounting to 1,179.0 million kWh, including:

- 810.5 million kWh to the Republic of Uzbekistan (806.6 million kWh from Ekibastuz GRES-1 LLP, 3.9 million kWh from Topar GRES LLP);
- 53.6 million kWh to the Kyrgyz Republic (52.6 million kWh from Ekibastuz GRES-1 LLP).

The amount of electricity supplied under the commodity exchange agreement from the Republic of Tajikistan and the Kyrgyz Republic was 12.2 million kWh and 300.0 million kWh, respectively.

## Operating Activity

In accordance with the law of Kazakhstan “On Electric Power Industry”, KEGOC as the System Operator shall ensure non-discriminatory access to the electricity market for all market players. The connection to the national power grid shall be provided in accordance with the Grid Code and Rules of Electricity Usage. KEGOC grants equal access to the NPG for all wholesale electricity market participants.

**More details on how to access the national power grid is available at “Company – Activity – Procedure for the access to the National Power Grid” section of the company’s website.**

The consumers of KEGOC services are legal entities: energy-producing, energy transfer, energy supplying organizations, and industrial enterprises.

102-6

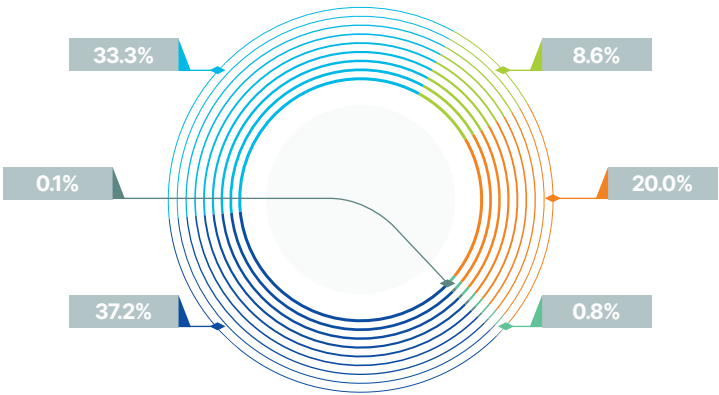
In 2020 KEGOC delivered all its contracted and requested system services to the wholesale market entities. The total number of service contracts and agreements continued after 2019 and concluded in 2020 was 861.

Contracts	Quantity
Electricity transmission in the national power grid	332
Technical dispatching of the electricity supply and consumption in the grid	151
Management of electricity production and consumption balancing	353
Supply and transmission of reserve electric power	1
Purchase of electricity to cover losses and economic needs	13
Purchase of power control services	3
Purchase of electricity from Russia to compensate unscheduled hourly deviation of actual interstate net power flow	1
Sale of electricity to Russia to compensate unscheduled hourly deviations of actual interstate net power flow	1
Electricity transmission (transit) services for FGC UES PJSC	1
Power (frequency) control services for UzbekEnergo JSC (Uzbekistan)	1
Purchase of electricity transmission services from Batys Transit JSC to cover losses	1
Purchase of unscheduled electricity	1
Purchase of electricity to manage unscheduled electricity flows (from Kyrgyzstan NPG)	1
Sale of electricity to manage unscheduled electricity flows (for Kyrgyzstan NPG)	1
<b>Total:</b>	<b>861</b>



- Direct consumers
- FSC RES LLP
- Foreign counterparties
- Power supplying organisations
- Power generation organisations
- Power transmission organisations

Contract consumer categories

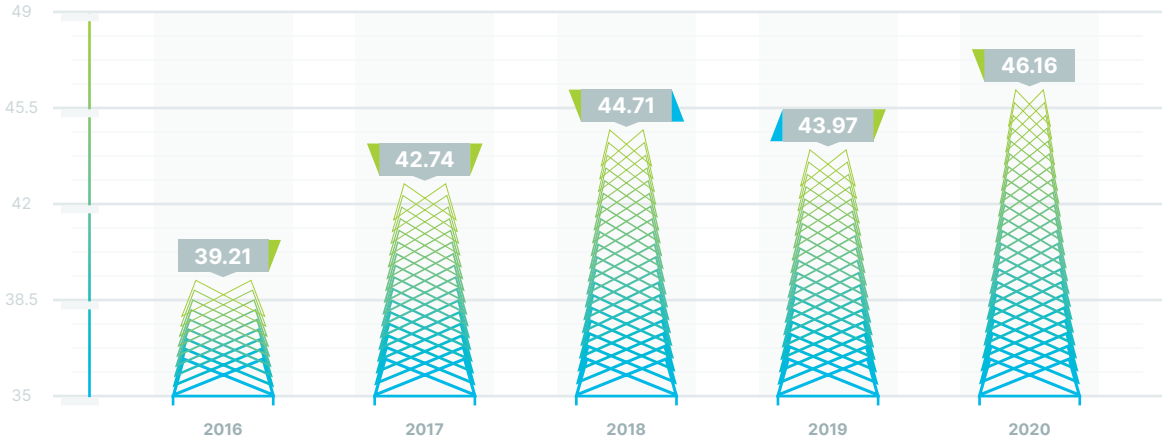


102-6

ELECTRICITY TRANSMISSION

102-7

Electricity transmission in KEGOC's networks, billion kWh

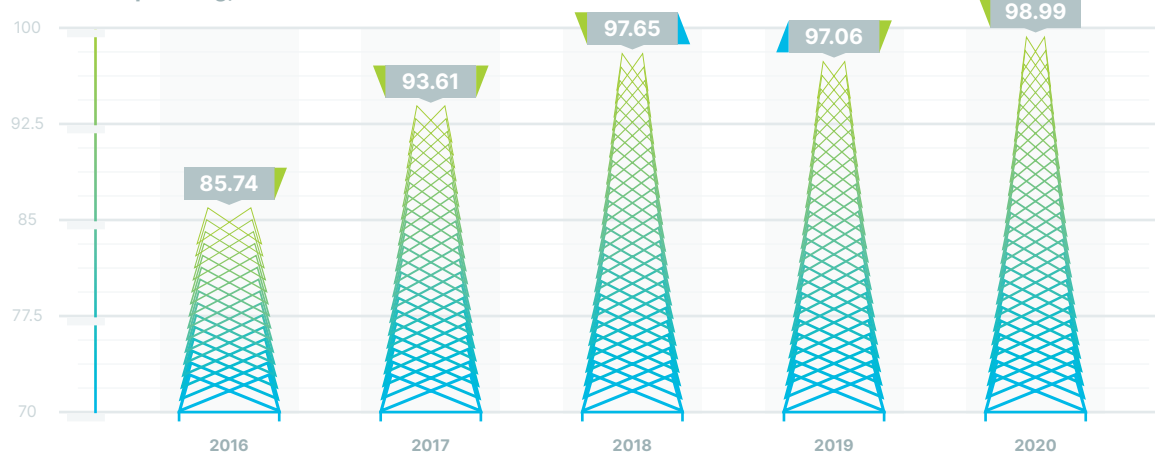


The actual amount of the transmission services in the national power grid in 2020 amounted to 46.16 billion kWh, which is higher than in 2019 by 2.19 billion kWh or 5.0%. The main reasons for the increase are:

- the increase in electric power transmission to wholesale market participants in Kazakhstan by 1.45 billion kWh or 3.7% vs. the same in 2019.
- the increase of 0.21 billion kWh, or 21.8%, in electricity exports under the Company's contracts compared to 2019;
- the increase in the amount of electricity transmission through KEGOC's grids of interstate power flow on route of the Russian Federation – the Republic of Kazakhstan – the Russian Federation by 0.53 billion kWh or 14.8% than in 2019 (4.1 billion kWh in 2020, 3.57 billion kWh in 2019).

## TECHNICAL DISPATCHING

### Technical Dispatching, billion kWh

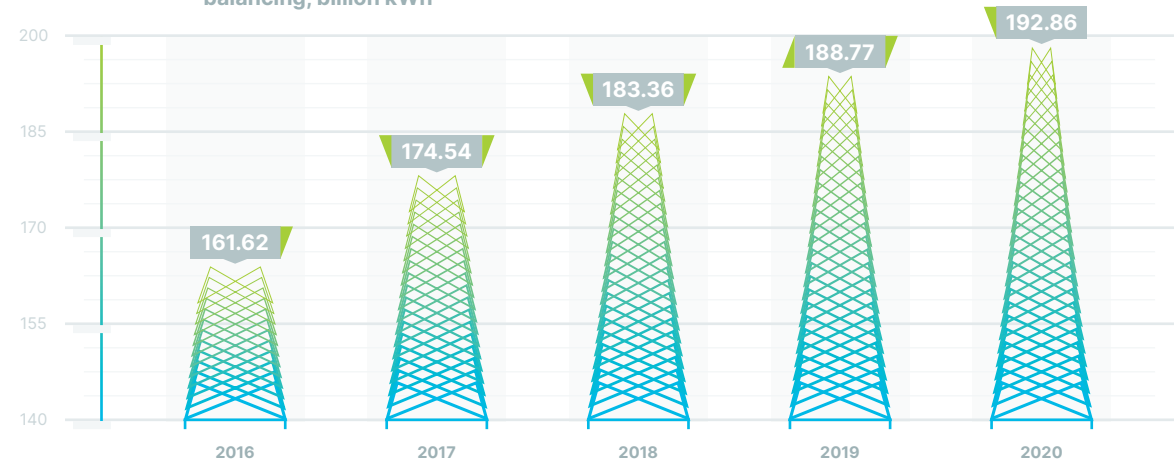


The actual amount of technical dispatching of supply and consumption of electric power in the grid in 2020 was 98.99 billion kWh, which is 1.93 billion kWh or 2.0% higher

than in 2019 and is attributed to an increase in electric power generation by power generating organisations of the Republic of Kazakhstan.

MANAGEMENT OF ELECTRICITY PRODUCTION  
AND CONSUMPTION BALANCING

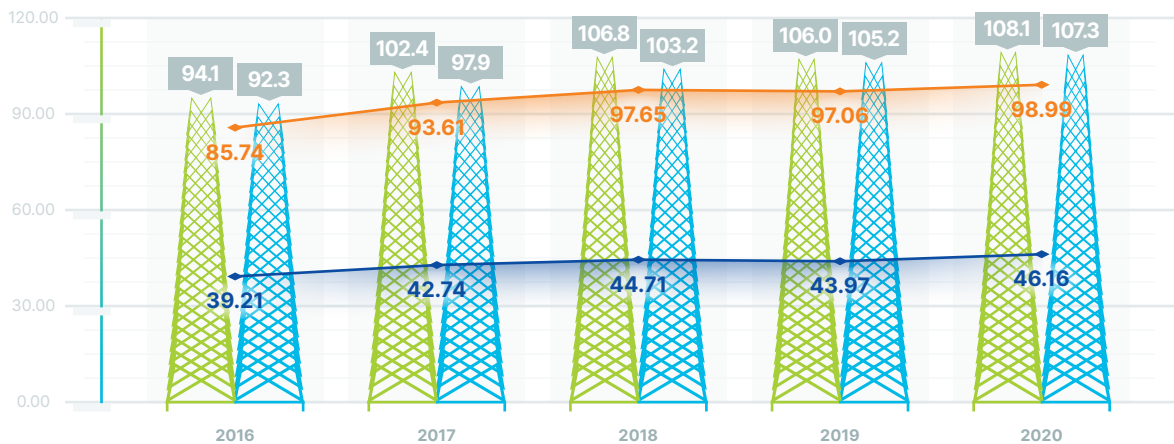
Electricity production and consumption  
balancing, billion kWh



The actual volume of electricity generation-consumption balancing services in 2020 was 192.86 billion kWh, which is 4.08 billion kWh or 2.2% higher than in 2019, due to

an increase in electricity consumption in the wholesale market of the Republic of Kazakhstan.

KEGOC in the industry, billion kWh



Electricity production in Kazakhstan  
Electricity consumption Kazakhstan

Dispatching by KEGOC  
Transmission in KEGOC's networks

## ELECTRICITY PURCHASE/SALE TRANSACTIONS



In accordance with the Electricity Law in the Republic of Kazakhstan, KEGOC acts as the System Operator of the UPS of the Republic of Kazakhstan to engage with the power systems of neighbouring states to manage and ensure the stability of parallel operation modes.

The consumption of electricity in the UPS of the Republic of Kazakhstan during the day has a pronounced irregularity: consumption drops at night, increases at the beginning of the working day and reaches its peak in the evening hours. At the same time, the UPS of Kazakhstan, where the bulk of the generating capacity comes from thermal power plants, that are technologically can only operate in base mode (cannot change their load quickly), cannot fully cover the variable consumption with their own capacity. As a consequence, imbalances emerge between electricity production and consumption in the UPS of the Republic of Kazakhstan. The shortage of flexible generation capacity in the UPS of Kazakhstan is also exacerbated by the emergency shutdowns of the equipment of existing power plants and the high penetration rate of renewable energy facilities, which are infamous for their unstable generation. Which is why, frequency maintenance and coverage of emerging imbalances in the UPS of the Republic of Kazakhstan is ensured, inter alia, through operation parallel with the UES of the Russian Federation.

In accordance with the Power System Parallel Operation Agreement between the Governments of the Republic of Kazakhstan and the Russian Federation dated 20 November 2009, KEGOC and Inter RAO PJSC annually conclude electricity sale and purchase agreements to compensate hourly unscheduled imbalances in the actual interstate electricity flows at the border of UPS of Kazakhstan and UES of the Russian Federation. In accordance with this Agreement, the financial result of the sale and purchase of deviations is a fair payment for the physical balancing provided by the energy system of the Russian Federation to the UPS of the Republic of Kazakhstan.

In 2020, KEGOC purchased 1,065.6 million kWh of electricity to compensate the hourly unscheduled imbalances of interstate power flow at the border of UPS of Kazakhstan and UPS of Russian Federation for KZT 16,019.9 million (15.03 KZT/kWh).

The sale of electricity by KEGOC to compensate for the hourly unscheduled imbalances at the border of UPS of Kazakhstan and UPS of the Russian Federation amounted to 1,065.6 million kWh or KZT 5,101.7 million (4.79 KZT/kWh).



## RENEWABLE ENERGY DEVELOPMENT

Today, the renewable sector is a fast-growing sector in Kazakhstan's electricity production; electricity generation from renewable energy sources (RES) increases every year due to supportive RES development programmes in the Republic of Kazakhstan.

Following the international trends in low-carbon development, in May 2013, Kazakhstan adopted a Concept of Transition to a "Green Economy" with an ambitious target: by 2050, 50% of the generation should be from alternative or renewable energy sources. E.g. according to the Concept of Transition to a "Green Economy" and the Strategic Development Plan of the Republic of Kazakhstan till 2025, the share of renewables in total electricity generation should be 3% by 2020, 6% by 2025, 10% by 2030 and 50% (alternative + renewables) in 2050.

To this end and to meet the requirements of the law, KEGOC established a subsidiary, FSC RES LLP, that has been successfully operating in the RES and power market. The RES laws are being regularly perfected, and through that process KEGOC has initiated an auction system of RES bidding, which has proven to be effective. RES energy enjoys a priority dispatch, and 100% of electricity produced by RES facilities is supplied to the Unified Energy System and paid for.

The ongoing studies are looking for the way to better predict RES generation and show the potential to reduce the unscheduled deviations of RES generation, which will reduce the amount of reserves needed in the power system. A study of simulated energy system is carried out using PLEXOS and DigSilent software, which assesses the impact of renewables on the energy system

and the optimum locations and amounts of renewables based on the existing grid capacity.

In 2021, studies will be carried out on energy storage systems, a review of technologies and their costs, and the potential use of storage in the energy system.

At the end of 2020, 116 RES facilities with a total installed capacity of 1,685 MW were in operation in Kazakhstan.

In 2020 they generated 3.24 billion kWh, or 3% of Kazakhstan's total electricity generation. It is 74% higher than RES electricity generation in 2019. In terms of number of RES facilities by technology, HPPs and PV dominate. The largest number of power plants are located in Almaty, Turkestan and Zhambyl oblasts. At the same time, according to the Ministry of Energy of the Republic of Kazakhstan, 96% of all RES electricity is concentrated in four oblasts of Kazakhstan - Almaty, Zhambyl, East Kazakhstan and Turkestan.

The centralised purchase and sale of RES electricity is based on concluded contracts with RES energy producing organisations and convention-based consumers according to standard forms approved by the Ministry of Energy of the Republic of Kazakhstan.

As of 31 December 2020, FSC RES LLP has entered into 131 contracts for a total installed capacity of 2,811 MW, including: 86 fixed tariff contracts, with a total installed capacity of 1,800 MW; 45 auction-price contracts, with an installed capacity of 1,011 MW. At the end of 2020, the number of operating RES plants selling electricity through RFC RES LLP

amounted to 72 units with a total installed capacity of 1,570 MW.

# 2,543

KWH MILLION OF  
RENEWABLE ELECTRICITY  
TRANSACTIONS IN 2020

Since the launch of the RES support mechanism based on the centralised purchase and sale of RES electricity by FSC RES LLP, the purchase of RES electricity has increased from 8 million kWh in 2014 to 2,543 million kWh in 2020. The amount of RES electricity compared to 2019 increased by 88%. The cost of purchasing RES electricity in 2020 was KZT 84,753 million which is almost twice as high as in 2019. The increase is due to the commissioning of new renewable energy facilities, as well as the annual inflation adjustment of fixed and auction prices.



## CONSUMER RELATIONS



102-43 | 102-44

To enhance the quality of the services provided, KEGOC developed an internal standard for management of the system services provision and customer complaints. According to this standard, the questionnaires are sent at least once every six months to all consumers of system services. The questionnaires include, inter alia, a request to assess the quality of the Company's personnel work, reliability of the provided business and technical information, promptness of reply to customer requests, quality of system services, and quality of work of the RDC in terms of operational dispatch management. The questionnaires also invite

any recommendations on improvement of the quality of services provided by KEGOC. The responses are analysed to enhance the quality of the services.

In 2020, the average annual consumer satisfaction was rated at 4.72 points on the five-point scale, which is a fairly good level. The areas that need improvement are addressed respectively.

There were no fines imposed on the Company for non-compliance with legislation and regulations concerning the provision of services in 2020.

## NETWORK RELIABILITY

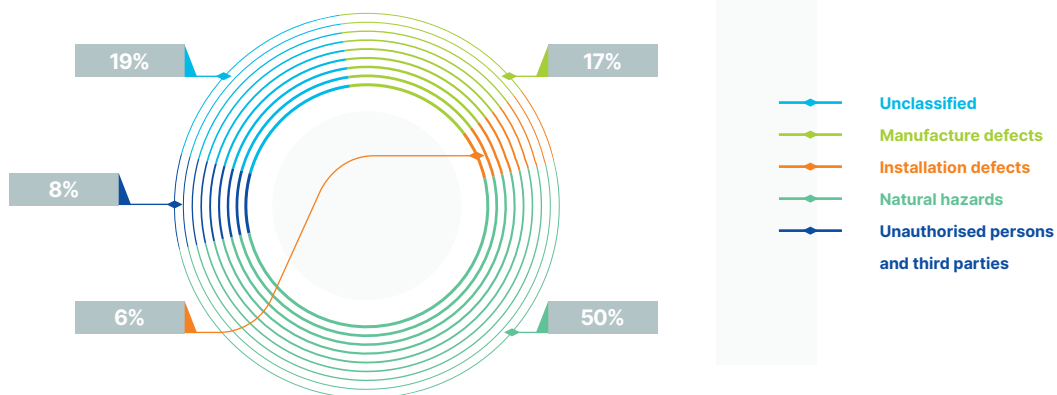


The power industry in the Republic of Kazakhstan is of great importance, as the key national industries such as metallurgy and oil and gas production are highly energy intensive industries. Accordingly, the competitiveness of the production industries in Kazakhstan and the living standards are highly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

In 2020, 248 emergency outages occurred in KEGOC's electricity networks (which is 17% higher than in 2019): in 137 cases the stable network operation was preserved by the successful autoreclosing, and in 111 cases the autoreclosing was unsuccessful.

In 2020, the Company recorded and investigated 48 operational disturbances, including 1 major failure, 2 failures of Class I, and 45 failures of Class II. This indicator grew by 14% compared to 2019.

### Breakdown of technical disturbances by class

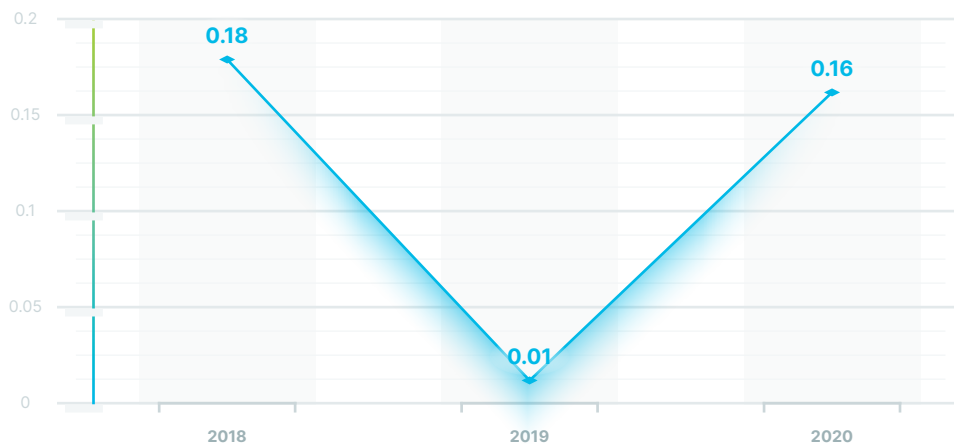


There were 34 technical disturbances on power lines in 2020. Out of the total number of operational disturbances on overhead lines, 15 have damaged the elements of the overhead line.

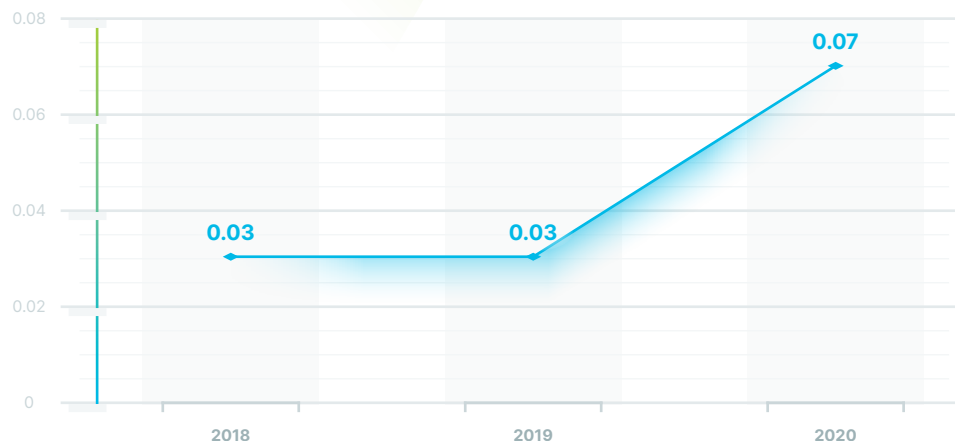
There were 14 operational disturbances at the substations in 2020. Of the total number of operational disturbances at the substation 6 have damaged the main equipment.

**The following sectoral indices are used internationally to evaluate the network reliability performance:**

**SAIDI** – System Average Interruption Duration Index – describes the average one interruption duration per year in minutes.



**SAIFI** – System Average Interruption Frequency Index – is the average interruption frequency.



EU28

In 2020, the number of TPP boiler emergency shutdowns was 1,104 with the total duration of 61,811 hours as compared to 968 shutdowns for 51,223 hours in 2019.

The number the turbine emergency stops in 2020 was 262 with total duration of 27,191 hours as compared to 179 emergency stops and 14,259 hours in 2019.

Power units had 80 emergency shutdowns in 2020 for 4,389 hours as compared to 84 emergency shutdowns for 5,906 hours in 2019.

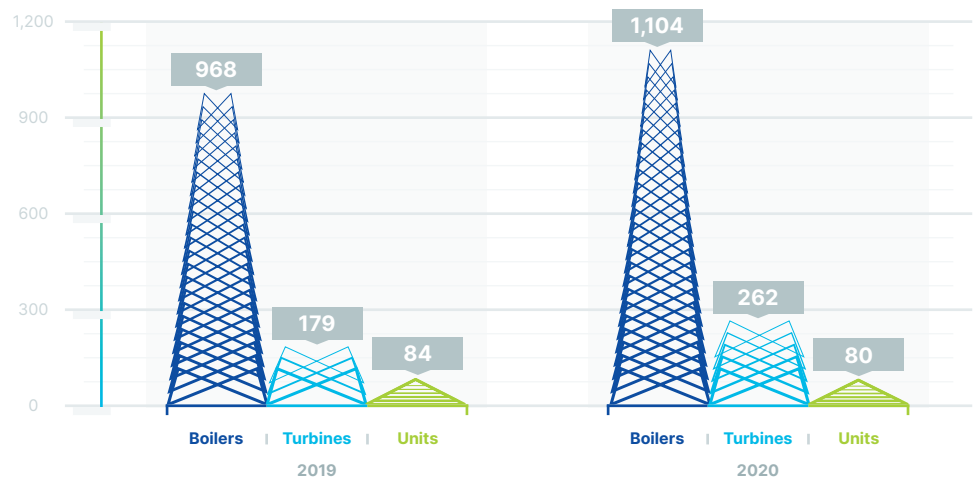
The emergency shutdowns of generating equipment significantly reduce the reliability of the UPS of Kazakhstan and lead to congestions that have to be addressed by the System Operator to prevent emergencies in the UPS of the Republic of Kazakhstan.

The company's development strategy uses SML and WWP indicators to assess the network reliability. SML, the quality indicator, showed 5.21 minutes and the WWP showed 98.63% for 2020.

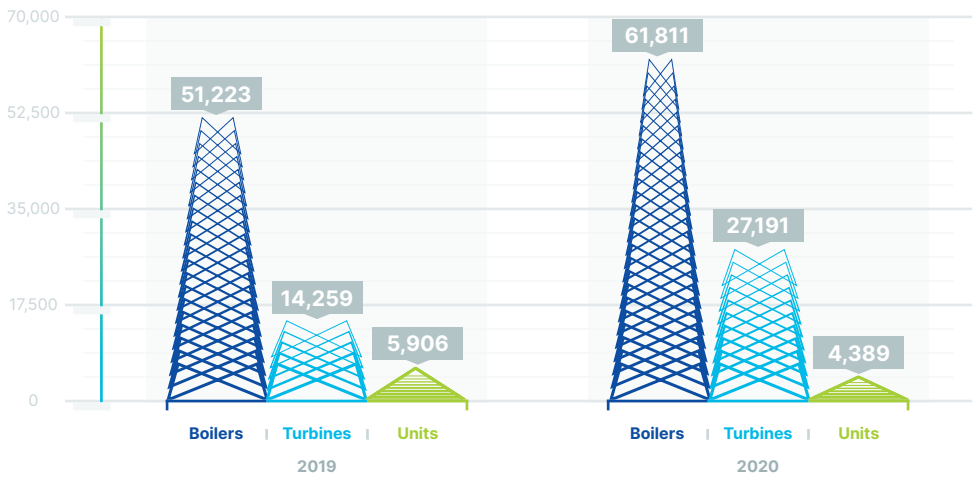
The worse performance is attributed to higher amount of energy not supplied and the emergency load shedding: the total energy not supplied in 2020 was 1368.87 thousand kWh vs 132.10 thousand kWh in 2019. Of the total energy not supplied in 2020 (1,368.87 MWh) 90% (1,226.85 MWh) is due to technical failures caused by:

- natural emergency at Sarbaiskiye MES branch on 7 April 2020 (793.95 MWh or 58% of the total energy not supplied);
- North-South Transit Line shutdowns due to capacity shortages in Zone South of the Republic of Kazakhstan (432.9 MWh or 32% of the total energy not supplied).

Duration of emergency shutdowns in 2020 compared to 2019



Number of emergency shutdowns in 2020 compared to 2019, hours



Thus, less the amount of energy not supplied that occurred due to the above-mentioned reasons (beyond control of the Company),

the energy not supplied in 2020 amounted to 142.02 MWh, with SML of 0.54 minutes.



## Investment Activity

In order to increase efficiency, reduce technical losses, increase the reliability of the NPG operation and the capacity of the networks, the Company continues to actively implement investment projects.

The year 2020 in Kazakhstan, like the rest of the world, was the year of the COVID-19 pandemic and working under quarantine conditions. However, the Company's employees did their best to achieve the planned amount of capital investment. Despite the quarantine restrictions, the 2020 investment programme targets were met. The plan for 2020 was KZT 35,041.448 million, excluding VAT, and the actual amount of investment was KZT 36,401.030 million, excluding VAT, or 103.9%.

**The status of the major and important investment projects is as follows:**

**Rehabilitation of 220-500 kV overhead lines in Aktyubinskiye MES, Zapadnye MES, and Sarbaiskiye MES branches of KEGOC.**

The feasibility study report for the project was approved by the project examination authority in May 2019. In line with the Company's staged implementation approach for major capital projects, the key project parameters have been reviewed and approved by KEGOC's Board of Directors and the Board has decided to proceed with the project. A project implementation plan has been developed and approved for the current project life cycle. In accordance with the approved Procurement Category Strategy, three contracts were awarded for packaged works, including turnkey construction.

In 2020, construction work was completed on 17 out of 24 transmission lines under three turnkey contracts. Since the start of the project, 850 km of 2,029 km of overhead lines have been rehabilitated, of which 625 km were rehabilitated in 2020. For all 24 sites, design and estimate documentation has been developed by the contractor and approved by the project examination authority. The capital expenditures amounted to KZT 14,096.367 million net of VAT, including capitalised loan interest of KZT 337.952 million net of VAT vs the plan of KZT 11,292.369 million net of VAT.

**West Kazakhstan Electricity Transmission Reinforcement Project.**

The key parameters of the project have been reviewed and approved, and decisions on the development of the design and estimate documentation and subsequent implementation have been taken by KEGOC's Board of Directors. A project implementation plan has been developed and approved for the current project life cycle.

The project was the subject of a feasibility study, the results of which was approved by the project examination authority in January 2019. In 2020, the design and estimate documentation for 11 contracts was under development. The detailed design documentation was developed for all the sites and approved by the project examination authority for 7 sites (5 substations and 2 overhead power lines). The detail design documentation for 4 sites (1 substation and 3 overhead power lines) is currently being reviewed by the project examination authority. Capital expenditure amounted to KZT 750.75 million, excluding VAT vs the plan of KZT 737,317.93 million, excluding VAT.

625

**KM OF REHABILITATED  
TRANSMISSION LINES IN 2020**



### **Turkestan External Power Supply**

**Reinforcement Project** was switched to the implementation stage in 2020. The key parameters of the project have been approved and the decision to proceed to project implementation stage has been taken by the KEGOC's Management Board. A project implementation plan has been developed and approved for the current project life cycle. A feasibility study report was prepared for the project and approved by the project examination authority in November 2019. In order to implement the project in 2020, a turnkey contract was concluded for the development of design and estimate documentation and the execution of construction and installation work. In 2020, the contractor carried out engineering and geodetic surveys and developed design and estimate documentation for the construction of the 220 kV Ortalyk substation and rehabilitation of 220 kV overhead line. The capital investments amounted to KZT 314.430 million, excluding VAT vs the planned amount of KZT 300 million, excluding VAT.

### **The status of prospective projects at the end of 2020:**

- a pre-feasibility study report, as the first part of a two-phase feasibility study, was being developed by the selected contractor during 2020 **for the North-South HVDC Construction Project.** The results of the pre-feasibility study have been preliminarily approved by the Scientific and Technical Council and the Management Board of KEGOC and forwarded for approval to Samruk-Kazyna. The capital expenditure amounted to KZT 91.800 million, excluding VAT, vs. the plan of KZT 102.000 million, excluding VAT.

- A contractor was selected, and a feasibility study was underway during the reporting period **for the External Power Supply to the Industrial Zone of Ekibastuz project.**

For local and pilot projects, the capital expenditures amounted to KZT 1,102.144 million. Construction of Kazakhtelecom JSC's Data Centre – Pavlodarskaya Substation – PTPP – Communication Node of KazTransCom JSC Communication Line project is in progress; remote access to corporate e-mail and Target Accounting and Tax Accounting Model of the ERP system have been implemented; and delivery of equipment for WAMS NPG Kazakhstan has been completed.

Also, the following non-discounted assets were acquired in 2020 and taken on the balance sheet of KEGOC for the amount of KZT 8,483.686 million, excluding VAT:

- 220/110/10 kV SEZ NIPT substation of 500 MVA;
- Two 220 kV line bays of 220 kV Atyrau substation (L-2145 and L-2135);
- 220 kV overhead line L-2135 220 kV SEZ NIPT SS – 220 kV Atyrau SS (right-hand circuit), 41.1956 km;
- 220 kV overhead line L-2145 220 kV SEZ NIPT SS – 220 kV Atyrau SS (left circuit), 41.3173 km.

The acquisition of the SEZ NIPT facility enabled KEGOC to increase the volume of regulated electricity transmission services.

The capital expenditure to maintain the current level of business was KZT 11,561.853 million, excluding VAT vs planned KZT 13,116.337 million, excluding VAT.

**KEGOC will continue to implement the following projects in 2021: “Stage I. Rehabilitation of 220-500 kV OHTLs at Aktyubinskiye MES, Sarbaiskiye MES**

**and Zapadnye MES branches of KEGOC”, “West Kazakhstan Electricity Transmission Reinforcement Project”, and “Turkestan External Power Supply Reinforcement Project”.**

## Research and Development

EU8

Understanding the importance of R&D for its development, KEGOC has been engaged in research and development activities since its incorporation, and now uses them to achieve the 2028 strategic goals.

R&D activities in the Company are regulated by the “Rules for R&D management”, which set uniform requirements for management, planning, registration, monitoring, and acceptance of research and development works implemented at the request of KEGOC. R&D is considered as a process that covers the entire development life cycle: from determining the list of priority areas of scientific and technical study to assessing of the actual benefit for the operations of the company.

Within the framework of cooperation with USAID, ORDENA software was provided to the Company to analyse future power system development plans on a least-cost based technical and economic modelling of the power system.

The Company continues research and development of “Study of the effectiveness of settings of governors of generators of electric power plants of national importance to ensure static and dynamic stability of intersystem electric grids 500-220 kV of UPS of Kazakhstan” conducted as part of “Technological Modernisation and Innovative Development of the Energy Sector of Kazakhstan” Industrial Sector Consortium.

KEGOC jointly with ORGRES Engineering Centre LLC (Russian Federation) completed research of reduction of technical electricity losses in 500 kV transmission lines with OPGW. Based on its results, methods and recommendations were developed on how to reduce losses in the transmission lines of the studied area.

## KEGOC's Business Transformation Programme

In 2020, KEGOC's Business Transformation Programme successfully implemented the following key projects and activities, including those related to R&D, to achieve the Company's strategic goals:

### CENTRALISED EMERGENCY CONTROL SYSTEM AND AUTOMATIC FREQUENCY AND POWER CONTROL SYSTEM

**The project is included in the "Digital Kazakhstan" state programme and has a synergetic effect as it is implemented jointly with domestic power plants. The systems are the elements and basis for building Kazakhstan's future smart digital energy system.**

The Centralised Emergency Control System (CECS) ensures the automatic stability of the power system in the event of a disturbance. The Automatic Frequency and Power Control (AFRC) system, provides automatic maintenance of the generation-consumption balance of electricity in the power system.

**Objectives:** enhance the efficiency of operational control of the country's interconnected power system and increase the reliability of the NPG.

**Implementation period:** 2017-2021

**Current status:** CECS has been completed and is operational. AFRC has been completed and commissioning work is in progress.

### IMPLEMENTATION OF A MONITORING AND CONTROL SYSTEM BASED ON WAMS/WACS SYNCHROPHASOR TECHNOLOGY

**The project was included in the Digital Kazakhstan government development programme.**

The monitoring and control system based on WAMS / WACS synchrophasor technologies allows maximum use of the network transmission capacity through real-time control.

**Objectives:** Real-time monitoring of the power system and control of transmission capacity by developing appropriate algorithms and creating a new adaptive control system for the power grid based on current system parameters with time synchronisation.

**Implementation period:** 2018-2021 r.

**Current status:** WAMS is in commercial operation. WACS system delivery was procured.

## CYBERSECURITY ASSURANCE PROJECT

In order to prevent information security incidents causing financial and reputational losses with respect to the Company's information assets, the first phase (Conceptual Design) of the Cybersecurity Assurance Project was successfully completed in 2020 in line with the Business Transformation Programme. As part of the project plans for 2020, the Company built its part of the Cyber Shield of Samruk-Kazyna Group of Companies by creating and connecting the Company's information systems to the unified Operational Centre of Information Security of Samruk-Kazyna JSC. The project will improve industrial cybersecurity and introduce cybersecurity solutions for operation process systems.

As part of the second phase (Implementation), testing of the perimeter protection of the operation process control systems (Implementation of firewalls at branches) was completed.

In accordance with the Information Security Development Programme for 2018-2022, KEGOC put into commercial operation the data leakage prevention system (DLP) and the privileged access management (PAM) system. The Company also continued its effort on the implementation of a centralised authentication system for industrial devices (NAC). TUV NORD conducted an external audit of the information security management system for compliance with the ISO 27001 as part of the re-certification audit of the IMS on 24 to 26 June 2020. A certificate of compliance was obtained as a result of the audit.

## IT COST REDUCTION PROJECT

In 2020, the transition to a print-as-service (a set of services for the provision of equipment, its technical support and maintenance, as a single service, billed per printed sheet) in the Company's branches was completed. The original phased implementation plan envisaged only three branches to switch to the service model in 2020, however later the new plan included seven branches for the same period. The Company gets rid of a large number of "miscellaneous" printing devices and hires a third-party organisation that lends high-performance printing machines while maintaining and monitoring them themselves. The implementation of this approach has resulted in savings of KZT 80.57 million for 2020 and total benefits of KZT 183.94 million for 2018-2020.

# 80.57

KZT MILLION OF  
SAVINGS IN IT COSTS

Also, as part of the Business Transformation Programme Roadmap, KEGOC proceeded with the following projects: "Building effective human resources capacity", "Development of data architecture", "Research work on the use of data analysis in operation processes", "Automation of HSE processes", "Improvement of project and portfolio management".

In order to promptly switch the employees to remote work due to the COVID-19 pandemic in early 2020 the Company implemented Mobile Iron (MI) software system that enables secure and controlled remote access to the Company's infrastructure. In addition to the new system, the Company deployed additional remote access via Cisco VPN. In cooperation with Microsoft the Company deployed the Teams enterprise communications platform, which has enabled communication and presence during remote work.

## Tariff Policy

**The operations of KEGOC are regulated by the law of Kazakhstan “On Natural Monopolies”, which describes the services provided by KEGOC as the natural monopoly services, including:**

- electricity transmission in the NPG;
- technical dispatching of the electricity supply and consumption in the grid;
- electricity generation and consumption balancing.

Once established, KEGOC has been consistently improving the tariff policy of regulated services and playing an active role in activities of relevant organisations to improve the tariff policy.

In accordance with the legislation of Kazakhstan, to approve (revise) its regulated natural monopoly service tariffs, KEGOC shall submit applications to the Committee for the Regulation of Natural Monopolies.

The Company's tariffs are set on a costs-plus basis, whereby the Company, in order to set a tariff for a certain period of time, considers the corresponding estimates of operating and financial costs and a fair rate of return on capital.

In 2013, KEGOC switched to the regulated cap tariffs mechanism. The principles of the cap tariff estimation are similar to the estimation of the annual tariffs except that the cap tariffs shall be approved for a period of several consecutive years. The cap tariffs enable the Company to plan its capacity for long periods, and shareholders have the opportunity to get more information about the Company.

In accordance with the existing procedures KEGOC applied to the Committee on Regulation of Natural Monopolies (CRNM) for approval of the long-term cap tariffs and

tariff estimates for regulated services. The Committee approved the cap tariffs and tariff estimates for KEGOC's regulated services for a five-year period from 01 January 2016 to 31 December 2020.

KZT/kWh	2016	2017	2018*	2019**	2020
<b>Electricity transmission</b>	2.080	2.246	2.496	2.496	<b>2.797</b>
<b>Technical dispatching of the electricity supply and consumption in the grid</b>	0.231	0.234	0.237	0.237	<b>0.306</b>
<b>Electricity generation and consumption balancing</b>	0.084	0.086	0.088	0.088	<b>0.098</b>

\* Effective from 1 August to 31 December 2018, KEGOC upon approval of the Committee, reduced the cap tariffs: by 5% from 0.2482 to 0.237 KZT / kWh for technical dispatching, and by 3.4% from 0.091 to 0.088 KZT / kWh for balancing of electricity generation and consumption.

\*\* Given the decision to reduce the cost of electricity the Ministry of Energy of Kazakhstan, as well as the growth trend of the regulated services rendered by the Company, KEGOC, upon approval of the Committee, decided to reduce its cap tariffs to 2018 level starting 1 January 2019.

In 2020 the cap tariffs for regulated services of KEGOC expired, and, in accordance with the requirements of the natural monopoly legislative acts, in July 2020 the Company submitted to the CRNM an application for approval of the cap tariffs and tariff estimates for the next five-year period (2021-2025). The consideration is in progress.

reporting hearings are to ensure publicity and transparency of the Company's activities and preserve the balance of consumer interests.

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The Company annually arranges the reporting events to present the company performance in delivering services (goods, works). The events are intended to protect consumers' rights, ensure transparency of activities for consumers, and other stakeholders. The main principles of conducting the annual

## Procurement Practices

In 2020, the procurement activities in KEGOC were carried out in accordance with the Procurement Management Standard of Samruk-Kazyna JSC and organizations, fifty and more percent of voting shares (participatory interest) of which are directly or indirectly owned by Samruk-Kazyna on the right of ownership or trust management, and the Procedure for Procurement by Samruk-Kazyna and organizations, fifty and more percent of voting shares (participatory interest) of which are directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management.

### A supplier is selected as follows:

1. through tender:
  - open;
  - closed;
  - two-stage (open, closed);
  - through competitive negotiations;
2. request for quotation;
3. via the e-shop;
4. from a single source;
5. through commodity exchanges;
6. in centralised electricity trading;
7. as a part of intra-holding cooperation.

In 2020, the pre-qualification model for potential suppliers, i.e., the process of assessing potential suppliers against qualification criteria, continued to operate, enhancing the quality of procurement, determining the level of criticality of goods, works and services as determined by their value and purpose in the customers' activities.

### The main principles of preliminary qualification of potential suppliers are:

- provide equal opportunities for potential suppliers to participate in the preliminary qualification procedure;
- enhance procurement efficiency;
- encourage the potential suppliers to develop and improve quality, technical and operational characteristics, and reduce costs;
- enhance responsibility of the supplier for the submitted documents and information during the preliminary qualification.

### During the preliminary qualification the company assesses the level of compliance of the potential supplier with the following qualification criteria, including social ones:

1. legal component and organization of contractual work of a potential supplier;
2. resources of the potential supplier;
3. ensuring the quality of goods, works, services;
4. environmental protection, occupational health and safety.

Potential suppliers were not entitled to participate in procurements carried out by the Company if:

1. a potential supplier or its subcontractor (co-contractor) or a legal entity in the consortium is on the List of Unreliable Potential Suppliers (Vendors) of the Holding, and (or) on the List of Unscrupulous Participants of Public procurement and (or) on the List of False



- Enterprises, and(or) in the Register of Unfair Procurement Participants that is maintained in accordance with legislation of the Republic of Kazakhstan on state property, and (or) in the List of Bankrupts recognised as such by the court law;

2. the potential supplier and (or) subcontractor (co-contractor) engaged by it, and (or) their manager, and (or) founders (shareholders) are included in the list of organisations and persons associated with the financing of terrorism and extremism, in the manner prescribed by the legislation of the Republic of Kazakhstan;

3. the potential supplier is a legal entity whose place of incorporation is a state or territory included in the list of tax havens (offshore zones) approved by the competent authority responsible for ensuring tax revenues and payments to the budget.
- In procurement process KEGOC has taken the measures stipulated in the Standard to support the producers of the goods to be procured.

In 2020, the local content was 52% in the procurement of goods and 72% in the procurement of works and services.
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KEGOC procurement in 2020, including subsidiaries

Type of procurement	Amount, KZT million (excluding VAT)
Goods	60,699.66
Works	26,776.97
Services	11,088.97
Total	98,566.60

## Analysis of Financial and Economic Indicators

### PLAN/ACTUAL ANALYSIS

KZT million	2020 / plan	2020 / actual	Deviation	Main reasons for deviations
<b>Consolidated income</b>	<b>348,730.6</b>	<b>375,574.5</b>	<b>+7.7%</b>	
operating income	341,566.3	350,659.5	+2.7%	The increase is mainly due to an increase in: income from electricity transmission, due to the compensating tariff effectiveness dates changed by the authorised body; income from sale of purchased electricity produced by renewable energy sources due to an increase in its actual amount; income from provision of services for electricity capacity availability to bear the load due to an increase in its actual amount.
<b>Consolidated expenditures</b>	<b>313,751.1</b>	<b>309,826.2</b>	<b>-1.3%</b>	
cost of sales	280,571.1	267,056.9	-4.8%	The decrease was mainly: in expenses for compensation of technical electricity losses due to a decrease in their amount and price of electricity purchase; expenses for the purchase of electricity from the energy system of the Russian Federation to compensate the imbalances; expenses for the purchase of services of maintaining availability of electric capacity (expenses of FSC RES LLP); as a result of the absence of unscheduled flows of electricity to Central Asia; expenses for the purchase of electricity to compensate for non-contractual consumption; expenses of capacity regulation provided by third parties due to the lack of contracts for capacity regulation; and other current costs.
general and administrative expenses	10,180.6	8,309.7	-8.6%	The decrease was mainly in information systems support costs, consulting and professional services and other administrative costs.
sales expense	381.9	364.1	-4.7%	The decrease is mainly the result of cost optimisation.
<b>Operating profit</b>	<b>50,432.6</b>	<b>74,909.6</b>	<b>+48.3</b>	

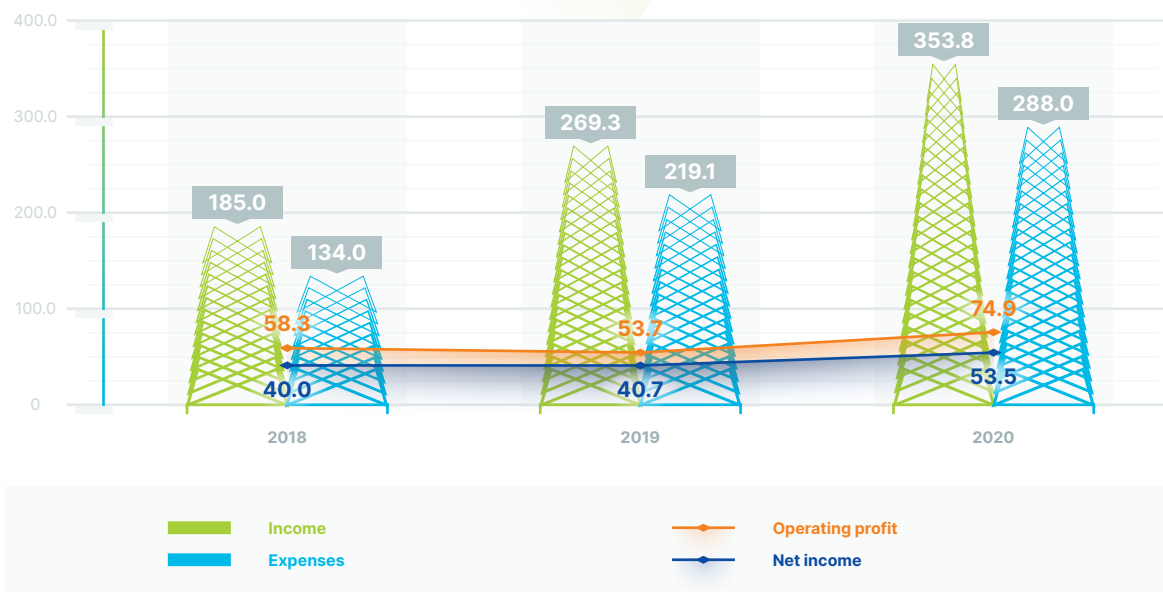
## ACTUAL INCOME AND EXPENDITURE FOR 2020 VS ACTUAL FOR 2019

KZT million	2020 / plan	2020 / actual	Deviation	Main reasons
<b>Consolidated income</b>	<b>275,338.4</b>	<b>375,574.5</b>	<b>+36.4%</b>	
Operating income	263,162.1	350,659.5	+33.2	Revenue increased mainly due to growth in revenue from sales of purchased electricity generated by renewable energy sources, revenue from regulated services, and revenue from services associated with maintaining readiness of the electric capacity to bear the load (income of FSC RES LLP). At the same time, revenues from the sale of electricity to compensate for the unscheduled hourly deviations of the actual inter-state power balance have decreased.
<b>Consolidated expenditures</b>	<b>225,067.5</b>	<b>309,826.2</b>	<b>+37.7</b>	
cost of sales	200,256.7	267,056.9	+33.4	The increase is due to an increase in costs for the purchase of electricity produced by renewable energy sources, for the purchase of services of maintaining availability of electric capacity (expenses of FSC RES LLP). At the same time, the costs of technical losses have decreased
general and administrative expenses	8,834.2	8,309.7	-5.9	Due to lower expenditure on taxes and other compulsory payments as well as other expenses. At the same time, wage costs have increased due to the indexation of salaries
sales expense	382.3	364.1	-4.8	Decrease mainly as a result of cost optimisation
<b>Operating profit</b>	<b>53,717.3</b>	<b>74,909.6</b>	<b>+39.5</b>	

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The above factors influenced the operating profit and financial result for 2020.

Financial and economic performance, KZT billion



## RATIO ANALYSIS

### Key Indicators

Indicator	2018 / actual	2019 / actual	2020 / actual
Strategic KPI, Level 1			
ROACE, %	7.16	7.47	9.48
EBITDA, KZT million	81,222	88,513	108,437
Loan agreement covenants			
Current liquidity ratio (not less than 1)	1.25	2.19	1.69
Covenants set by Samruk-Kazyna			
Debt/EBITDA (not more than 3.50)	2.00	1.70	1.49
Debt/Capital (not more than 1.00)	0.34	0.31	0.32

During 2020, the established financial stability indicators and covenants were not violated.

## DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED



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

Procedures for formation and approval of the Business Plan and Budgets (including the capital investment plan for implementation of investment projects for construction, rehabilitation and modernization of the

Company's facilities) are regulated by the Rules for development, coordination, approval, amendment, execution and monitoring of execution of the Business Plan (Development Plan) and Budgets of KEGOC. The Business Plan is developed on a consolidated basis, i.e., including the plans of the subsidiaries, for a 5-year period on a rolling basis. An annual budget shall be approved for the Business Plan implementation. The Business Plan shall be monitored by KEGOC's Board of Directors on a quarterly basis.

### Economic value distribution

KZT million	2018	2019	2020
<b>Total capitalization</b>	<b>634,752.89</b>	<b>632,163.54</b>	<b>663,590.50</b>
equity capital	472,693.80	481,838.02	502,556.47
borrowed funds	162,059.09	150,325.52	161,034.03
Funds from the government	0	0	0
<b>Economic value generated</b>	<b>185,017.94</b>	<b>269,329.57</b>	<b>359,075.67</b>
operating income	175,797.39	263,162.07	350,659.55
financial revenue	4,951.34	4,171.53	7,146.01
other income	4,269.22	1,995.96	1,270.11
<b>Distributed economic value:</b>	<b>176,346.50</b>	<b>260,222.43</b>	<b>338,357.22</b>
payroll expenses	21,048.03	22,699.12	23,977.19
expenditure on taxes and levies to the state budget	18,553.89	19,110.84	21,591.03
payments to providers of capital	35,233.94	40,842.53	43,952.81
charitable and sponsorship assistance	0	0	0
other operating expenses	92,442.60	177,185.20	242,445.47
other non-operating costs	9,068.04	384.74	6,390.73
<b>Economic value for distribution</b>	<b>8,671.44</b>	<b>9,107.14</b>	<b>20,718.45</b>



The stable financial performance of the Company shall enable it to fulfil its obligations to the main stakeholders with regard to the following in a timely manner:

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

## BALANCE ANALYSIS



Indicator, KZT million	2018	2019	2020	2020/2019, %
Non-current assets	698,081.7	659,175.9	695,192.5	5.5
Current assets	57,769.0	97,111.0	116,820.1	20.3
<b>Total assets</b>	<b>755,850.7</b>	<b>756,987.7</b>	<b>812,012.6</b>	<b>7.3</b>
Equity	472,693.8	481,838.0	502,556.5	4.3
Non-current liabilities	236,958.6	230,808.2	239,766.9	3.9
Current liabilities	46,198.3	44,341.5	69,689.2	57.2
<b>Total equity and liabilities</b>	<b>755,850.7</b>	<b>756,987.7</b>	<b>812,012.6</b>	<b>7.3</b>

Assets of the Company as on 31 December 2020 amounted to KZT 812.01 billion and grew by 7.3% as compared to 2019. Non-current assets account for 86% of the balance sheet structure, most of which are represented by property, plant and equipment. At the end of the year, long-term assets increased by 5.5% (or by KZT 36.0 billion) and amounted to KZT 695.2 billion. The increase in long-term assets is mainly due to the acquisition of long-term financial instruments.

The short-term assets account for 14% of the balance sheet. In 2020, they increased by 20.3%, (or KZT 19.0 billion) to KZT 116.8 billion at the end of the year. The increase is due to an increase in trade receivables and short-term financial instruments.

The capital at the end of 2020 was KZT 502.6 billion, an increase of 4.3%, or KZT 20.7 billion as compared to 2019. The growth is associated with an increase in retained profit. The capital share in the balance sheet structure was 62%.

Liabilities stood at KZT 309.46 billion for the year and increased by 12.5%, or KZT 34.3 billion as compared to 2019. 77% of liabilities are long-term, and 23% are the short-term ones. The long-term liabilities include 21% of loans, 39% of bonds and 37% of deferred tax liabilities. Short-term liabilities represent 59% of trade and other payables.



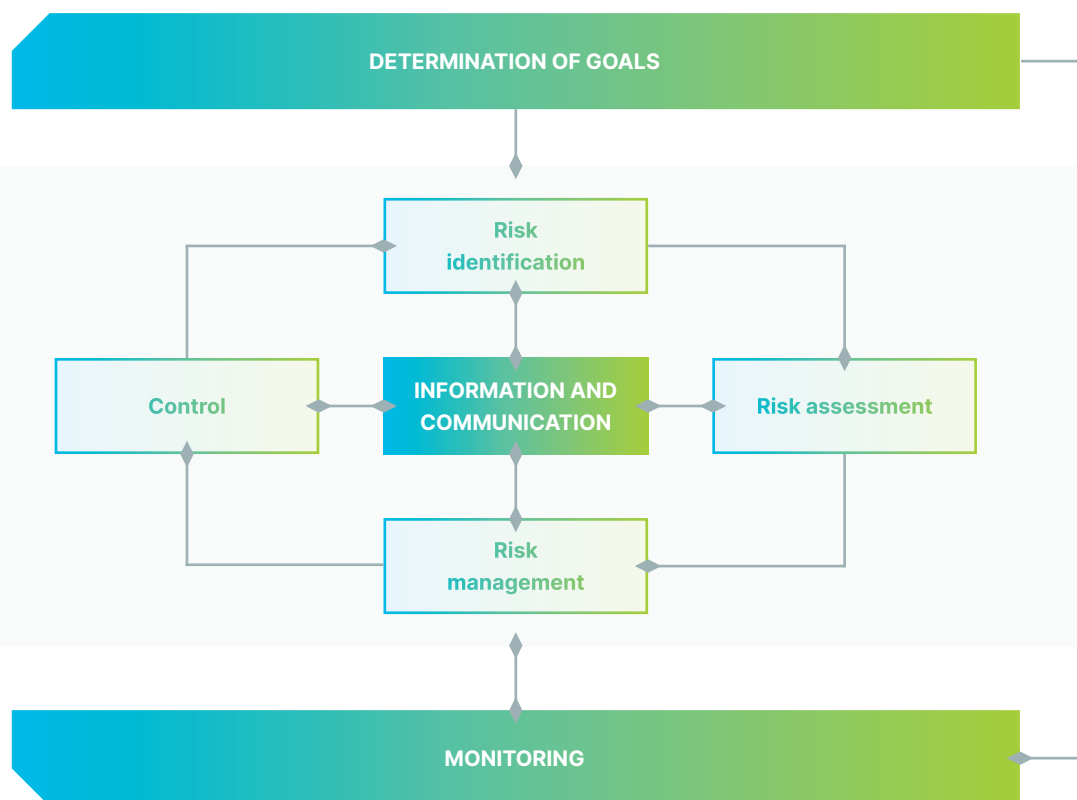
## Risk Management and Internal Control

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In 2007 KEGOC successfully implemented and since then has been operating the risk management system compliant with generally accepted conceptual models of risk management developed by the Committee of Sponsoring Organizations of the Treadway Commission—COSO ERM Enterprise Risk Management—Integrated Framework and requirements of Samruk-Kazyna.

The corporate risk management system is a key component of the corporate governance system aimed at timely identification of risks, their assessment and development of risk management measures to address the adverse impact they may have on the achievement of KEGOC's strategic and operational objectives.

### Risk management process



The objective of the current corporate risk management system (CRMS) is to ensure continuity and stability of operations by mitigating the exposure to internal and external adverse impact on KEGOC's activity.

The main principles of the risk management system are:

- engagement of KEGOC's executives in risk management;
- continuous enhancement of the risk management system;
- continuous learning and knowledge sharing by the Company employees in risk management sphere;
- transparency and integrity in submitting reports and risk escalation.

The risk management involves the Board of Directors, the Management Board, the internal audit services, structural units that own the risks and the structural unit responsible for the risk management.

The Board of Directors is responsible for the effective functioning and development of the RMS, sets the tone for risk management, and is also responsible for implementing mechanisms to ensure that the tone is reflected throughout the Company and the subsidiaries.

The Risk Committee also operates to make decisions on KEGOC's risk management and to make recommendations to KEGOC's Management Board on the Company's risk management. In 2020 the Committee held nine meetings.

KEGOC conducts its business operations taking into account a wide range of business-related risks categorised as: strategic risks, financial risks, operational risks, legal and compliance risks. Following the risks identification and assessment, 51 risks were included into the Company's Risk Register for 2021. Risk management measures were developed, and risk owners were identified for each risk. The dynamics of key risks and implementation of measures for their mitigation is monitored on a regular basis by quarterly reporting risks to the Management Board and the Board of Directors of the Company.

The most important and relevant risks of KEGOC for the reporting year:

Key risk	Risk management
<b>The risk of work-related accidents</b>	<p>The Company's operations expose its staff to the risk of accidents at work as a result of violations of safety and traffic regulations. In order to prevent this risk KEGOC provides training for the executive employees and persons responsible for ensuring safety and labour health; provides safe driving training in extreme conditions for vehicle drivers; develops and distributes safety training videos and slide presentations to the MES branches in order to educate staff on safe working methods; practices video recording of the operational switching and repair work in order to identify violation of safety and health regulations and develop measures to prevent them in future; engages the specialized certification organization to conduct inspections of technical condition, organisation of electric network operations, health and fire safety procedures to identify any violations, certify safe operation conditions at operating facilities in the branches; conducts studies and analysis of best practices of foreign and domestic companies in the field of industrial safety and health.</p>
<b>Currency risk</b>	<p>Fluctuations in the exchange rate of USD and other currencies to KZT may adversely affect the Company's business, financial condition, and results of operations. The Company's revenues are in KZT and a major part of its loan proceeds and interest expenses are in USD and EUR. That is why the growth of the market exchange rates of USD and(or) EUR to KZT can decrease the Company's revenue as compared to its expenses and affect its performance. In order to manage the currency risk KEGOC holds its funds on deposits in foreign currency.</p>
<b>Bank-counterparty credit risk</b>	<p>This risk can occur due to defaults of counterparty banks, lack of or poor credit risk assessment of the counterparty bank. To manage this risk, KEGOC monitors the financial condition of counterparty banks on a monthly basis (credit ratings, financial ratios, sharply negative information) and reallocates funds to the most reliable counterparty banks or other financial instruments.</p>
<b>Risk of exposure to the COVID-19 pandemic</b>	<p>The Company employees are at risk of contracting a coronavirus infection. In order to mitigate this risk, KEGOC has established a coronavirus infection prevention and monitoring committee, 80% of the staff has been switched to remote work, KEGOC employees are provided with sanitizers and medical masks, daily body temperature measurements of employees are conducted, working meetings/training are conducted online, daily monitoring of compliance with sanitary standards in catering facilities is conducted, an action plan for the prevention of coronavirus infection has been developed.</p>

Key risk	Risk management
<b>Non-payment by counterparties of FSC RES LLP</b>	<p>This risk may occur due to untimely payment by convention-based consumers for RES electricity sold.</p> <p>In order to manage this risk, written reminders are sent on a regular basis, claims are pursued for late payments under contracts, and negotiations are underway for possible setoffs.</p>
<b>Risk of non-payment by consumers for rendered services associated with maintaining readiness of the electric capacity to bear the load to the Single Purchaser on the capacity market</b>	<p>This risk may occur due to untimely payment by convention-based consumers for services associated with maintaining readiness of the electric capacity to bear the load.</p> <p>In order to manage this risk, written reminders are sent on a regular basis, claims are pursued for late payments under contracts, and negotiations are underway for possible setoffs.</p>
<b>Threat of an information security management system breach</b>	<p>The following factors may lead to the realisation of this risk:</p> <ul style="list-style-type: none"> <li>• misidentification of information security requirements;</li> <li>• -non-compliance by employees with the information security requirements of the internal regulatory documents;</li> <li>• non-timely conclusion of contracts for the renewal or purchase of anti-virus software licences;</li> <li>• unauthorised access to server rooms;</li> <li>• unauthorised installation of malware;</li> <li>• untargeted cyber-attacks;</li> <li>• lack of information security knowledge among the Company's employees;</li> <li>• unprotected remote work via a VPN channel.</li> </ul> <p>In order to mitigate this risk, the Company takes the following measures:</p> <ul style="list-style-type: none"> <li>• timely conclusion of technical support contracts, renewal of IS system licences;</li> <li>• control of provision of accounts for remote VPN connections, and monitoring of IS information systems;</li> <li>• control of maintenance of the Company's cyber-attack protection systems;</li> <li>• control of compliance with KEGOC's internal regulatory documents;</li> <li>• conclusion of non-disclosure agreements with the Company's counterparties;</li> <li>• implementation of the Corrective and Preventive Action Plan based on the results of the ISMS certification audit;</li> <li>• provision of briefings to employees on KEGOC's information security;</li> <li>• blocking of malware through anti-virus software;</li> <li>• carrying out of activities to update the Company's security systems;</li> <li>• conducting of training and thematic sessions on IS;</li> <li>• administrative action against employees who repeatedly violate information security requirements.</li> </ul>

Key risk	Risk management
<b>Non-payment by counterparties for system services provided</b>	<p>This risk may occur due to untimely payment for system services by consumers.</p> <p>The following activities are carried out at KEGOC in order to manage the risk:</p> <ul style="list-style-type: none"> <li>- written reminders about the need to repay debts;</li> <li>- on-site meetings, video conferences with defaulters on debt repayment, negotiation of payment schedules and agreements on debt repayment;</li> <li>- notification of state and local executive bodies (Akimats, Committees, ES) about termination or temporal suspension of services rendering to the debtor and taking the appropriate measures;</li> <li>- application of technical restrictions in stages: rejection of consumers bids to form the daily schedule, cancellation of the allowed range of deviations from the declared daily schedule, partial or complete termination of system services (isolated operation).</li> </ul>
<b>Reduction by CRNM of approved cap tariffs, including the introduction of a compensating tariff</b>	<p>This risk may occur due to the non-compliance with the tariff estimates for regulated services or the investment programme that were used as a basis for approval of the tariffs or their caps.</p> <p>For risk management purposes, KEGOC monitors the compliance with tariff estimates and investment programme, analyses the progress of tariff estimates and investment programme (projects) that were used as a basis for approval of tariffs or their caps, prepares and submits to the CRNM proposals on adjustments to tariff estimates for regulated services and investment programme (if necessary) taking into account information from its structural business units.</p>
<b>Risk of decrease in the volume of rendered system services from those planned in the business plan</b>	<p>This risk may occur due to a general decline in electricity production and consumption in the Republic of Kazakhstan, a decrease in electricity consumption, an economic crisis, changes in the legal framework, or force majeure circumstances (natural disasters, etc.)</p> <p>For risk management purposes, KEGOC forecasts the volume of system services for the forthcoming periods, taking into account the current economic situation in the country, development of regional generation and plans of consumers of system services for increase/decrease, consumption growth/decrease in electricity generation-consumption based on the approved forecast balance of electricity and capacity.</p>

The company's internal audit service annually assesses the CRMS performance.

The Internal Control System (ICS) of KEGOC allows the Company to build the management system capable to promptly response to risks, control the main and supporting business processes and daily operations, as well as immediately inform the executives of the appropriate level of any material deficiencies and areas to improve.

In accordance with KEGOC's Internal Control Management Regulations, the competence of the bodies within the ICS is delineated according to their role in the processes of development, approval, application and evaluation of the effectiveness of the ICS.

The Board of Directors and Management Board of the Company, in carrying out their functions, rely on the Three Lines of Defence model set out in Samruk-Kazyna's Risk Management and Internal Control Policy in accordance with the Company's Assurance Map. The members of the ICS are the Board of Directors, the Management Board, the Audit Committee, the Internal Audit Service, the structural business units (business process owners), the executors of control procedures, and the structural business unit responsible for risk management.

# Corporate Governance



## Corporate Governance Principles

### **The principles of KEGOC's corporate governance include:**

- effective corporate governance system based on a clear division of responsibilities between the bodies;
- protection and enforcement of shareholder rights;
- equal conditions for shareholders;
- sustainable development and role of stakeholders in corporate governance;
- disclosure of information and transparency;
- efficient performance of the Board of Directors and Management Board of KEGOC.

In 2017-2018, Samruk-Kazyna together with an independent consultant carried out an independent diagnostic of corporate governance of KEGOC, based on the results

of which the Board of Directors approved the Action Plan to enhance corporate governance of KEGOC for 2018-2020. This Plan, including for the year 2020, has been successfully implemented. In particular, in accordance with the Board and Executive Body Effectiveness section, the Company introduced the practice of reviewing CEO and CFO reports at Board of Directors meetings in 2019-2020, held meetings with the Company's talents, and arranged for regular reports to the Board by the committee chairs, including on sustainability issues. The Company holds regular strategy sessions and monitors the investment projects progress. The Board of Directors approved comprehensive Rules of submitting materials and reports to the Board of Directors and committees.





KEGOC UPGRADED ITS ANALOGUE OPERATION  
COMMUNICATIONS TO DIGITAL ONES AS A PART  
OF UMBRELLA KAZAKHSTAN ELECTRICITY  
TRANSMISSION REHABILITATION PROJECT, PHASE 1

2006

In accordance with the Risk Management, Internal Control and Audit section, the Company enhanced processes related to: the professional development plans of the Company's risk management staff; monitoring counterparty bank limits; and defining key risk indicators. The Company has finalised internal regulations on internal controls and the development of a process for assessing employees' knowledge of risk management and internal controls. In terms of internal audit, the processes for carrying out audits, writing audit reports and recommendations, and monitoring recommendations have been improved.

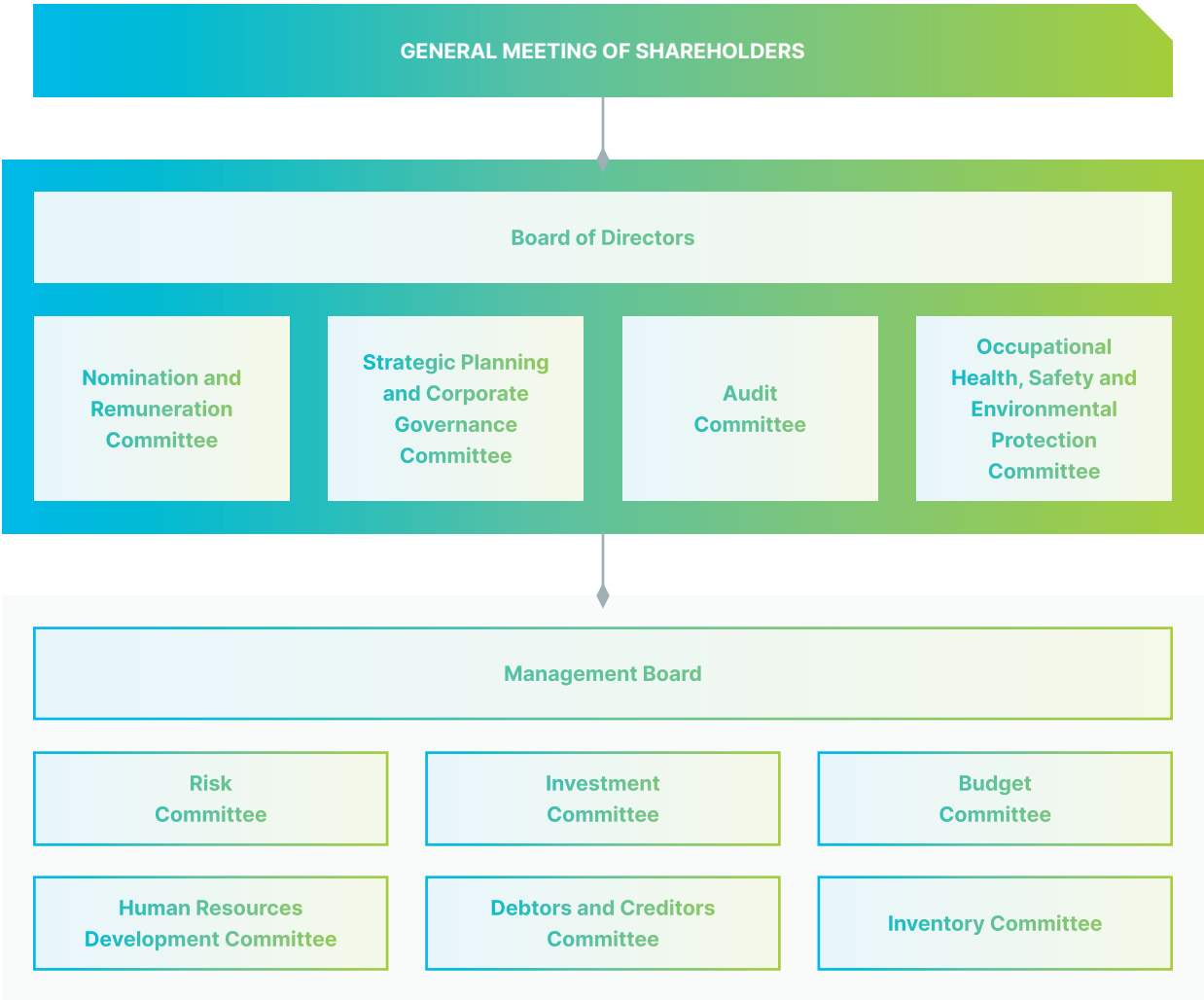
The Company has made significant progress in implementing the principles of Sustainable Development: the Company's performance shows tangible achievable results in the area of overall sustainable development and the areas of economic, environmental and social performance of the Company.

In accordance with the Shareholder Rights section, the Company has introduced the practice of paying dividends earlier than the statutory deadlines, thereby achieving a high rating for the component in this section.

The Company aimed to achieve the strategic goal of "BBB" corporate governance rating in 2020, however, the corporate governance diagnostic of the Fund has been postponed until 2021 and the Company will develop an Action Plan to enhance KEGOC's corporate governance for 2021, taking into account the practical implementation of the consultant's recommendations and the results of the self-assessment by the Board of Directors.

Detailed reports on the implementation of the Action Plan have been submitted to KEGOC's Board of Directors on a quarterly basis.

# Company Management Structure



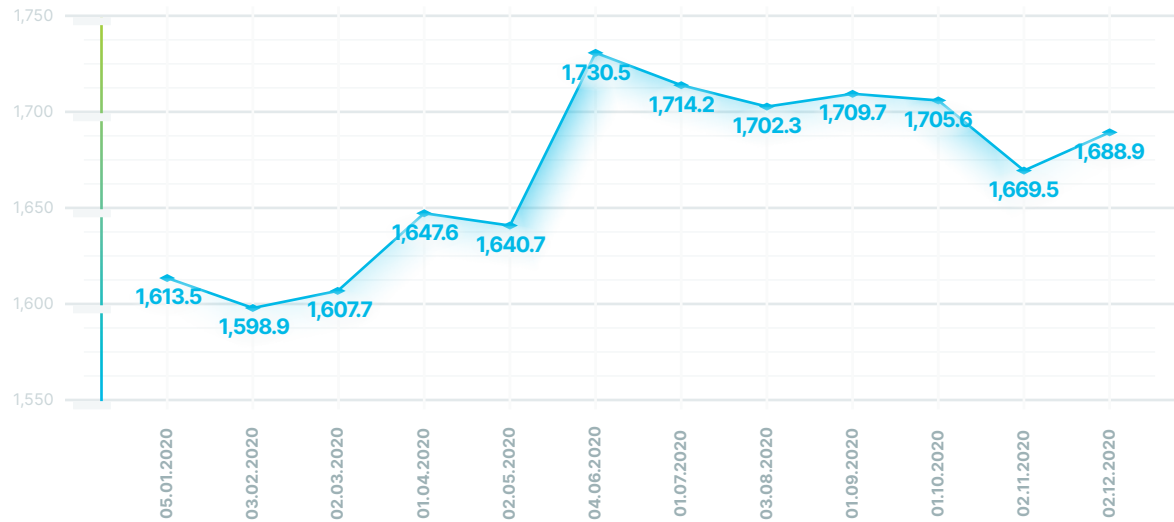
## Equity

As on 31 December 2020, the number of authorised and placed ordinary shares of the Company was 260,000,000, of which 234,000,001 shares (90% plus one share) belong to Samruk-Kazyna, the major shareholder, and 25,998,609 shares (9.9995%) belong to minority shareholders, the remaining 1,390 shares (0.0006%) were repurchased by KEGOC.

In 2020 there was no material transaction or changes to shares and shareholders that own five or more per cent of the number of the placed shares of the Company.

102-10

Market valuation of KEGOC shares in 2020, KZT

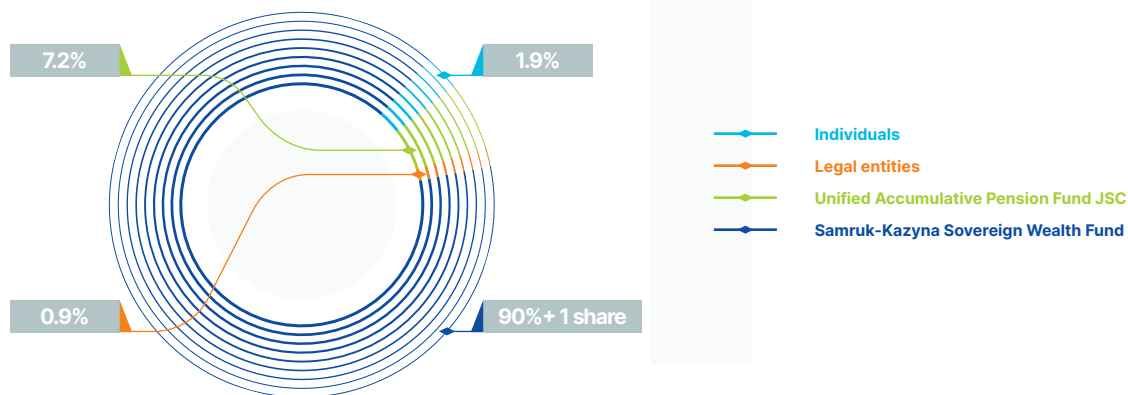


Data source – Kazakhstan Stock Exchange (<https://kase.kz>).

## GENERAL MEETING OF SHAREHOLDERS

////////////////////

KEGOC shareholder structure as  
on 31 December 2020



### The General Meeting of Shareholders is the superior body of KEGOC.

The General Meeting of Shareholders shall operate and exercise its rights in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies", KEGOC's Charter and Regulations on the General Meeting of Shareholders.

In 2020, KEGOC's Board of Directors called General Meetings of Shareholders of KEGOC five times:

#### 1. An Extraordinary General Meeting of Shareholders held on 21 February 2020, which made the following decision:

Approve new version of the Regulations on the Board of Directors of KEGOC;

Appoint (elect) the Chairman of the Management Board of KEGOC and determine the terms of powers of the Chairman of the Management Board of KEGOC.

#### 2. An Extraordinary General Meeting of Shareholders held on 27 April 2020, which made the following decisions:

Elect a member of KEGOC's Board of Directors, determine the term of office, the salary and terms of remuneration and compensation of expenses for the member of KEGOC's Board of Directors.



**3. An Annual General Meeting of Shareholders held on 29 May 2020, which made the following decisions:**

Approve the annual financial statements, distribution of the net income, decision to pay dividends on ordinary shares and approve the amount of the dividend per one ordinary share of KEGOC for 2019.

Select an audit organization for the audit of KEGOC.

Review claims from the shareholders in relation to activities of KEGOC and its officers and results of consideration of such claims (if any).

**4. An Extraordinary General Meeting of Shareholders held on 26 June 2020, which made the following decisions:**

Review some matters of the Board of Directors of KEGOC.

**5. An Extraordinary General Meeting of Shareholders held on 23 October 2020, which made the following decisions:**

Approve the financial statements of KEGOC as of and for the six months ended June 30, 2020, the procedure for distributing the net income, decision to pay dividends on ordinary shares and approve the amount of dividend per one ordinary share of KEGOC for H1 2020;

Approve amendments to KEGOC's Charter;

All decisions of the General Meeting of Shareholders have been communicated to KEGOC's Board of Directors, Management Board, and the instructions have been executed in full and in due time.

## Dividend Policy

The dividend policy of KEGOC observes the interests of shareholders in respect to the amount of dividend payments, contributes to the Company's investment attractiveness and its capitalization; respects and strictly observes the rights of shareholders stipulated by the Laws of the Republic of Kazakhstan. The dividends shall be paid on the following conditions: the availability at the Company of net profit for a reporting period or

retained profits; the absence of restrictions on payment of dividends envisaged by the laws of the Republic of Kazakhstan, and the approval of the General Meeting of Shareholders.

The source of dividends is the net income for the appropriate financial year or half-year, or retained profits accrued on the basis of the consolidated financial statements of KEGOC

prepared in accordance with the IFRS. A proposal on allocation of the net income for the fiscal year or half-year is prepared by the Company's Board of Directors. The amount allocated for payment of dividends shall be at least 40% of the net income. The decision to pay dividends on KEGOC's ordinary shares based on the results of the year is made by the annual General Meeting of Shareholders after the Company's annual financial statements have been approved. The decision to pay the half-year dividends on ordinary shares shall be made by the extraordinary general meeting within three (3) months after the Company's annual financial statements

have been audited for the corresponding period.

The General Meeting of Shareholders, having reviewed proposals of the Board of Directors, at its discretion, makes a decision to pay dividends on KEGOC's ordinary shares, approves the amount of dividend per KEGOC's ordinary share, and defines a date of dividend payment.

### Dividend History

Period for which the dividends are paid	2017		2018		2019		2020
	first half of the year	a year	first half of the year	a year	first half of the year	a year	first half of the year
Amount of dividend per ordinary share, KZT	48.4	88.53	80.53	54.53	67.17	48.86	77.09
Total amount of accrued dividends, KZT thousand	23,017,677		35,115,412		30,167,638		20,043,292
Share of net profit as per IFRS allocated for payment of dividends, %	70%	70%	80%	87.6%	77.3%	74.03%	70%
Name of the issuer governing body that took decision to pay dividends	General Meeting of Shareholders						
Date of the meeting of the issuer governing body, where the decision was taken relating to payment of dividends, date and number of minutes	26 October 2017, No. 7	27 April 2018, No. 8	30 November 2018, No. 11	3 May 2019, No. 13	25 October 2019, No. 14	29 May 2020, No. 17	23 October 2020, No. 19
Date of preparing the list of persons having the right to dividends	6 November 2017	14 May 2018	11 December 2018	14 May 2019	4 November 2019	8 June 2020	29 October 2020





## Minority Shareholders' Rights

The corporate governance in the Company is built in such a way as to ensure equal rights and fair treatment of all shareholders. The rights, duties and competences of shareholders are defined in accordance with applicable law and are set out in the Company's Charter. The rights of shareholders include, but are not limited to timely receipt of information sufficient for making decisions in accordance with the procedure established by the laws of the Republic of Kazakhstan, the Company's Charter and internal documents

on information disclosure; participation at the General Meeting of Shareholders and voting on issues within his/her competence; participation in determining the number of members, term of office, election and termination of the Board of Directors, as well as determining the amount and terms of remuneration; receipt of dividends in the amounts and within the time limits determined by the General Meeting of Shareholders based on a clear and transparent dividend policy.

## Board of Directors

The Board of Directors is accountable to the General Meeting of Shareholders and is responsible for general management of the Company and supervision of the operations of the Management Board, except for the issues referred to the competence of the General Meeting of Shareholders and (or) the Management Board of the Company according to the laws of Kazakhstan and (or) the Charter of the Company.

A member of the Board of Directors can only be an individual person.

The Board of Directors should include 7-11 members.

The recommended number of independent directors on the Board of Directors of the Company shall be at least 30 (thirty) percent but not greater than 50 (fifty) percent of the total number of members of the Board of Directors.

The members of the Board of Directors shall be elected by the General Meeting of Shareholders based on clear and transparent procedures with due consideration of the competencies, skills, achievements, business reputation and professional background of the candidates. Contribution of directors to the efficient operation of the organization's Board of Directors shall be taken into account, if they or the entire membership of the Board of Directors are re-elected for another term.

The Board of Directors have independent directors as its members, who have sufficient professional skills and are independent so that he/she could make independent

and objective decisions not influenced by individual shareholders, Management Board or other interested parties.

The members of the Board of Directors shall be elected for a term not exceeding three (3) years.

An independent director cannot be re-elected to the Board of Directors for more than nine (9) years successively. In exceptional cases election can be made for more than nine (9) years, but such independent director must be re-elected to the Board of Directors annually with detailed clarification about why it is necessary to re-elect this member of the Board of Directors and how it will impact the independence of decision making.

The Board of Directors is entitled to make decisions on the issues falling under the exclusive competence of the Board of Directors in accordance with the laws of the Republic of Kazakhstan and the Charter.

Rights and obligations of members of the Board of Directors are defined by the Charter of the Company.

The General Meeting of Shareholders (Minutes No. 8 dated 27 April 2018) elected the Board of Directors for three years, in accordance with the Rules for Selection and Election of Members of the Board of Directors of KEGOC, approved by the decision of the General Meeting of Shareholders dated 12 May 2017 (Minutes No. 6), based on the candidates' compliance with the selection criteria, qualification requirements and benchmarking.

## MEMBERS OF THE BOARD OF DIRECTORS



### Members of the Board of Directors as on the 1 January 2020

- **Almassadam Satkaliyev**, the Chairman of the Board of Directors, representative of Samruk-Kazyna JSC.
- **Suinshlik Tiyyessov**, member of the Board of Directors, representative of Samruk-Kazyna.
- **Zhanna Yegimbayeva**, member of the Board of Directors, representative of Samruk-Kazyna.
- **Dominique Fache**, member of the Board of Directors, independent director.
- **Janusz Bialek**, member of the Board of Directors, independent director.
- **Yermek Kudabayev**, member of the Board of Directors, independent director.
- **Bakytzhan Kazhiyev**, member of the Board of Directors, Chairman of the Management Board of KEGOC.

### In 2020, the membership of the Board of Directors was amended.

On 27 January 2020, Yermek Kudabayev, a member of the Board of Directors, independent director early terminated his powers on the basis of his application.

On 27 April 2020, the General Meeting of Shareholders of KEGOC elected Zhanbota Bekenov from the pool of candidates of the Board of Directors to the Board of Directors as an independent director.

On 26 June 2020, the General Meeting of Shareholders of KEGOC early terminated the powers of Janusz Bialek, a member of the Board of Directors, independent director, and elected Nurlan Akhanzaripov an independent director, as proposed by Samruk-Kazyna, the major shareholder.

## INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS



(Membership of the Board of Directors as on 31 December 2020)



**ALMASSADAM  
SATKALIYEV**

**Chairman of the Board of  
Directors of KEGOC**



Born in 1970.  
Citizen of the Republic of Kazakhstan.

**Elected** by the extraordinary General Meeting of Shareholders of KEGOC on 2 November 2018 (Minutes No. 10).

Shares owned in KEGOC or its subsidiaries and affiliates: none.

### Education:

- **1987 – 1992** Mechanical Engineering, Mechanical Engineer, Applied

Mathematics, Al-Farabi Kazakh State University, Alma-Ata;

- **2011 – 2013** Master of Economics, Russian Presidential Academy of National Economy and Public Administration, Moscow;
- **2013 – 2015** Executive MBA, Master of Business Administration, Nazarbayev University, Graduate School of Business (programme in collaboration with Duke University's Fuqua School of Business), Astana;
- **2016** Stanford Executive Program (SEP); Stanford University, Graduate School of Business.

### Work experience for the last five years:

- **2018** – present Managing Director of Asset Management at Samruk-Kazyna JSC;
- **2018 (July) – 2018 (August)**, KAZENERGY Kazakhstan Association of Oil, Gas and Energy Sector Organisations;
- **2012 – 2018** Chairman of the Management Board of Samruk-Energy JSC.

### Participation in the management bodies of other entities:

Member of the Board of Directors of NC Kazakhstan Temir Zholy JSC, NC KazMunaiGas JSC, KazAtomProm JSC, Kazakhstan Electricity Association (KEA).

### Academic degree, academic status:

- Academician of the Kazakhstan Academy of Natural Sciences (2015)
- Doctor of Economics (2015)
- Foreign member of the Russian Academy of Natural Sciences (2010)
- Candidate of Economic Sciences (2002)



**BAKYTZHAN  
KAZHIYEV**

Chairman of KEGOC's Management Board,  
member of KEGOC's Board of Directors



Born in 1964.  
Citizen of the Republic of Kazakhstan.

**Elected** on 31 May 2011 (Minutes No. 24/11),  
8 May 2012 (Minutes No. 21/12) by the  
Management Board of Samruk-Kazyna JSC;  
30 April 2015 (Minutes No. 1) and 27 April  
2018 (Minutes No. 8) by the General Meeting  
Shareholders of KEGOC.

Shares owned in KEGOC or its subsidiaries  
and affiliates: none.

**Education:**

Alma-Ata Power Engineering Institute majoring  
in Power Systems and Networks, Electrical  
Engineer (1986); Karaganda State Technical  
University majoring in Economics, Bachelor of  
Economics (2007).

**Work experience for the last five years:**

- **from 2011 – present** Chairman of the  
Management Board of KEGOC;
- **2009 – 2011** Vice President of KEGOC;
- **2008 – 2009** Executive Director of  
KEGOC.

**Participation in the management bodies of  
other entities:**

Deputy Chairman of the Board of Directors of  
the Kazakhstan Electricity Association (KEA).

**Academic degree, academic status:**

DBA Business Administration (Almaty  
Management University).



### SUINSHLIK TIYESSOV

**Member of KEGOC's Board of Directors, representative of Samruk-Kazyna, member of the Strategic Planning and Corporate Governance Committee and the Occupational Health, Safety, and Environmental Protection Committee of KEGOC's Board of Directors**

Born in 1946.  
Citizen of the Republic of Kazakhstan.

**Elected** on 28 October 2016 (Minutes No. 5) and 27 April 2018 (Minutes No. 8) by the General Meeting of Shareholders of KEGOC.

Shares owned in KEGOC or its subsidiaries and affiliates: none.

#### **Education:**

Lenin Kazakh Polytechnic Institute, Almaty, majoring in Electrical Engineering (1968), Centre for Business and Management, Carol Martin Gatton College of Business and Economics, University of Kentucky, USA (1996).

#### **Work experience for the last five years:**

— **from 2004 to 2016**, Chairman of the Management Board of KOREM JSC.

Author of the monograph titled: Formation of the electricity market in Kazakhstan. Participated in the formation of the national grid; projects of unique transmission lines and 1,150-500 kV substations, and the largest electricity generators: Aksuiyskaya GRES and Ekibastuz GRES. Participant in the development and implementation of: external power supply design of Tengiz oil and gas field; implementation of Kazakhstan Electricity Transmission Rehabilitation Project; the electricity and capacity market project in Kazakhstan, the First Electricity Law in 1995; all regulatory and legal documents relating to operation of the electricity market in Kazakhstan.

#### **Academic degree, academic status:**

Candidate of Technical Sciences.





**ZHANNA  
YEGIMBAYEVA**

Member of KEGOC's Board of Directors, representative of Samruk-Kazyna, member of the Nomination and Remuneration Committee and the Occupational Health, Safety, and Environmental Protection Committee of KEGOC's Board of Directors

Born in 1953.  
Citizen of the Republic of Kazakhstan.

**Elected** on 28 October 2016 (Minutes No. 5) and 27 April 2018 (Minutes No. 8) by the General Meeting of Shareholders of KEGOC.

Shares owned in KEGOC or its subsidiaries and affiliates: none.

**Education:**

Kirov Kazakh State University, diploma: lawyer.

**Work experience for the last five years:**

- **2016 – 2019:** advisor in Baiterek National Holding JSC;
- **2016 – 2019:** independent director, member of the Board of Directors, KazAgro National Management Holding joint-stock company.
- **2011 – 2016,** Deputy Head of the Office of the Prime Minister of the Republic of Kazakhstan;
- **2017 – present,** member of the Board of Directors of NC Kazakhstan Engineering JSC;
- **2016 – present,** member of KEGOC's Board of Directors, representative of Samruk-Kazyna.

**Participation in the management bodies of other entities:**

Member of the Board of Directors of Kazakhstan Engineering NC JSC.





**DOMINIQUE  
FACHE**

independent director, chairman of the occupational health, safety and environmental protection committee, member of the audit committee and strategic planning and corporate governance committee of the Board of Directors of KEGOC

Born in 1949.  
Citizen of France.

**Elected** on 30 April 2015 (Minutes No. 1) and 27 April 2018 (Minutes No. 8) by the General Meeting of Shareholders of KEGOC.

Shares owned in KEGOC or its subsidiaries and affiliates: none.

**Education:**

Education: University of Sorbonne, France (1972), degree in Engineering, Lomonosov Moscow State University, Russia. The National Centre for Scientific Research CNRS, Paris, France, University of Sorbonne in collaboration with Ecole Supérieure Electricité.

**Work experience for the last five years and participation in the management bodies of other entities:**

- **Since 2016:** chairman of RTF Board of Directors;
- **Since 2013:** Member of the Board of Directors at Sophia Antipolis Science Park, France;
- **2008 – 2013,** Chairman of the Board of Directors, President of EnelOGK-5.

Founder of a series of science and innovation events, conferences and festivals for Sophia Antipolis science park, founder of Club de Nice, which organises European Energy Forum.



**ZHANBOTA  
BEKENOV**

**independent director, chairman of  
the Audit Committee, member of the  
Nomination and Remuneration Committee  
of KEGOC's Board of Directors**

Born in 1957.  
Citizen of the Republic of Kazakhstan.

**Elected** on 27 April 2020 (Minutes No. 16)  
by the extraordinary General Meeting of  
Shareholders of KEGOC.

Shares owned in KEGOC or its subsidiaries  
and affiliates: none.

**Education:**

Alma-Ata Institute of National Economy,  
Faculty of Finance and Credit (1982-1985),  
Kazakh State University named after Al-  
Farabi, Faculty of Mechanics and Applied  
Mathematics (1985).

**Work experience for the last five years:**

- **2018 to present:** member of the Board of Directors of Eurasian Bank JSC;
- **2016 – 2018:** co-managing partner of Grant Thornton LLP;
- **2002 – 2014:** senior advisor to the Audit Department of PricewaterhouseCoopers LLP;

**Participation in the management bodies of other entities:**

- Member of the Chamber of Auditors of the Republic of Kazakhstan (since 1994)
- Member of the Advisory Council under the Ministry of Finance of the Republic of Kazakhstan (since 1994).



**NURLAN  
AKHANZARIPOV**

Independent director, chairman of the Nomination and Remuneration Committee and the Strategic Planning and Corporate Governance Committee, member of the Audit Committee under KEGOC's Board of Directors

Born in 1965.  
Citizen of the Republic of Kazakhstan.

**Elected** on 26 June 2020 (Minutes No. 18) by the extraordinary General Meeting of Shareholders of KEGOC.

Shares owned in KEGOC or its subsidiaries and affiliates: none.

**Education:**

Semipalatinsk University named after Shakarim, accountant economist, accounting and audit (1991), MBA, Master of Business Administration, geophysicist (1995), Kazakh National Technical University named after K.I. Satpayev (2015).

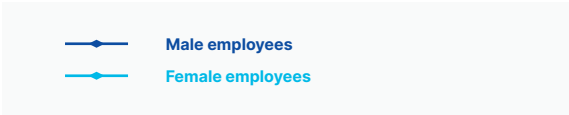
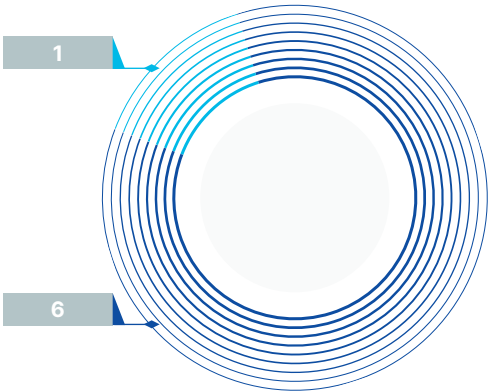
**Work experience for the last five years and participation in the management bodies of other entities:**

- **2019 – present** member of the Board of Directors of Centre for Engineering and Technology Transfer JSC, NMH Baiterek group;
- **2017 – present** member of Board of Directors, independent director of AstanaGas JSC;
- **2017 – present** member of the Board of Directors, independent director of iQS Engineering LLP;
- **2019 – 2020** member of the Board of Directors of Centre for Engineering and Technology Transfer JSC, NMH Baiterek group;
- **2017 – 2018** member of the Board of Directors of Kazakhstan Engineering NC JSC;
- **2010 – 2016** member of Board of Directors, Independent Director of AlfaBank – Kazakhstan JSC.

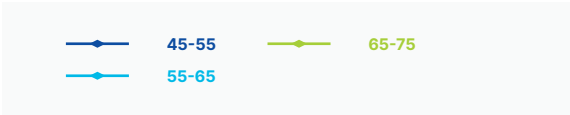
Member of the Governing Council of the Association of Taxpayers of Kazakhstan, KAZENERGY Expert Council of the Association.

Certified Independent Director (Cert IoD) Institute of Directors, UK.

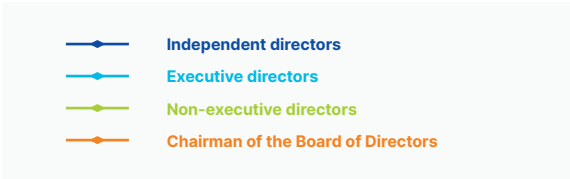
Gender structure of the Board of Directors, persons



Age structure of the Board of Directors, persons



Independence of the Board of Directors



## COMPETENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS

Members of the Board of Directors	Almassadam Satkaliyev	Bakytzhan Kazhiyev	Suinshlik Tiyyessov	Zhanna Yegimbayeva	Dominique Fache	Zhanbota Bekenov	Nurlan Akhanzaripov
Experience in the sector/total work experience, years	20/29	35/35	53/53	5/50	49/49	1/36	18/28
Core competencies							
Knowledge of the industry							
Work experience in the operational sector of the industry							
Deep knowledge of the industry							
Technical skills/experience							
Specific skills and experience							
Financial expertise							
Deep knowledge of finance							
Deep knowledge of marketing							
Deep knowledge of social and environmental issues							
Experience in management and jurisprudence							
Corporate Governance							
Transformation							
Experience in IPO							
Development and implementation of the strategy							
International experience							

The term of office of each member of the Board of Directors of KEGOC is the same as the term of office of the Board in general and expires in April 2021.

## Balance of qualifications of the board of director members, Persons

Work experience in the operational sector of the industry					5/7		
Deep knowledge of the industry							7/7
Technical skills/experience					5/7		
Financial expertise							7/7
Deep knowledge of finance				4/7			
Deep knowledge of marketing				4/7			
Deep knowledge of social and environmental issues							7/7
Corporate Governance							7/7
Transformation					5/7		
Experience in IPO				4/7			
Development and implementation of the strategy						6/7	
International experience				4/7			

## CRITERIA FOR SELECTION OF INDEPENDENT DIRECTORS



An independent director shall have sufficient professional skills and be independent so that he/she could make independent and objective decisions not influenced by individual shareholders, Management Board or other interested parties.

Independent directors comply with all legislative criteria of independence; their status, powers, rights and obligations are strictly regulated by the requirements of the Law of the Republic of Kazakhstan “On Joint Stock Companies”, the Charter of KEGOC, the Corporate Governance Code of KEGOC and the Rules for the selection and election of members of the Board of Directors of KEGOC.

According to the world practice of the corporate governance and the requirement of Article 54.5 of the Law of the Republic of Kazakhstan on “Joint-Stock Companies”, a number of the members of the Board of Directors shall be at least three. At least thirty per cent of the Board of Directors of a company shall be independent directors.

### **At KEGOC, a director shall be recognised as independent if he/she:**

- is not affiliated and has not been affiliated during the three years prior to his election to the Board of Directors (except in the case of his tenure as an independent director);
- is not affiliated to affiliated entities of KEGOC;
- is not subordinated to the officials of KEGOC or KEGOC affiliated entities and has not been subordinated to such

- persons during the three years preceding his/her election to the Board of Directors;
- does not participate in the audit of KEGOC as an auditor employed by an audit firm and has not participated in such audit during the three years preceding his election to the Board of Directors;
- is not a shareholder's representative at meetings of KEGOC's bodies and has not been one for three years prior to his/her election to the Board of Directors;
- is not a civil servant.

## CONFLICT OF INTEREST



In accordance with the KEGOC's Corporate Governance Code, the members of the Board of Directors in 2020 did not allow any conflict of interest; there were no situations in which the personal interest of the members of the Board of Directors could affect the proper performance of their duties; there were no occurrence of situations with conflicts of interest that affected or could potentially affect impartial decision-making; and the members of the Board of Directors did not participate in the discussion and adoption of such decisions.

## MEETINGS OF THE BOARD OF DIRECTORS OF KEGOC



During the reporting period, the Board of Directors held 12 meetings in praesentia and 1 in absentia.

Total number of reviewed agenda items: 122

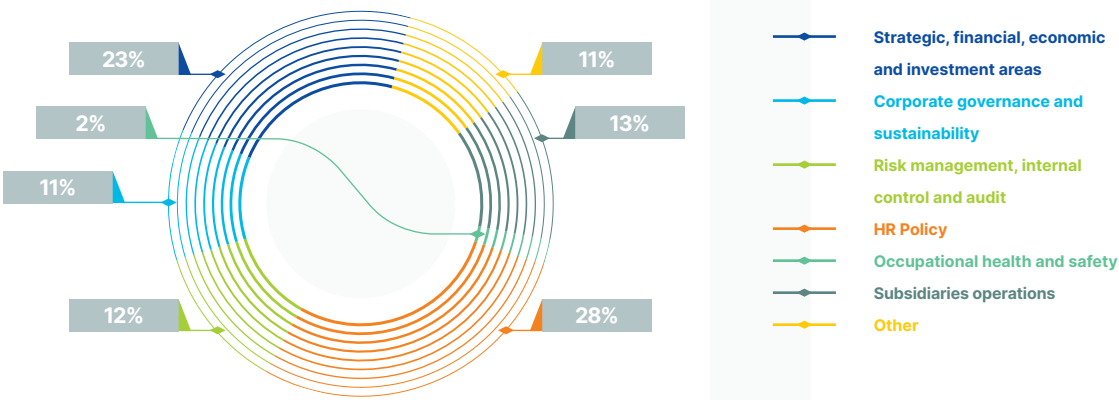


### Attendance of the members at the meetings of the Board of Directors in 2020:

Following the announcement by the World Health Organization of COVID-19 virus pandemic, all meetings of the Board of Directors and its committees in 2020 were held via videoconference (interactive audio-visual communication).

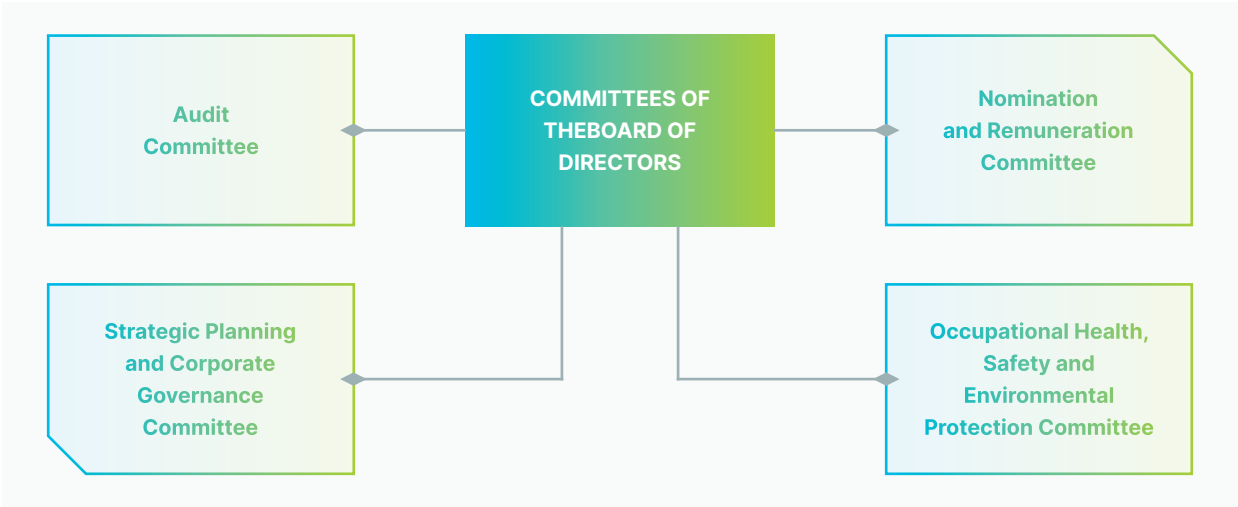
Members of the Board of Directors	17 January	14 February	19 March	24 April	19 May	19 June	17 July (absentia)	18 August	18 September	13 October	30 October	20 November	15 December	%
<b>Almassadam Satkaliyev</b> Chairman of the Board of Directors	+	+	+	+	+	+	+	+	+	+	+	+	+	100
<b>Bakytzhan Kazhiyev</b> Chairman of the Management Board	+	+	+	+	+	+	+	+	+	+	+	+	+	100
<b>Suinshlik Tiyyessov</b> Representative of Samruk-Kazyna	+	+	+	+	+	+	+	+	+	+	+	+	+	100
<b>Zhanna Yegimbayeva</b> Representative of Samruk-Kazyna	+	+	+	+	+	+	+	+	+	+	+	+	+	100
<b>Dominique Fache</b> Independent Director	+	+	+	+	+	+	+	+	+	+	+	+	+	100
<b>Janusz Bialek</b> Independent Director	+	+	+	+	+	+	Powers terminated on 26 June 2020							100
<b>Zhanbota Bekenov</b> Independent Director	Elected on 27 April 2020			+	+	+	+	+	+	+	+	+	+	100
<b>Nurlan Akhanzaripov</b> Independent Director	Elected on 26 June 2020						+	+	+	+	+	+	+	100

Agenda items reviewed by the Board of Directors in 2020



COMMITTEES OF THE BOARD OF DIRECTORS

To provide a platform for active discussion and detailed analysis of individual agenda items, the Board of Directors has four (4) committees.



Following the announcement by the World Health Organization of a pandemic associated of COVID-19 virus, all meetings of the Board of Directors and its committees in 2020 were held via videoconference (interactive audio-visual communication).

## AUDIT COMMITTEE

102-18

The operations of the Audit Committee (AC) are regulated by the Regulations on the Audit Committee, updated and approved by the resolution of the Board of Directors of KEGOC (Minutes No.12 dated 30 November 2018).

The AC is fully accountable to the Board of Directors. The members of the AC are elected by a majority vote of the Board of Directors. The chair and members of the AC are independent directors with sufficient knowledge and extensive experience, including practical one.

The AC also includes a non-voting expert who makes recommendations to the AC based on the policies and visions of Samruk-Kazyna as a major shareholder of the Company.

The AC shall consist of four (4) members: three (3) independent directors and a non-voting expert.

### As on 1 January 2020, the AC consisted of the following members:

- Yermek Kudabayev, chair of the Committee, independent director;
- Dominique Fache, independent director;
- Janusz Bialek, independent director;
- Saltanat Satzhan, non-voting expert.

The composition of the Committee was amended by the Board of Directors of KEGOC on 14 February 2020 (Minutes No. 2), 27 April 2020 (Minutes No. 4), and 18 August 2020 (Minutes No. 8).

### Attendance of the Audit Committee members in 2020

Members of the Audit Committee	13 February	19 March	27 April	27 April	18 May	18 June	17 August	17 September	29 October	19 November	14 December	%
<b>Dominique Fache</b> Chair, Independent Director	+	+	+	+	+	+	+	+	+	+	+	100
<b>Janusz Bialek</b> Independent Director	+	+	+	+	+	+	Early terminated terms of office on 26 June 2020					100
<b>Zhanbota Bekenov</b> Independent Director	AC member 27 April 2020		+	+	+	+	+	+	+	+	+	100
<b>Nurlan Akhanzaripov</b> Independent Director	AC Member since 18 August 2020						+	+	+	+	+	100
<b>Saken Pirmakhanov</b> Non-Voting Expert	+	+	+	+	+	+	-	-	+	+	+	82

**As on 31 December 2020, the AC included the following members:**

- Zhanbota Bekenov, chair of the Committee, independent director;
- Dominique Fache, independent director;
- Nurlan Akhanzaripov, independent director;
- Saken Pirmakhanov, a non-voting expert.

### AC meetings

During the reporting period, the AC held 11 meetings in praesentia and considered 38 agenda items.

In 2020, the AC reviewed and made appropriate recommendations on the following agenda items:

#### Internal audit

- review of the Goal Map of the Head of the Internal Audit Service for 2020;
- review of the annual and quarterly performance reports of the Internal Audit Service
- review of assessment of employees' performance and the salaries of employees of the Internal Audit Service
- review of the budget of the Head of the Internal Audit Service for 2021;
- review of the 2021 Audit Plan of the Internal Audit Service

#### External audit

- review of the Report of the external auditor, Ernst & Young LLP based on the results of the audit of the financial statements for 2019;

- review of the Report of the external auditor of Ernst & Young LLP based on the results of the audit of the interim financial statements for H1 2020;
- review of the plan of Ernst & Young LLP for the audit of financial statements for the year ending 31 December 2020.

#### Internal control and risk management

- review of the regulatory documents on the internal control and risk management system, including amendments thereto.
- review of quarterly Risk reports;
- approval of amendments to the Risk Register, Risk Map, Key Risk Management Action Plan, risk-appetite, tolerance levels and key risk indicators of KEGOC for 2021.

#### Financial statements

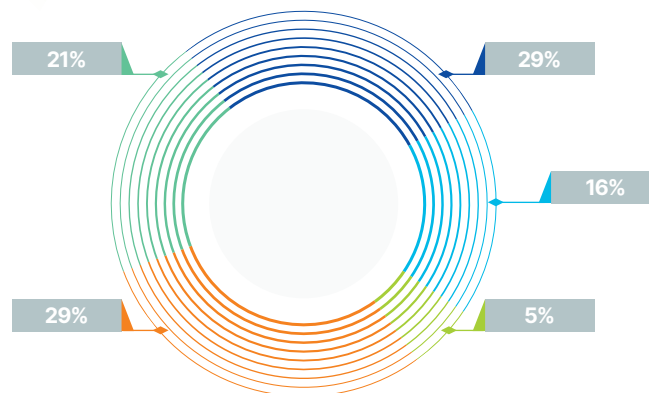
- the annual financial statements, proposed distribution of net income and payment of dividends on ordinary shares including the amount of the dividends per one ordinary share of KEGOC for 2019;
- preliminary approval of the interim financial statements of KEGOC as of and for the six months ended 30 June 2020, and the proposal regarding the distribution of KEGOC's net income and the amount of dividend per ordinary share of KEGOC for the first half of 2020.

#### Compliance

- review of the Goal Map for Compliance Officer of KEGOC for 2020;
- review of quarterly reports on the activities of the Compliance Officer.

### Agenda items considered at AC meetings in 2020

- IAS operations
- Risk management and internal control management
- Counterparty banks limits
- Financial statements
- Other



There is no record of rejection by the Board of Directors of individual proposals and/or recommendations made by the AC in 2020.

## NOMINATION AND REMUNERATION COMMITTEE

102-18

The operations of the Nomination and Remuneration Committee (NRC) is regulated by the Regulations on the Nomination and Remuneration Committee updated and approved by KEGOC's Board of Directors (Minutes No.10 dated 30 November 2019).

The NRC is fully accountable to the Board of Directors. The members of the NRC are elected by the Board of Directors, the NRC is chaired by an independent director and the NRC also includes a non-voting expert who makes recommendations to the NRC based on the policies and visions of Samruk-Kazyna as a major shareholder of the Company.

All members of the NRC have sufficient knowledge and extensive experience, including practical experience.

The NRC consists of four (4) members: two (2) independent directors, one (1) representative of Samruk-Kazyna JSC and a non-voting expert.

### As on 1 January 2020, the NRC consisted of the following members:

- Janusz Bialek, the chair of the Committee, independent director;
- Yermek Kudabayev, independent director;
- Zhanna Yegimbayeva, representative of Samruk-Kazyna;
- Daulet Karimov, non-voting expert.

The composition of the NRC was amended by the Board of Directors on 27 April 2020 (Minutes No. 4) and 26 June 2020 (Minutes No. 6).

**As on 31 December 2020, the NRC consisted of the following members:**

- Nurlan Akhanzaripov, the chair of the Committee, independent director;
- Zhanbota Bekenov, independent director;
- Zhanna Yegimbayeva, representative of Samruk-Kazyna;
- Daulet Karimov, non-voting expert.

### NRC meetings

During the reporting period, the NRC held 12 meetings in praesentia and considered 38 agenda items.

In 2020, the NRC reviewed and made recommendations on the following agenda items:

- determination of the number of members, the term of office of the Management Board of KEGOC, election of members of the Management Board of KEGOC and determination of their salaries
- approval of amendments to the organizational structure and the total staff number of the Executive Administration (head office);
- review of the Board of Directors' Professional Development Plan;
- review of key performance indicators and their targets for the members of the Management Board and the Corporate Secretary;

### Attendance of NRC members in 2020

Members of the Nomination and Remuneration Committee	17 January	13 February	19 March	27 April	18 May	18 June	17 August	17 September	12 October	29 October	19 November	14 December	%
<b>Janusz Bialek</b> Chair, Independent Director	+	+	+	+	+	+		Early terminated terms of office on 26 June 2020					100
<b>Zhanbota Bekenov</b> Independent Director		Elected on 27 April 2020		+	+	+	+	+	+	+	+	+	100
<b>Nurlan Akhanzaripov</b> Independent Director			Elected on 26 June 2020				+	+	+	+	+	+	100
<b>Zhanna Yegimbayeva</b> Representative of Samruk-Kazyna JSC	+	+	+	+	+	+	+	+	+	+	+	+	100
<b>Daulet Karimov</b> Non-Voting Expert	+	+	+	+	+	+	+	+	+	-	+	+	91.6

- the Rules for remuneration and bonuses for the Chairman of the Management Board, members of the Management Board, the Corporate Secretary, the Ombudsman, the Compliance Officer and the Head of the Internal Audit Service, the Rules for the provision of social support to the Company's employees and the Rules for the election and early termination of the powers of the Chairman and members of the Management Board;
- bonuses to the Corporate Secretary and the Ombudsman;
- a calibration session of the Corporate Secretary was held;
- the report on managing the Management Pool (Succession Plan) of KEGOC and review of the Management Pool of KEGOC;
- review of recommendations to nominations to the List of Candidates for the Board of Directors of KEGOC;
- review the long-term KPIs and its targets for the members of KEGOC's Management Board for 2020-2022;
- review of the method and plan of self-assessment of operations of the Board of Directors and its committees, the Chairman and members of the Board of Directors, the Corporate Secretary of KEGOC for 2019 – 2020.

#### Agenda items considered at NRC meetings in 2020

- **Nominations**
- **Remunerations**
- **Succession and assessment**
- **HR**



In accordance with sub-clause 4), clause 117, section 16 of the Regulations on the Board of Directors of KEGOC, the Board of Directors has withdrawn from consideration 6 (six) agenda items for a number of reasons, while there were no rejections of individual proposals/recommendations of the NRC by the Board of Directors during consideration of the agenda items in 2020.



## STRATEGIC PLANNING AND CORPORATE GOVERNANCE COMMITTEE



102-18

The activities of the Strategic Planning and Corporate Governance Committee (SPCGC) are regulated by the Regulations on the Strategic Planning and Corporate Governance Committee, as updated and approved by the Board of Directors on 30 November 2019 (Minutes No. 10).

The SPCGC is fully accountable to the Board of Directors. The members of the SPCGC are elected by a majority vote of the Board of Directors. The Chairman of the SPCGC is an independent director and the SPCGC also includes a non-voting expert who makes recommendations to the SPCGC based on the policies and visions of Samruk-Kazyna as a major shareholder of the Company.

All SPCGC members have sufficient knowledge and extensive experience, including practical experience.

The SPCGC consists of four (4) members: two (2) independent directors, one (1) representative of Samruk-Kazyna JSC and a non-voting expert.

### **As of 1 January 2020, the SPCGC consisted of the following members:**

- Janusz Bialek, the chair of the Committee, independent director;
- Dominique Fache, independent director;
- Suinshlik Tiyessov, representative of Samruk-Kazyna;
- Daulet Karimov, non-voting expert.

The composition of the SPCGC was amended by the Board of Directors on 27 April 2020 (Minutes No. 4) and 26 June 2020 (Minutes No. 6).

### **As on 31 December 2020, the SPCGC included the following members:**

- Nurlan Akhanzaripov, the chair the Committee, independent director;
- Dominique Fache, independent director;
- Suinshlik Tiyessov, representative of Samruk-Kazyna;
- Daulet Karimov, non-voting expert.

### **SPCGC meetings**

During the reporting period, the Committee held 10 meetings praesentia and considered 32 agenda items.

In 2020, the SPCGC reviewed and made recommendations on the following agenda items:

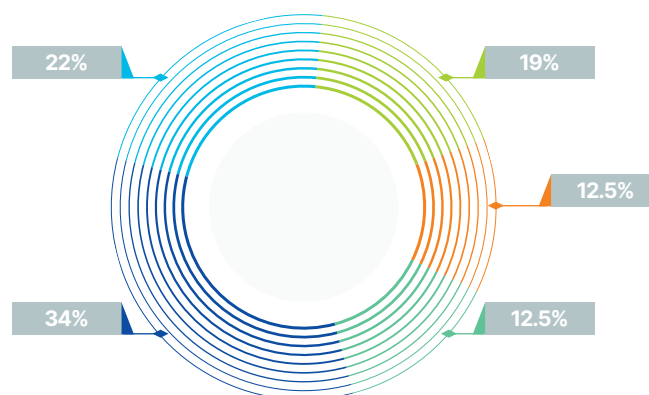
- the Business Plan (Development Plan) and progress reports for the Business Plan (Development Plan);
- the Development Strategy progress report;
- Roadmap for the Business Transformation Programme;
- review of the progress report of KEGOC's Business Transformation Programme;
- the Action Plan to enhance corporate governance and on the report on compliance with the Corporate Governance Code;
- the major investment projects progress reports;
- Annual report and Sustainability report;
- KEGOC's Information and Telecommunication System Development Strategy progress report.

## Attendance of SPCGC members in 2020

Members of the Strategic Planning and Corporate Governance Committee	14 February	19 March	27 April	18 May	18 June	17 August	17 September	9 October	29 October	19 November	14 December	%
<b>Janusz Bialek</b> Chair, Independent Director	+	+	+	+	+	+	Early terminated terms of office on 26 June 2020					100
<b>Dominique Fache</b> Independent Director	+	+	+	+	+	+	+	+	+	+	+	100
<b>Nurlan Akhanzaripov</b> Independent Director	Early terminated terms of office on 26 June 2020					+	+	+	+	+	+	100
<b>Suinshlik Tiyyessov</b> Representative of Samruk-Kazyna	+	+	+	+	+	+	+	+	+	+	+	100
<b>Daulet Karimov</b> Non-Voting Expert	+	+	+	+	+	+	+	-	+	+	+	90

## Agenda items considered at SPCGC meetings in 2020

- Strategic planning, Business plan
- Corporate development and sustainability
- Investment project progress
- Business Transformation Programme
- Other



There were no rejections by the Board of Directors of individual proposals and/or recommendations by the SPCGC in 2020.

## OCCUPATIONAL SAFETY AND HEALTH AND ENVIRONMENT COMMITTEE



102-18

The activities of the Health, Safety and Environment Committee (HSEC) are regulated by the Regulations on the Health, Safety and Environment Committee, updated and approved by the decision of the KEGOC Board of Directors dated 30 November 2019 (Minutes No. 10).

The HSEC is fully accountable to the Board of Directors. The members of the HSEC are elected by a majority vote of the Board of Directors. The HSEC is chaired by an independent director and the HSEC also includes a non-voting expert who makes recommendations to the HSEC based on policies and visions of Samruk-Kazyna as a major shareholder of the Company.

All HSEC members have sufficient knowledge and extensive experience, including practical experience.

The HSEC consists of four (4) members: one (1) independent director, two (2) representatives of Samruk-Kazyna JSC and a non-voting expert.

### **As on 31 December 2020, the HSEC consisted of the following members:**

- Dominique Fache, the chair of the Committee, independent director;
- Suinshlik Tiyyessov, representative of Samruk-Kazyna;
- Zhanna Yegimbayeva, representative of Samruk-Kazyna;
- Daulet Karimov, non-voting expert.

### **There were no changes to the composition of the HSEC in 2020.**

### **HSEC meetings**

During the reporting period, the HSEC held 5 in praesentia meetings, at which 6 agenda items were considered.

In 2020, the HSEC reviewed and made appropriate recommendations on the following agenda items:

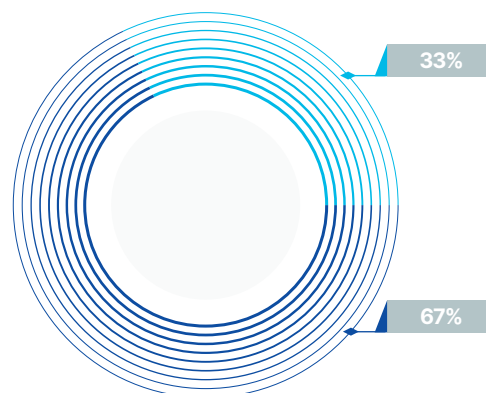
- industrial and information security, occupational health, environment;
- the analysis of accidents in the electric networks of KEGOC JSC (for the period 2010-2020);
- comparison (benchmarking) of reliability performance of KEGOC's power grids with the leading European and world peer system operators;
- the performance report of the Occupational Health, Safety and Environmental Protection Committee and on the approval of the Work Plan of the Committee for 2021.

## Attendance of HSEC members in 2020

The members of the Occupational Health, Safety and Environmental Protection Committee	14 February	17 August	17 September	29 October	14 December	%
<b>Dominique Fache</b> Chair, Independent Director	+	+	+	+	+	100
<b>Suinshlik Tiyyessov</b> Representative of Samruk-Kazyna	+	+	+	+	+	100
<b>Zhanna Yegimbayeva</b> Representative of Samruk-Kazyna	+	+	+	+	+	100
<b>Daulet Karimov</b> Non-Voting Expert	+	+	+	-	+	80

## Agenda items considered by HSEC meetings in 2020

- Operational and informational security, safety
- Other



There were no rejections by the Board of Directors of individual proposals and/or recommendations by the HSEC in 2020.

## PROFESSIONAL DEVELOPMENT



The Board of Directors shall approve of the induction programme for newly elected members and the Professional development plan for the members of the Board of Directors. The Corporate Secretary shall ensure the implementation of these programmes. The director training includes informational meetings, participation in trainings, forums, conferences and working groups. To assist directors in fulfilling their duties, procedures are provided for the timely provision of necessary information to them.

20 February 2020 the Corporate University of Samruk-Kazyna held a seminar for the members of the Board of Directors on the topic: A system for assessing grades, remuneration and efficiency.

Due to the pandemic, the Board members have been participating in seminars since March 2020 via a video conference session on the Microsoft TEAMS platform.

On 27 April 2020, the members of the AC participated in the meeting of the Single Commission for the selection of the external auditor (with the participation of the members of the AC).

On 18 September 2020, a strategy session was held with members of the Board of Directors on topic of "Developing Intelligent Energy Systems – Digital Transformation Opportunities".

23 October 2020 PricewaterhouseCoopers Tax and Advisory LLP held a seminar for the members of the Board of Directors on the topic: Best Practices in Reporting and Sustainable Development Management. GRI Standards.

11 December 2020 Ernst & Young Kazakhstan LLP held a seminar for the members of the Board of Directors on the topic: Finance for non-financial directors.

23 December 2020 Ernst & Young Kazakhstan LLP held a seminar for the members of the Board of Directors on the topic: Energy Industry Economics.

In 2020, the meeting of the Board of Directors with KEGOC talents did not take place due to the COVID-19 pandemic.

## Principles of KEGOC's Corporate Governance

The Company's Corporate Governance Code has been adopted

based on Samruk-Kazyna's Corporate Governance Code. The objectives of the Corporate Governance Code are to improve corporate governance, ensure its transparency, and confirm commitment to the standards of good corporate governance.

An analysis of the Company's compliance with the principles and provisions of the Corporate Governance Code showed that the Company complied with all the provisions of the Corporate Governance Code applicable to the Company during the reporting year. To read the report on compliance with the principles and provisions of the Corporate Governance Code for 2020, please click here:

[www.kegoc.kz/en/for-investors-and-shareholders/raskrytie-informatsii/annual-reports](http://www.kegoc.kz/en/for-investors-and-shareholders/raskrytie-informatsii/annual-reports)

## Anti-Corruption

KEGOC adheres to the policy of zero tolerance for corruption in all its manifestations in relations with all stakeholders as well as zero tolerance for concealment of corruption offences. The Company excludes all forms of bribery, including offering money or gifts to or from employees. The Company does not give or accept hospitality or gifts that may further entail any obligation on the part of the parties. The officials and employees involved in corruption shall be dismissed and held accountable in accordance with the procedure stipulated by Kazakhstan laws.

KEGOC, in its daily operations, complies with the anti-corruption laws and takes maximum organizational and practical efforts to

uncompromising anti-corruption efforts in all its forms and manifestations.

In particular, the Board of Directors approved an Anti-Fraud and Corruption Policy and a Proactive Reporting Policy. All employees are aware of these anti-corruption standards. The Company officials have signed undertakings to comply with anti-corruption legislation. Work is being carried out to comply with the Framework for Action to dismiss and prosecute managers for corruption offences committed by their subordinates.

As part of KEGOC's anti-corruption culture and intolerance of corrupt practices, great attention is paid to preventive work aimed

at reducing corruption risks. For example, the Compliance Officer conducted training sessions for the managers and employees of branches and substations during 2020 to highlight the requirements of anti-corruption legislation and internal standards of the Company. Quarterly information materials on anti-corruption norms and standards are sent to the structural units of the central office and to branches. A special working group established in 2020 analysed corruption risks that may be inherent in the Company's operations: use of official powers and related opportunities for pecuniary gain; abuse of power in procurement procedures as well as in relations with KEGOC partners; use of material resources of the Company for personal gain or enrichment; etc. In 2020 there were no violations of anti-corruption laws of Kazakhstan in the Company.

Samruk-Kazyna organized a hotline for stakeholders of its portfolio companies, including KEGOC. All KEGOC stakeholders may report their concerns regarding actual or alleged violations of the law, regulatory requirements, as well as internal policies and procedures on corruption and ethics. They can do it by sending a confidential and anonymous message. Their confidentiality and anonymity are guaranteed, and all reported cases are considered. Hotline hours: 24 / 7.

KEGOC's hotline in 2020 received 5 messages. All complaints were duly investigated however the reported allegations were not confirmed.

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## Executive Body

The day-to-day activities of KEGOC are addressed by the Management Board, an executive collegial body, which makes the decisions on the matters of KEGOC's operations that are beyond the competence of other bodies.

The Management Board shall act in accordance with the law of Kazakhstan "On Joint Stock Companies", KEGOC's Charter, Corporate Governance Code and Regulations on the Management Board.

The appointment (election) and early termination of the powers of the Chairman

of the Management Board of the Company is the jurisdiction of the General Meeting of Shareholders. The membership, terms of powers of the Management Board, election of the members the Management Board (except for the Chairman) and early termination of their powers is the jurisdiction of the Board of Directors of KEGOC that shall observe the principles of transparency, objective assessment of potential, professionalism and competence. According to the decision of the Board of Directors of KEGOC the Management Board of KEGOC has 5 members, 100% of whom are the nationals of Kazakhstan.

## MEMBERS OF THE MANAGEMENT BOARD



(As on 31 December 2020)



**BAKYTZHAN  
KAZHIYEV**

Chairman of the Management  
Board of KEGOC



Born in 1964.  
Citizen of the Republic of Kazakhstan.

**Experience in the industry: 35 years.**

Shares owned in KEGOC or its subsidiaries  
and affiliates: none.

### Education:

Alma-Ata Power Engineering Institute, diploma  
in power systems and networks (1986);  
Karaganda State Technical University, diploma  
in economics (2007); Almaty Management  
University, Doctor of Business Administration  
(2018). Experience in the sector is 35 years.

### Work experience for the last five years:

**Since 31 May 2011**, Chairman of the  
Management Board at KEGOC.



**BAKYTKHAN ZHAZYKBAYEV**  
Managing Director for Operations,  
member of the Management Board  
since February 2017

Born in 1968.  
Citizen of the Republic of Kazakhstan.

**Experience in the industry: 20 years.**

Shares owned in KEGOC or its subsidiaries  
and affiliates: none.

**Education:**

Ryskulov Kazakh State Academy of Management majoring in Marketing and Commerce (1994), Toraigyrov Pavlodar State University, diploma in in electrical power systems and networks (2005).

**Work experience for the last five years:**

- **Since April 2018**, managing director for operations;
- **Since February 2017**, managing director for business assets management;
- **December 2015 – February 2017**, deputy chairman of the Management Board of KEGOC for operations.

**Functions in KEGOC:**

plan activities on operation, repair, maintenance of operating assets; develop policies and procedures for assets management including the assets maintenance standards; develop and implement the medium-term development programme of MES branches; ensure reliable and efficient operation of MES branches, operation and rehabilitation of relay protection and substation automation, and metrological support of operations.



**TOLEGEN  
SAFUANI**

**Managing Director for Legal Support and Risks, member of the Management Board since June 2017.**



Born in 1979.  
Citizen of the Republic of Kazakhstan.

**Experience in the industry: 16 years.**

Shares owned in KEGOC or its subsidiaries and affiliates: none.

**Education:**

Kazakh State Law Academy, diploma in legal science (2000), Kazakh University of Technology and Business, diploma in public and local administration, Master of Economics (2013), Almaty Management University, Master of Business Administration (2018).

**Work experience for the last five years:**

- **Since June 2017**, Managing Director for Legal Support and Risks of KEGOC;
- **April 2012 – June 2017**, Head of Legal Department, KEGOC.

Member of board of directors of EnergoInform and supervisory board of FSC RES.

**Functions in KEGOC:**

legal matters, implementation and improvement of risk management, internal control, corporate governance, business continuity and IMS systems; economic, technical and information security, counter-terrorism measures; claims work; obtaining and maintaining corporate governance rating.



**AIBEK  
BOTABEKOV**

**Managing Director for Finance and Accounting, member of the Management Board since October 2009.**

Born in 1976.  
Citizen of the Republic of Kazakhstan.

**Experience in the industry: 23 years.**

Shares owned in KEGOC or its subsidiaries and affiliates: none.

**Education:**

Buketov Karaganda State University diploma in international relations and economics (1997), Nazarbayev University (2016), Master of Business Administration.

**Work experience for the last five years:**

- **Since February 2017**, Managing Director for Finance and Accounting;
- **June 2009 – February 2017**, managing director for economics, KEGOC.

Chairman of the Supervisory Board of FSC RES and member of the Board of Directors of Batys Transit JSC, the associate company.

**Functions in KEGOC:**

manage financial and economic matters; supervise pricing matters; manage and coordinate KEGOC's shares listing at KASE; manage relations with minority shareholders and other holders of KEGOC's securities; prepare the consolidated audited annual financial statements of KEGOC, cooperate with financial institutions and audit companies; and manage the management reporting system.



**ZHANDOS  
NURMAGANBETOV**

**Managing Director for Strategy and Development, Member of the Board since January 2020.**

Born in 1981.  
Citizen of the Republic of Kazakhstan.

**Experience in the industry: 18 years.**

Shares owned in KEGOC or its subsidiaries and affiliates: none.

#### **Education:**

Buketov Karaganda State University Graduated from the Buketov Kyrgyz National University with a degree in Law (2002), University of International Business with a degree in Management (2004), Kyzylorda State University named after Korkyt Ata with a degree in Electric Power Engineering (2011), KIMEP, MBA (2013).

#### **Work experience for the last five years:**

- **since January 2020**, Managing Director for Strategy and Development at KEGOC;
- **September 2013 – January 2020**, General Director of FSC RES LLP.

Member of the Supervisory Board of FSC RES.

#### **Functions in KEGOC:**

Functions at KEGOC: develop, update and ensure the implementation of the Development Strategy of KEGOC, manage the technical policy of KEGOC; develop the NPG, develop plans and projects, feasibility studies of NPG development projects; develop 7-year forecast balances of electric capacity and electric energy for UPS of Kazakhstan; cooperate with integration associations and organizations in the energy sector; manage scientific research and development activities; monitor, analyse and regulate technical (losses) of electricity in the NPG; coordinate activities in the field of RES development; manage approval by the System Operator on technical connection to the UPS of Kazakhstan, power plant output schemes, and schemes of external power supply to consumers, approve and issue technical conditions for connection to the grid.

MANAGEMENT BOARD  
PERFORMANCE REPORT

The main principles of the Management Board activity are to serve interests of shareholders to the maximum extent, ensure fairness, good faith, expertise, prudence, objectivity, soundness, and regularity.

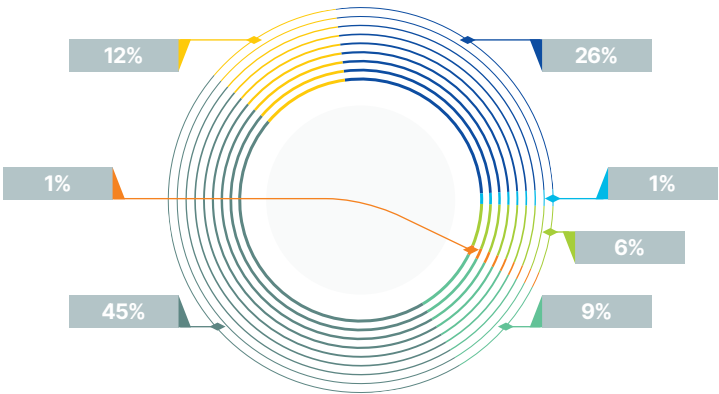
In 2020 KEGOC’s Management Board held 26 meetings and reviewed 214 agenda items.

In addition to the agenda items falling within the competence of KEGOC’s Board of Directors and previously reviewed by the Management Board (96 agenda items), some key decisions were taken:

- to approve/amend internal company documents;
- to review the progress reports of the risk committee and approve the action plan of the committee for 2020;
- regarding non-arm’s length transactions within the competence of the Management Board;
- regarding the Business Transformation Programme;
- regarding HR policy.

Breakdown of agenda items considered by the Management Board of KEGOC

- Internal regulations
- Business transformation questions
- Transactions
- Risk committee operations
- HR policy issues
- Preliminary consideration of the agenda items to be elevated to the Board of Directors
- Other





## MANAGEMENT BOARD COMMITTEES



In order to preliminarily review, take collegial decisions, and prepare recommendations on the supervised agenda items for KEGOC's Management Board, the company operates the following advisory bodies:

- Investment committee
- Risk Committee
- Budget committee
- Human resources development committee
- Debtors and Creditors Committee
- Inventory Committee.

In addition, an advisory and consultative body, the Coordinating Council for Sustainable Development and IMS, headed by the Chairman of KEGOC Management Board, has been established in the Company to organise and ensure the work on sustainable development management, design, implementation and operation of KEGOC's integrated management system and continuous improvement of the management systems performance.

The coordination council includes all managing directors and heads of subsidiaries. The main objectives of the coordination council in sustainable development are to promote and ensure adherence to the principles of sustainable development,

to ensure implementation of plans, to determine the responsibility for monitoring the sustainable development management matters, and to determine the content of information on sustainable development activities disclosed for the stakeholders.

102-18

## Non-Arm's Length Transactions

In 2020, the Board of Directors and Management Board of KEGOC made decisions on conclusion of 22 non-arm's length transactions (including 10 transactions approved by KEGOC Board of Directors and 12 transactions approved by KEGOC Management Board). No material transactions were made.

In accordance with the Corporate Governance Code, members of the Board of Directors (Almassadam Satkaliyev, Suinshlik Tiyyessov, Zhanna Yegimbayeva, Bakytzhan Kazhiyev) did not participate in the discussion and voting on the agenda items in which they had an interest, and only independent directors took part in the voting on these agenda items.

The Board of Directors of KEGOC made decisions on conclusion of the following non-arm's length transactions: for emergency and operational maintenance of equipment between KEGOC branches and Batys Transit, Tengizchevroil LLP, Caspian Pipeline Consortium-K, PetroKazakhstan Kumkol Resources JSC, JV Kazgermunai LLP, Kazakhstan-China Pipeline LLP, Katco Kazakhstan-French joint venture LLP for the total amount of KZT 10,969,532,612.12.

## Assessment and Remuneration of the Management Team

### ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE

In accordance with the Rules of Performance Assessment of the Board of Directors and its Committees, the Chairman, members of the Board of Directors and Corporate Secretary of KEGOC, the performance assessment of the Board of Directors is carried out once a year by the Board of Directors itself

and at least once every three years by an independent party. The assessment (self-assessment or by an independent party) is carried out on the basis of the Corporate Governance Diagnostic Methodology developed by Samruk-Kazyna JSC.

In accordance with KEGOC Board Member Remuneration and Compensation Rules, the Directors' remuneration consists of two parts: annual fixed remuneration and additional remuneration for chairmanship or participation in the meetings of the Board Committees in praesentia as decided by the General Meeting of Shareholders. In accordance with the decision of the General Shareholders' Meeting dated 26 June 2020, payments of additional remuneration to directors for attending the meetings of the committees of the Board of Directors in praesentia have been excluded.

The Director shall be compensated for the expenses associated with his/her travel to meetings of the Board of Directors, committees of the Board of Directors and the meetings held beyond the place of permanent residence of the independent director: transport including transfer, accommodation, daily allowance, telephone services (except mobile) in Kazakhstan, documents scan, copy, fax, print, type services, access to the internet in Kazakhstan, courier and mail services.

In accordance with the Corporate Governance Code of KEGOC, none of the members of the Board of Directors in 2020 took part in making decisions related to his/her own remuneration.

Samruk-Kazyna plans to conduct an independent assessment of the 2019 and 2020 performance in 2021. The Board of Directors on 20 November 2020 decided that the performance of the Board of Directors

and its Committees of the Board of Directors, the Chairman and members of the Board of Directors, the Corporate Secretary of KEGOC for 2019-2020 will be assessed through self-assessment.

The remuneration system for the Chairman and the members of the Management Board includes salary and a year-end bonus. A year-end bonus in KEGOC shall be paid upon approval of the results of the financial and economic performance based on the audited financial statements within the limits of cash assets provided for this purpose in the budget of KEGOC.

The payment of remuneration is mainly conditioned by the consolidated total income for the reporting period. The assessment of the performance of the Chairman and members of the Management Board is based on short-term and long-term motivational KPIs, which shall be developed by cascading KEGOC strategic goals down into specific indicators by KEGOC business processes/activities in the form of KPI Maps for each member of KEGOC Management Board. The short-term motivational KPIs are divided into corporate KPIs and functional KPIs. The remuneration limits for the Chairman and members of the Board are determined on the basis of the remuneration structure, including long-term and short-term remuneration.

## Key motivational KPIs

Strategic Goal 1	
WWP	↑
Technical electricity losses,% of electricity delivered to the grid	↓
Number of technical disturbances on transmission lines	↓
Energy Not Supplied (ENS)	↓
Implementation of the WAMS project in Kazakhstan's NPG	↑
Strategic Goal 2	
EBITDA	↑
Net asset value (NAV)	↑
Achievement of financial sustainability targets	↑
Implementation of the Business Transformation Roadmap	↑
Strategic Goal 3	
Corporate governance rating	↑
Implementation of the Corporate Governance Enhancement Plan	↑

The Management Board members were eligible for KPI-based performance remuneration for the reporting period if they actually worked for at least 5 months in the reporting period.

Thus, the remuneration of the key management personnel (members of the Board of Directors and the Management Board) and all other expenses related thereto (taxes, levies, sick leave, holiday pay, material aid, etc.) included in payroll costs in the audited consolidated financial statements amounted to KZT 381.8 million for the year ended 31 December 2020.

## Corporate Governance Development Plan

**In order to enhance KEGOC's corporate governance, the Company will continue its efforts:**

- to enhance the effectiveness of the Board of Directors and the Management Board by optimising the scheduling of meetings, enhancing the quality of meeting materials, and involving the Board of Directors and committees even more in the transaction and investment monitoring and sustainability matters;
- to enhance the risk management and internal control system by enhancing the risk culture and training of employees, effective planning of IAS activities through coordination between the second line of defence and IAS units;
- to enhance the effectiveness of sustainable development activities through an effective Company policy in three areas: economic, environmental and social, further improvement of the occupational health and safety system, and adherence to business ethics;
- to improve transparency by reviewing the content and design of the corporate website, incorporating the views of stakeholders into the coverage of the Company's activities, and enhancing corporate reporting.

## Corporate Ethics

**The fundamental values on which KEGOC's business is based are integrity, reliability and professionalism of its employees, efficiency of their work, mutual assistance, respect for each other, stakeholders and society.**

KEGOC acts honestly, openly and fairly. Avoids any contracts that could lead to or potentially create a conflict of interest between personal and business matters. We develop mutually beneficial relationships and strive to adhere to business principles in working and communicating with our business partners.



KEGOC's Code of Conduct (business ethics code) is a set of basic rules, principles and values, standards of business and social conduct, high ethical standards of both internal and external corporate relations, as well as the Company's social responsibility towards employees, shareholders, business partners, the state and society. The Code of Conduct is one of the key policies of KEGOC, defining the requirements to be met by every person working in our Company and with the Company: employees, contractors, business partners. KEGOC expects our business partners to adhere to the same standards and our Code of Conduct.

The Code of Conduct was developed on the basis of generally accepted standards of corporate ethics and business conduct and documents defining best corporate governance practices. The Code of Conduct

applies to all structural divisions and branches of the Company.

The purpose of the Code of Conduct is to define binding rules of business conduct and ethics aimed at increasing the Company's capitalisation and reputation, financial stability and efficiency. The Code of Conduct is designed to create a work environment in which each employee can feel responsible for the performance and reputation of the Company and at the same time expect the Company to pay attention to his or her personality in the performance of his or her work duties. The Code of Conduct is one of the tools for creating the best Company, in which all employees are members of a team of professionals.

Commitment to and compliance with ethical and compliance requirements is the responsibility of everyone who works for or

represents the Company. Violation of the Code of Conduct challenges the reputation and performance of the Company and may result in disciplinary action. It is important to note that non-observance of certain sections of the Business Ethics Code may be a violation of the legislation of the Republic of Kazakhstan on combating corruption and may entail personal administrative or criminal liability.

All employees of the Company, including officers, shall study the provisions of the Code of Conduct on a regular basis, when employed and in case of amendments to the Code.

102-16

The Company has an appointed Ombudsman, one of whose tasks is to ensure that employees and officers comply with the Code of Conduct and, where necessary, to explain its provisions. The basic principles of the Ombudsman work shall be independence, neutrality and impartiality, confidentiality and informality.

In 2020, the Ombudsman, together with the Compliance Officer, visited the Zapadnye, Sarbaiskiye, Almatinskiye, and Tsentralnye MES branches, where he met with the employees. The aims and objectives of the Code of Conduct were communicated to employees. Communication channels (telephone hotline, ombudsman, compliance officer) had been communicated to employees, the responsibilities of the Company's employees and the consequences of non-compliance with the Code of Conduct had been explained. The ombudsman held

a face-to-face meeting with those who wished to do so.

In order to prevent and avoid potential conflicts with Company employees, work is constantly being done to explain the Company's internal regulations and procedures and to promote a common understanding and resolution of labour issues. Information and awareness-raising work is being done on resolving social and labour disputes. E.g., in 2020, KEGOC's Ombudsman received 4 claims regarding social and labour relations (bonus payment, legitimacy of disciplinary punishment, performance evaluation). All questions had been cleared after careful considerations and analysis. At the same time, no human rights violations were reported and there were no cases of lawsuits filed by the Company's employees for non-compliance with labour legislation in 2020.

102-44 | 102-17

## Internal Audit Service

The Internal Audit Service was established by a decision of KEGOC's Board of Directors in 2006. As on 31 December 2020, the approved number of staff of the EAS was 8 and there were no vacancies.

**The mission of the Service is to provide necessary support to the Board of Directors and the Management Board of KEGOC in performance of their duties to achieve the strategic objectives of the Company. The main purpose of Internal Audit is to provide the Board of Directors with independent and objective information designed to ensure effective management of the Company by bringing a systematic approach to the improvement of risk management, internal control and corporate governance systems.**

During 2020, the Internal Audit Service was governed by the following documents:

- International professional standards for internal auditing;
- Regulations on KEGOC's Internal Audit Service approved by KEGOC's Board of Directors;
- the Rules of the Internal Audit Management at KEGOC as approved by the Board of Directors of KEGOC;
- Job descriptions of the employees of the Service approved by the Chairman of the Board of Directors of KEGOC.
- The annual audit plan of the Internal Audit Service for 2020.

All audit assignments for 2020 have been planned with due regard to the mission and main purpose of Internal Audit. The risk-based approach was used to plan the internal audit, i.e., the priority was given to the business processes that are most vulnerable to negative events.

The annual audit plan of the Internal Audit Service for 2020 was approved by the KEGOC Board of Directors on 30 November 2019. The plan provides for execution of 17 assignments. The topics of the audit assignments carried out by the Service in accordance with the Annual Audit Plan for 2020 covered comprehensive audits of the Company's branches, audits of business processes for planning, development and supply chain management, HR processes, information technology, assessment of the risk management and internal control system, etc. All assignments were completed.

The Internal Audit issued recommendations for all non-conformities identified, and corrective action plans have been prepared by the auditees.

The implementation of the recommendations issued is monitored by Internal Audit on an ongoing basis.



## External Auditor

Selection of the auditing company to audit the financial statements of KEGOC group of companies was made by the Unified Commission for the selection of the auditing company in accordance with the Rules of selection of the auditing company for Samruk-Kazyna JSC and organizations, more than fifty percent of voting shares (participatory interest) of which are directly or indirectly owned by Samruk-Kazyna on the right of ownership or trust management, and based on the decision of the Annual General Meeting of KEGOC shareholders (Minutes No. 13 dated 3 May 2019). A contract was concluded with Ernst & Young LLP, an independent audit organisation, member of the professional organisation Chamber of Auditors of the Republic of Kazakhstan. The remuneration for the audit of the financial statements for 2020 amounted to KZT 50.4 million, including VAT.

Ernst & Young LLP has been auditing the financial statements of the KEGOC group of companies since 2012. For the purpose of preserving the independence and according to the External Audit Policy of the Company, if one audit organization carries out an audit during five successive years, the audit partner shall be changed. The last change of auditor's main partner took place in 2018. Ernst & Young LLP did not provide non-audit services to KEGOC in 2020.

# Human Resources



KEGOC's human resources are the most important strategic factor for the Company's development success.

KEGOC manages its human resources based on the principles of the Corporate Governance Code, Business Ethics Code, the integrated management system, HR policy and internal documents relating to KEGOC's HR motivation.

KEGOC's HR policy (hereinafter referred to as 'the HR Policy') seeks to create the human resources as the most important intellectual and professional resource that ensures the implementation of KEGOC's Development Strategy through efficient, performance-oriented corporate culture and meritocracy.

The HR policy is based on Samruk-Kazyna's Development Strategy 2018-2028, KEGOC's Development Strategy 2018-2028, Samruk-Kazyna's HR Policy Concept 2018-2028, Samruk-Kazyna group's Corporate Standard for HR Management, Samruk-Kazyna group's Corporate Standard for HR Planning and the Reference Model for HR Management for Samruk-Kazyna's portfolio companies.



KEGOC WAS ASSIGNED THE FUNCTIONS  
OF THE SYSTEM OPERATOR OF THE UNIFIED  
POWER SYSTEM OF KAZAKHSTAN BY ORDER OF THE  
MINISTRY OF ENERGY AND MINERAL RESOURCES

2004

The HR policy is a strategic document relating to human resources management, which supports KEGOC's Development Strategy implementing the following main strategic goals:

- 1. ensure reliable operation of the Unified Power System of Kazakhstan;
- 2. ensure KEGOC's efficient operation;
- 3. improve corporate governance and sustainable development.

The HR policy faces the following objectives to implement KEGOC's Development Strategy:

- ensure the commitment to the principles of meritocracy, including recruitment, training and development, assessment of employee performance and remuneration management;
- develop target corporate culture;
- improve talent pool management and career planning system;
- regulate social and labour relations contributing to the Company's successful operation;

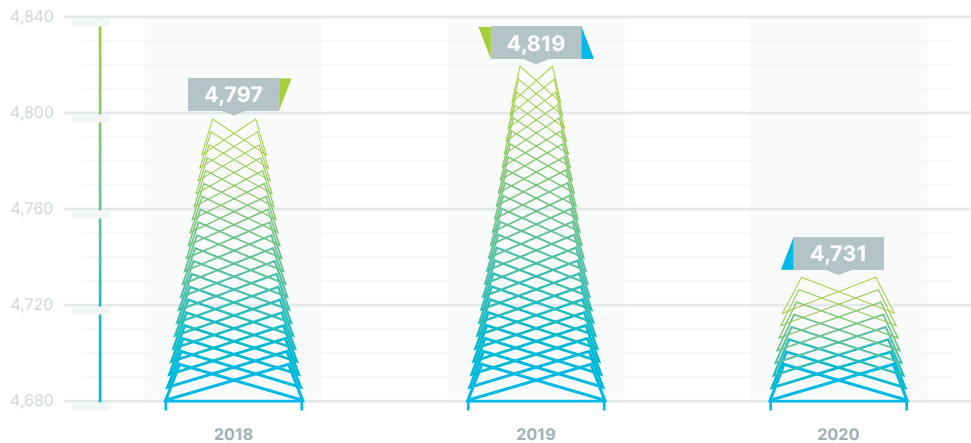
- comply with the succession policy and knowledge transfer;
- train specialists on the application of digital technologies.

The staff listing of the Company's employees (including subsidiaries) as of 31 December 2020 is 4,731 people.

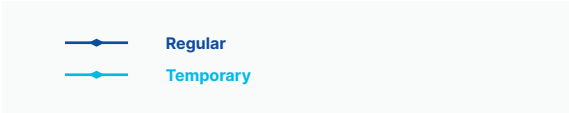
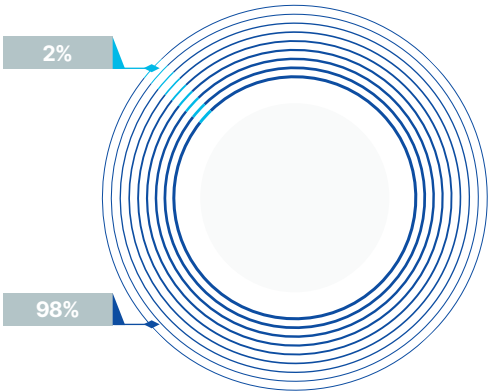
102-7

KEGOC supports and respects the protection of internationally proclaimed human rights and the rights envisaged by the Constitution of the Republic of Kazakhstan. In 2020, there were no cases of human rights abuses, or discrimination in respect of gender, language, race, religion, sexual orientation or gender identity at KEGOC. KEGOC's operations do not use child or forced labour.

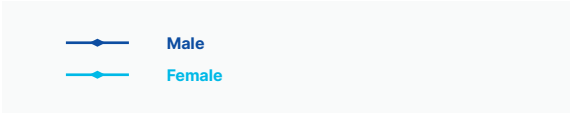
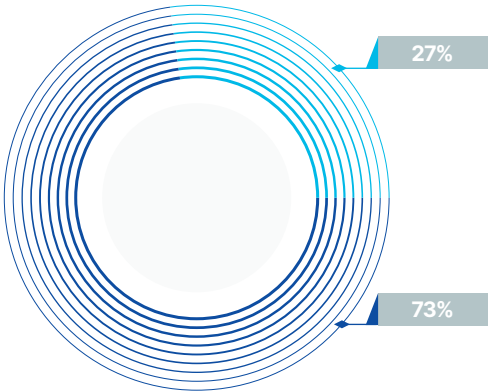
Number of employees, people



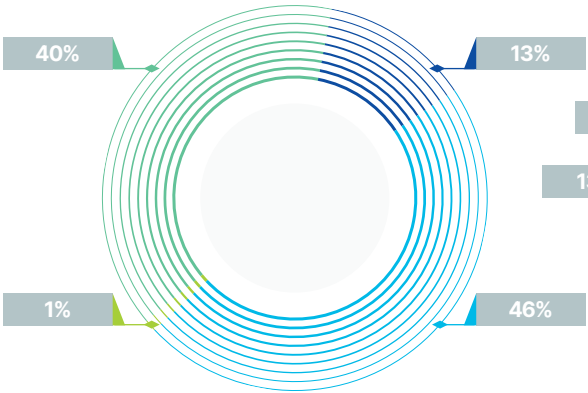
Structure of employees by employment



Structure of employees by gender



Personnel structure by categories

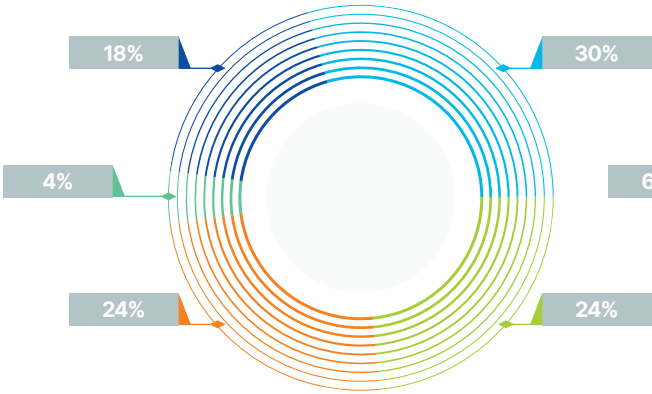


Personnel structure by length of service

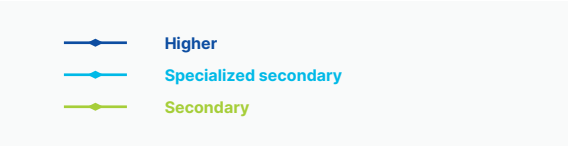
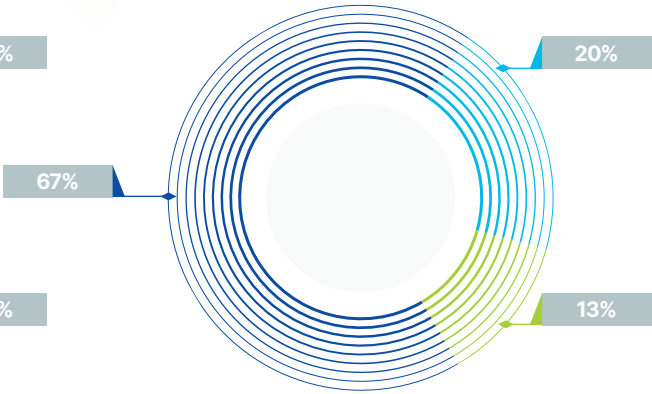




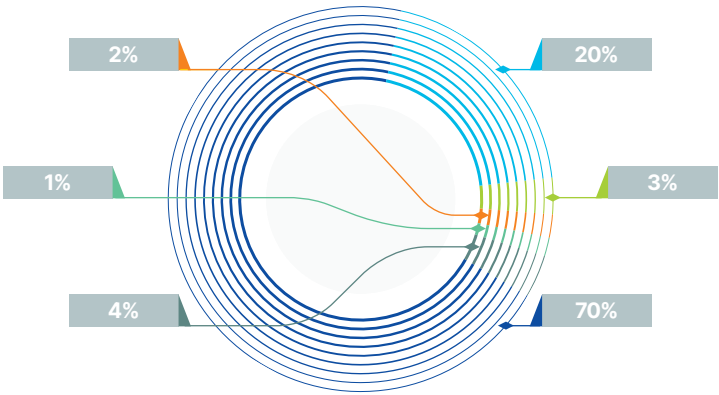
Structure of employees by age, years



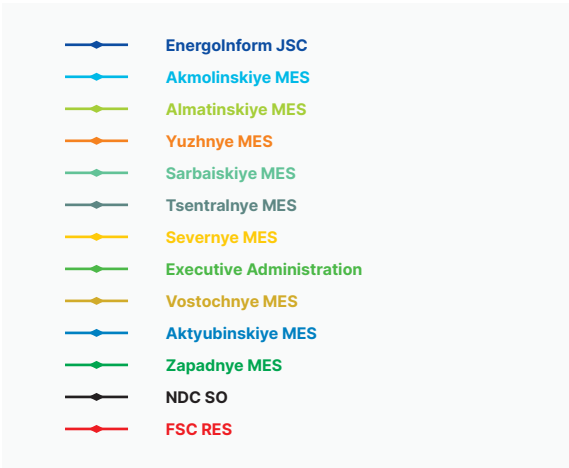
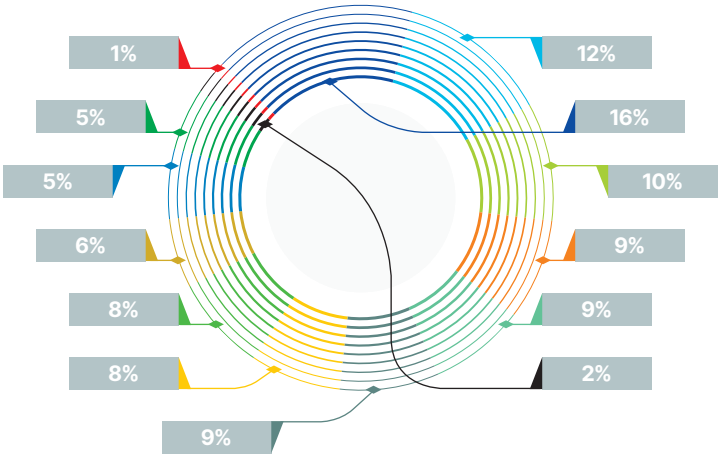
Personnel structure by education



Structure of employees by ethnic origin



Personnel structure by regions



## Personnel Structure

Indicator	Total	Proportion, %	AP	OP	Management positions	Management proportion, %
<b>Staff listing</b>	<b>4,731</b>	<b>100</b>	<b>755</b>	<b>3,976</b>	<b>634</b>	<b>100.0</b>
<b>Gender</b>						
Male employees	3,465	73.2	284	3,181	570	89.9
Female employees	1,266	26.8	471	795	64	10.1
<b>Groups by ethnic origin</b>						
the Kazakhs	3,312	70.0	653	2,659	440	69.4
the Russians	943	19.9	66	877	135	21.3
the Ukrainians	144	3.0	6	138	19	3.0
the Tatars	81	1.7	8	73	13	2.1
the Germans	73	1.5	6	67	8	1.3
Other	178	3.8	16	162	19	3.0
<b>Groups by age</b>						
under 30	856	18.1	123	733	30	4.7
from 30 to 50	2,542	53.7	510	2,032	377	59.5
over 50	1,333	28.2	122	1,211	227	35.8



## Recruitment Policy

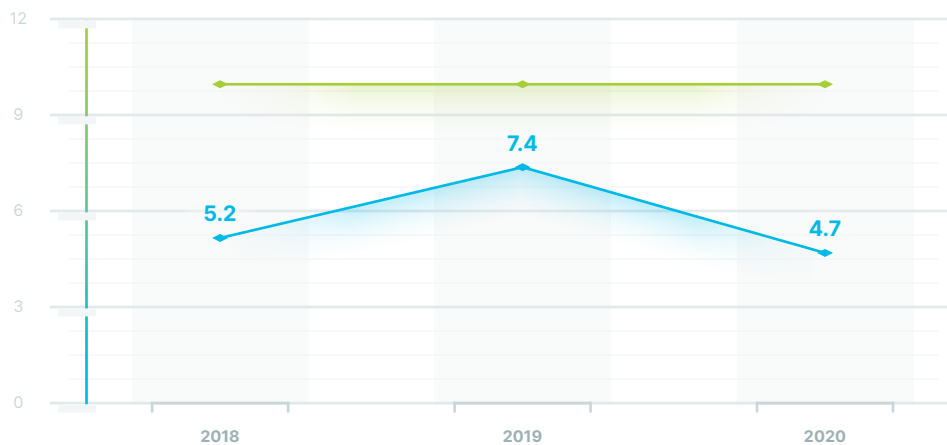
One of the Company's HR policy principles is openness and transparency using meritocracy principles through clear and transparent selection criteria based on requirements for position and competence model, compliance with competition procedures, feasibility of made decisions, application of position-relevant candidates evaluation methods allowing impersonal decision-making in terms of hiring, non-discrimination, professional, open and respectful treatment of all candidates. Internal candidates have a priority based on succession and talent pool management.

KEGOC ensures equal opportunities for all candidates irrespective of their ethnic origin or race, gender, age, social and family status or other distinctive characteristics.

As of 31 December 2020, the overall proportion of senior management (members of KEGOC's Board of Directors and Management Board) hired from the local population (citizens of the Republic of Kazakhstan) was 91%.

401-1

Personnel Turnover, %

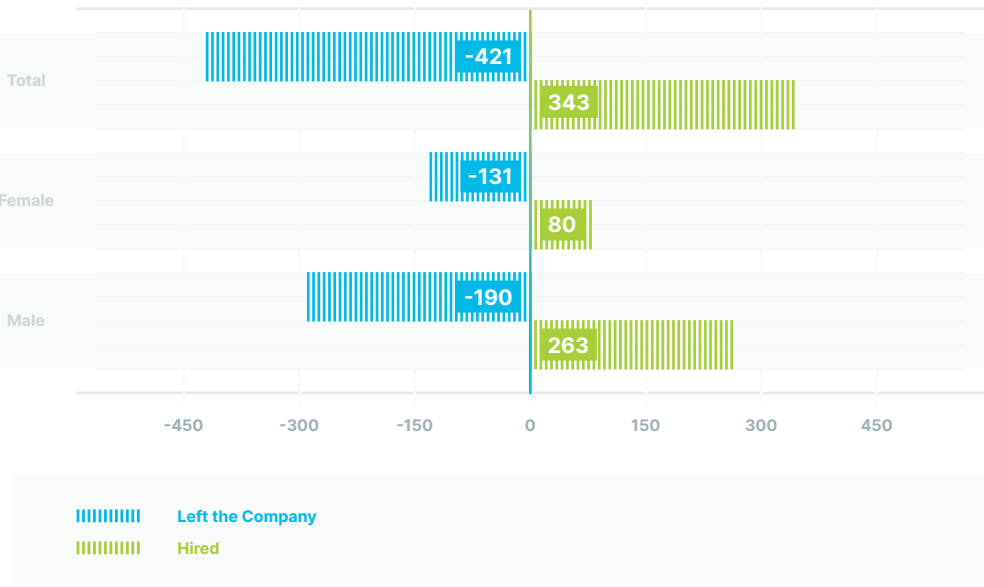


Established threshold

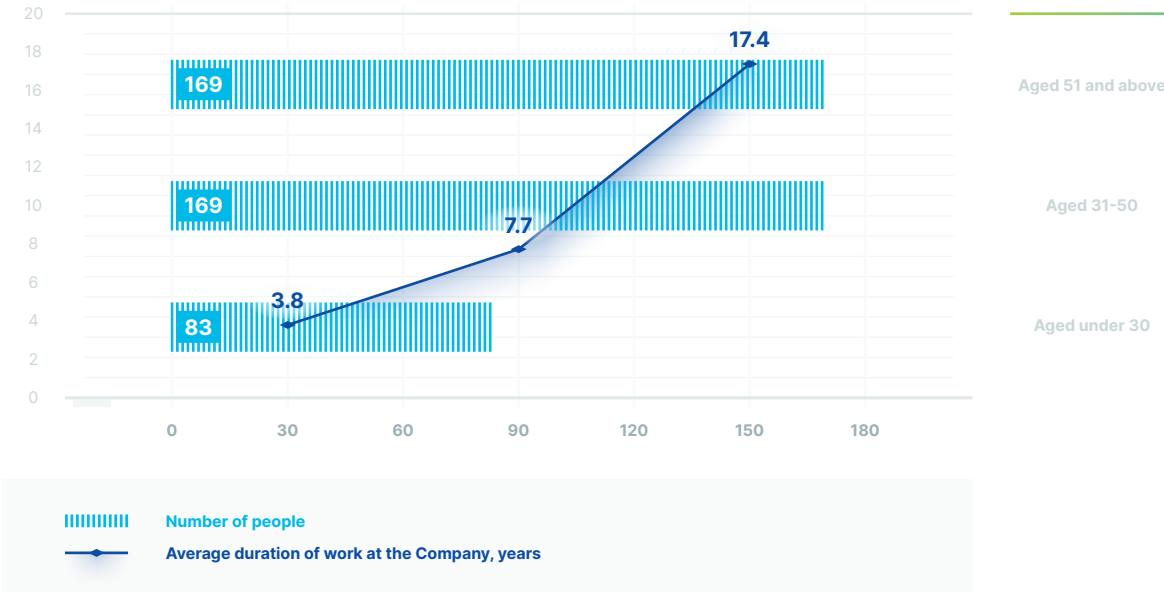
The final value of staff turnover at KEGOC for 2020 was 4.7%, with the threshold value 'not more than 10%'. At that, 4.4% relate to male personnel turnover and 5.5% to female personnel turnover. Average work duration of male employees quitted KEGOC in 2020, was 11.1 years (290 employees), and female employees 10.8 years (131 employees).

401-1

Personnel dynamics in 2020, people



Duration of Work of KEGOC Employees  
who Left the Company in 2020



401-1

Employees eligible to retire in the future as  
of the end of 2020, % of manpower

EU15

Indicator, %	Total	AMP	OP
Eligible to retire within 2021-2025 (within the next 5 years)	10.9	5.3	12.0
Eligible to retire within 2021-2030 (within the next 10 years)	20.9	11.5	22.7



## Incentive System

Labour compensation is paid to the Company's employees in accordance with the laws of the Republic of Kazakhstan, the Collective Bargaining Agreement, employment contracts, internal labour and bonus payment documents.

Since 1 July 2019 the salaries/tariff rates have increased on average by 6% based on the Company employees' performance results.

### KEGOC's labour compensation system

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

The Company provides equal remuneration for men and women, and a single approach in calculating labour payments for men and women in KEGOC's branches located in every region of the country. KEGOC employees' salaries in 2020 exceeded the minimum wage established in Kazakhstan.

### Ratio of entry level standard wage of KEGOC's employees to the minimum wage established in Kazakhstan for 2020

Minimum wage in the Republic of Kazakhstan in 2020, KZT	Minimum wage in KEGOC* in 2020, KZT	Deviation, %
42,500*	64,800**	152.5

\* The minimum wage established since 1 January 2020 according to Kazakhstan Law on National Budget for 2020- 2022 No. 276-VI dated 04 December 2019.

\*\* The minimum wage implies a salary of EnergoInform's cleaner of operational and office buildings.

Average industrial wage in the Republic of Kazakhstan in 2020, KZT	Average wage level in KEGOC in 2020, KZT	Deviation, %
309,989*	396,230**	127.8%

\* According to the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan.

\*\* KEGOC's average monthly wage for 2020

## Social Protection of Employees

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

- Collective Bargaining Agreement;
- KEGOC's HR policy for 2018 – 2028;
- Rules on social support for employees;
- Rules of reward and recognition of merits of employees.

**According to these documents the following types of social support for KEGOC employees are provided:**

1. financial assistance;
2. compensation payments;
3. assistance in housing issues.

In order to create favourable conditions for efficient work and increase loyalty, KEGOC provides social support to the Company's employees: the recreation payment when granting the paid annual leave, on the anniversary date and the birth of child, due to the death of an employee or an employee's family members and the pensioner registered with KEGOC, to pay for the medical treatment of an employee and children – disabled, disabled from childhood irrespective of the group of physical inability and age.

Also, KEGOC pays for the maternity leave and leave for employees who have adopted a newborn child (children), with retained average wage less the amount of social payment for loss of income in connection with pregnancy and childbirth, adoption of a newborn child (children) made in accordance with the legislation of the Republic of Kazakhstan on compulsory social insurance.

# 131

## EMPLOYEES OF KEGOC WERE AWARDED BY THE NATIONAL AND INDUSTRY AWARDS

KEGOC assists its employees in housing matters within the limits of the funds allocated for this purpose in the annually approved income and expenditure budget.

Employees of retirement age are compensated upon their retirement, and the one-time material assistance is provided annually on the professional holiday 'Power Engineers' Day' to the pensioners registered with the Company.

In 2020, the Company assisted in housing issues for 110 employees through partial repayment of housing costs to the total amount of KZT 111.7 million at the expense of KEGOC.

Based on the work results in 2020, 131 employees of KEGOC were awarded by national and industry awards for special merits.

Funds allocated to social support for the Company's employees in 2020 amounted to more than KZT 293.3 million, including financial aid for anniversaries, medical treatment, funeral expenses, etc.

One of the key indicators of KEGOC's HR policy is the personnel engagement index (based on the results of employees questionnaire survey and on-line questionnaire for AMP and the social stability determined among operational personnel. In 2020, the Personnel Engagement Index was 90% and Social Stability Index – 91%, which on the whole indicates favourable social environment and successful social policy implemented in the Company.

401-1

## HR Development

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

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

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

- self-education;
- in-service training;
- short-time off-job training at the advanced training courses of the specialized training centres.

The staff training was conducted using the full range of modern teaching methods – business workshops, seminars, trainings, internships, advanced training, vocational training and retraining programs, forums and conferences. In the reporting year, 2,076 employees were trained, which is 43.9% of the headcount. KEGOC's actual training costs in 2020 amounted to KZT 156.9 million, or 47.0% of the plan, which is 38.9% less than in 2019.

Average training hours for one employee was 23.1 hours, including AMP – 24.1 hours, and OP – 23.0 hours per year.

Average training hours for one male employee – 22.9, one female employee – 26.3 hours.

The total training hours came to 90,122: 82,477 hours for male employees, 7,645 hours for female employees; 9,823 hours for AMP and 80,299 hours for OP.

404-1

To increase the level of professional knowledge and skills of young operating specialists, assist in their professional development, preserve competence of experienced operating employees, adapt to corporate culture, traditions and rules of conduct at KEGOC, the coaching system was introduced.

KEGOC systematically develops the talent pool project: functional and management succession pools of 279 persons have been approved. For 2020, the number of vacant positions for which the talent pool was formed is 196, of which 14 were filled by the employees included in the talent pool.



## Staff Assessment

In order to improve the Company's performance by setting performance requirements, evaluating the achievement of results and providing employees with constructive feedback, staff performance assessment is carried out.

Employee performance assessment is based on the principles of meritocracy, carried out on an ongoing basis (quarterly, annual) and covers assessment by KPIs/goals and competencies (professionalism and potential). The assessment of employee performance also includes calibration against the Talent Distribution Map (9-cell grid).

Depending on the outcome of the performance assessment, the following management and development decisions can be made:

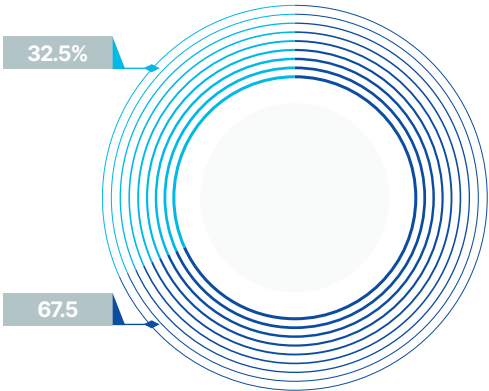
- review of wage level;
- payment of bonuses/remuneration based on the results of quarter/year;
- considering an employee for enrolment in the talent pool;
- further development of the employee.

The number of KEGOC employees who underwent a comprehensive performance assessment of the Company's employees in 2020, based on the results of 2019, was 2,615, or 55.3% of the Company's headcount:

- 1,766 men and 849 women;
- 605 AMP employees and 2,010 OP employees.

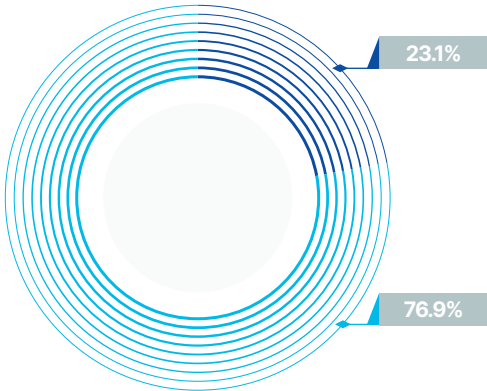
404-3

Gender structure of the certified



Male  
Female

Structure of the certified by categories



AMP  
OP

## Collective Bargaining Agreement and the Trade Union

KEGOC supports freedom of association and recognizes the right of employees to conclude collective bargaining agreements.

The Collective Bargaining Agreement concluded between KEGOC and its employees for 2016-2020 provides for the agreement joining procedures, issues of regulating labour order including social leaves, labour payment, ensuring personnel

safety and occupational health, granting social guarantees and compensations; it specifies measures on support of employees and development of human resources, health insurance and entertainment and leisure events for the employees. Also it reflects the issues of social support for the veterans of the Great Patriotic War and equated persons and long-service power engineers registered in the Company.



The Collective Bargaining Agreement covers all employees of KEGOC (100%), regardless of the type of employment. According to the conditions of the Collective Bargaining Agreement the employer shall notify an employee in writing of the changes in employment conditions no later than fifteen days in advance. The minimum period for notifying an employee of the employment contract termination as a result of reduction in the number of employees or staff size is envisaged by the Collective Bargaining Agreement of the Company and is one month in accordance with the Labour Code of the Republic of Kazakhstan.

102-41

In 2003, the decision of founders meeting established the Trade Union of Kazakhstan energy industry employees which includes KEGOC's employees as members. The main functions of the sectoral trade union are as follows:

- to represent and protect labour and social rights and interests of its members and member organizations;
- to assist in the social partnership system development at the sectoral level;
- to act as social partnership party when concluding the sectoral agreement and collective bargaining agreement.

The Trade Union also influences the labour payment conditions, bonus payments to employees and discipline including disciplinary penalties. The Trade Union is intended to control the compliance with labour legislation, maintenance and implementation of guarantees and compensations, allowances, etc.

In 2020, the Energotekhpromsoyuz took an active part in social initiatives and events aimed at supporting employees, including those related to the COVID-19 pandemic. Thus, it purchased protective equipment

(antiseptics, protective masks), carried out treatment of premises, paid for testing of shift workers. During the year, the trade union members and pensioners received financial aid at their request for medical treatment, purchase of medicines, and compensation for sanatorium-resort vouchers and recreation at holiday homes.

## Volunteering

Corporate volunteering became especially important for KEGOC during the quarantine period.

During the state of emergency in the country, all divisions launched a volunteer campaign under the single slogan **#KEGOCBirgemiz** and held a number of events to support people in difficult situations, including in accordance with KEGOC's Youth Council Action Plan for 2020-2022. The Company's employees regularly provided assistance in the form of food baskets, medicine or financial support.

congratulations, delivery of food baskets to veterans, and provided assistance on individual requests for household chores: made minor repairs, assisted in purchasing mobility aids, etc.

**The overall campaign covered 319 pensioners and 58 low-income and single-parent families in the regions.** In addition, KEGOC employees cleared from snow the areas of the Gauhar and Almaty-2 kindergartens in Nur-Sultan. Supported by Energotechprofsoyuz, the Company also provided financial support to 59 KEGOC's veterans and equated persons in the amount of more than 5 million tenge. Additionally, on the eve of the Victory Day, the Company through the Youth Council participated in

**Other actions and activities carried out this year should be noted, relating to help and support to those in need in the regions and within the Company. These include:**

- in early June, together with the organisers of the National Volunteer Network, helped to distribute food (200 baskets) to families in dire need in the capital;
- the Almatinskiye MES branch personnel organised proactive humanitarian aid to 18 families in need in Taldykorgan. The volunteers assembled a balanced basket of food, household basic necessities and delivered them to the homes of the families;
- in the Severnyye MES branch, provided financial support to a fire-affected colleague;
- in the Zapadnyye MES branch, young people organised the sewing and distribution of protective masks in the workplace;
- in the Aktyubinskiye MES branch, raised and provided humanitarian aid to flood-affected people in the Turkestan Oblast;
- in the Almatinskiye MES branch, on the eve of the International Women's Day, visited the patients of the Oncological Center giving small gifts and congratulations. Also during the quarantine period, the young people of the branch raised funds for the purchase and further distribution of protective masks;
- on 31 July, the Company's employees took part in a volunteer campaign of Samruk-Kazyna's portfolio companies dedicated to the Kurban Ait celebration: food baskets were provided to 11 large and low-income families;
- KEGOC's Youth Council donated 25 computers to School No. 35 in the capital;
- in August, volunteer activists of the Yuzhnyye MES branch joined the Road to School campaign organised by the Meiryym Shuagy public foundation. Seven schoolchildren from large and low-income families in Shymkent were provided with school supplies;
- on 1 October, KEGOC took part in a charitable event to mark the International Day for the Elderly. Employees from different Samruk-Kazyna portfolio companies gathered to form food baskets and deliver them to veterans and pensioners in the capital;
- on 9 November, in Nur-Sultan, the Executive Administration and Akmolinskiye MES branch employees took part in the annual Becoming a Donor, You Save Lives campaign;
- on 16 November, the Company's employees provided financial aid to a large family who found themselves in a difficult life situation after a fire;
- in November and December, as part of the Share the Warmth campaign, volunteers from the Yuzhnyye MES branch provided coal to families in need; volunteers from the Akmolinskiye MES branch and Executive Administration took part in the delivery and unloading of coal to the homes of single elderly people and large families in the capital who were in need of help;

- on 22 December, the Company's volunteers held the Magic Christmas Tree! campaign to support 11 young patients at the oncology centre in the capital. According to the children's wishes, gifts and sweet treats were purchased and letters from KEGOC employees were prepared with words of support and wishes for a speedy recovery;
- on 24 December, volunteers and active young people from the Tsentralnye MES branch together with the Ayala Foundation packed 5 tonnes of food into food boxes for 200 low-income families in Karaganda;
- on 25 December, the Company volunteers took part in the CompforChildren campaign to distribute 31 computers and 14 printers to large families in Nur-Sultan and Almaty.

In 2020, draft Collective Bargaining Agreement for 2021-2025 was developed between KEGOC and the Company employees, which was widely discussed in the collective and on 28 December 2020 it was adopted at the trade union conference of KEGOC employees.

In 2020, the Energotekhpromsoyuz was actively involved as a member of the working group of the Ministry of Labour and Social Protection of the Republic of Kazakhstan in the development of the drafts Social Code of the Republic of Kazakhstan and the draft General Agreement.

In 2021, as a member of the sectoral commission, our trade union will participate in the development of the Sectoral Agreement for 2021-2023 and work together in a working group to amend the Labour Code and the Trade Unions Law of the Republic of Kazakhstan.

# Occupational Safety



The Company's absolute priority  
is to ensure occupational  
health and safety.

Safe labour conditions, low-level of operational injuries, improved operational and sanitary-household and labour conditions of the employees, as well as low-level impact of harmful and adverse factors are the constant development priorities of the Company.

The Company has the Occupational Health and Safety Management System, which covers the activities of all the Company's structural divisions and subsidiaries, which ensures the effectiveness and improvement of occupational health and safety performance and managing the relevant risks related to the specific nature of the Company's business. The annually formed Occupational Health and Safety Programme defines the necessary activities, costs and deadlines for their implementation.

The Company has successfully implemented and passed certification for compliance with the international standard ISO 45001:2018.

403-1 | 403-8





KEGOC  
JOINED  
THE UN GLOBAL  
COMPACT

2013

In accordance with the requirements of the legislation of the Republic of Kazakhstan, KEGOC provides its employees with compulsory occupational injury insurance.

In accordance with the requirements of the legislation of the Republic of Kazakhstan, each branch has established the Occupational Health and Safety Services whose tasks include carrying out organisational and technical measures on occupational health and safety, organising and implementing internal control on occupational health and safety, monitoring employees' compliance with the requirements of regulations on occupational health and safety, etc.

403-3

KEGOC and its branches, with the participation of employer and employee representatives on a parity basis, established the occupational health and safety councils to bring the employer and employees together to ensure health and safety at workplaces and appointed technical inspectors participating in inspections of conditions, safety and health at workplaces.

At least once a quarter, the council reviews employees' proposals for improving health and safety and outlines measures to be taken by the employer and employees.

403-4

The risks to which workplaces are exposed are annually identified and assessed. This assessment results in the risk register and the list of significant occupational health and safety risks along with measures to reduce the risks.

102-15

The Company employees at least once every three years, undergo all types of compulsory training on occupational health and safety and qualification tests of knowledge of regulatory power industry acts. In 2020, additional training on emergency assistance using defibrillators, training on the new international standard ISO 45001:2018 and training of vehicle drivers on safe driving techniques in extreme conditions were conducted.

403-5

Mandatory pre-shift medical examinations of employees engaged in heavy work and work in harmful and/or hazardous conditions, as well as pre- and post-shift medical examinations of drivers are carried out. There is also an annual periodic medical examination of personnel.

The Company's branches held Health Days where the medical specialists consulted the employees.

No occupational diseases were detected at the Company in 2020.

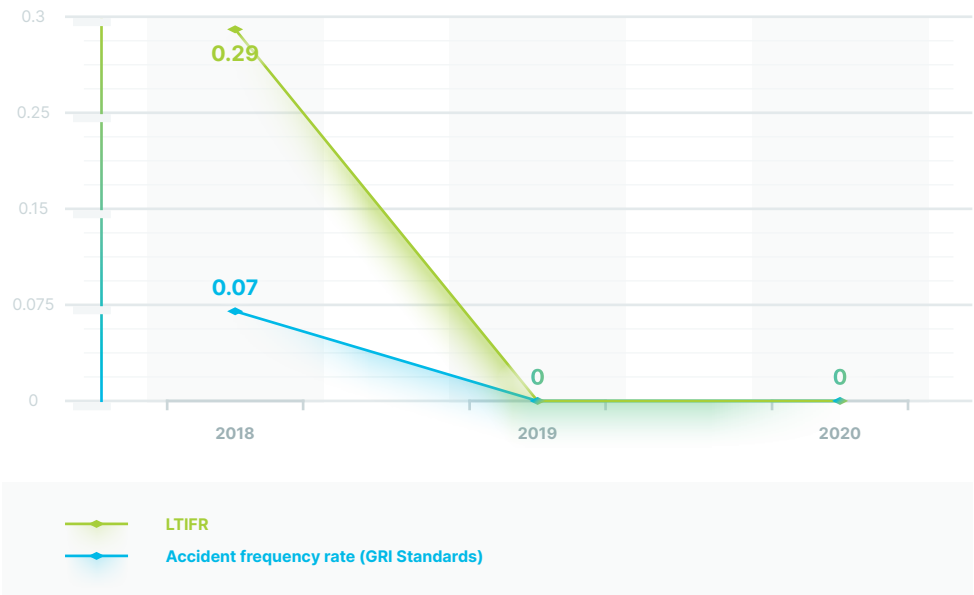
KEGOC uses the Lost Time Injury Frequency Rate (LTIFR) to assess the safe working conditions. The LTIFR is the world's main indicator of companies' occupational safety and health performance. This indicator refers to the number of lost-time injuries (LTI) relative to the total number of hours worked for the Company (Work Hours, WH) for 1 million man-hours. The joint actions on commitment to the occupational safety principles from ordinary employees to top managers of the Company and measures to improve safety conditions made it possible

for the Company, over the last two years, to achieve a 'zero' level of injury to workers; and the LTIFR for 2020 made '0' (0 in 2019).

403-9

No fatalities or work-related accidents were registered in the Company in 2020.

Occupational Safety Indicators



403-9

## WORK WITH CONTRACTING ORGANIZATIONS

While works at KEGOC's facilities are performed by contracting organizations, the Company is responsible for ensuring safety of their workers. KEGOC's contracts with contracting organizations include obligations on full compliance with the requirements of Kazakhstan laws and KEGOC's internal documents on occupational health and safety when performing works and rendering services.

Kick-off meetings are held with contracting organizations prior to the start of works. Work permit is carried out at the work place. Before being admitted to the workplace all employees of contracting organizations (100%) are provided with briefings. Particularly, the work supervisors are provided with the briefing on electrical installations circuits. Employees who have daily admittance are provided with a target safety training, which specifies security measures, hazardous and harmful occupational factors existing on the Company's site.

During works performance and services rendering at facilities, KEGOC carries out internal inspection on compliance of contracting organizations' personnel with the requirements of regulatory legal acts of the Republic of Kazakhstan and internal documents of KEGOC and assesses the contracting organizations' occupational health and safety performance.

## EMERGENCIES AND DISASTERS RESPONSE ACTION PLAN

EU DMA

The Company has introduced the business continuity management system that defines business processes/subprocesses requiring the BCM plans. In 2020, work was carried out to identify critical business processes/subprocesses of the Company for which the BCM plans were developed and tested, in particular, to provide technical dispatching services of the system operator, ensure occupational safety and equipment reliability, provide and support information and telecommunication services, manage information security incidents and carry out KEGOC activities in case of emergency.

The BCM plans are represented by Accident Response Plan for operational business processes, the Emergency Action Plan typical for the Executive Administration and its branches for large-scale emergencies and BCM plans for each critical business process for other activity areas.

The Accident Response Plan is the organizational reference document establishing the object, scope and sequence of actions performance in case of emergency and responsibility for the actions to be enabled and delivered. This plan is tested as regular emergency and fire fighting trainings.

The Emergency Action Plan reflects actions to be taken at the threat of and on elimination of the consequences of an emergency specifying the periods and



duration of works to be done. The most common emergency at the Company's facilities may be a fire caused by failure to keep up to fire-fighting measures or emergency situations. The Emergency Action Plan also includes actions to be taken at the threat of terrorist acts causing the death of people, significant property damage or other severe consequences. The Company puts into action communication plan, fire warning and extinguishing plan being a part of the Emergency Action Plan for the employees to be timely notified in case of emergency and the emergency to be eliminated.

The Company takes part in annual national command-staff exercises, delivers facility-based exercises and earthquake exercises (South, East, West) to check the readiness for possible emergency responses. These exercises verify the completeness of plans, coherence of civil defence divisions, action of forces and resources during emergency recovery works.

There were also monthly sessions in the Executive Administration structural divisions, ending at the end of the year with a test to consolidate the knowledge.

Company's Civil Defence and Emergency Actions in 2020

Description of the Action	Actually delivered
National command-staff exercises	2
Staff exercise	4
Facility-based exercises	2
Special tactical exercises with civil defence divisions	2
Earthquake exercises	4
Online national and oblast emergencies and civil defence training course	32

In 2020, as in the previous ten years, there were no fires or ignitions at KEGOC as a result of the ongoing fire safety work.

# Environ- mental Protection



## Environmental Policy

KEGOC considers environmental activities as an integral part of its day-to-day operations. Environmental responsibility is a key principle of KEGOC Environmental Policy.

The goals of KEGOC Environmental Policy are to minimize adverse environmental impact, increase the level of environmental safety, take responsibility for environmental security of Kazakhstan National Power Grid development, promote energy saving and rational use of environmental and energy resources in the Company's activities. KEGOC's management takes the responsibility for implementation of obligations taken in accordance with Environmental Policy on continuous

improvement and pollution prevention, as well as obligation to meet applicable legislative and other requirements related to KEGOC in terms of its environmental aspects. All employees of the Company as well as employees of contractors working for the Company's interest review KEGOC's Environmental Policy.



KEGOC LAUNCHED THE BUSINESS  
TRANSFORMATION PROGRAMME  
TO ENHANCE THE PERFORMANCE OF  
THE COMPANY'S OPERATIONS

2015

The Company implemented the environmental management system, which is certified for compliance with the requirements of international standard ISO 14001. The system operates as part of KEGOC's integrated management system. The main objective of its implementation and operation is to apply new management methods that would enhance the influence on the environmental aspects of the Company's operational and economic activities. The environmental aspects management is a component of KEGOC's corporate risk management system.

KEGOC's registers of environmental aspects for 2020 were developed for effective management. When identifying the aspects, all components of the environmental impact of the Company's activities are analysed (energy saving, water, soil, emissions, waste). Activities to manage environmental aspects are specified in the Company's Environmental Program for 2020. 'Potential poly-chlorinated biphenyls

(PCB) containing waste', 'transformer oil' and 'waste transformer oil' were identified as critical environmental aspects in 2020. The 'potential PCB-containing waste' aspect is critical due to the fact that the polychlorinated biphenyl is a dangerous substance according to the Environmental Code of the Republic of Kazakhstan (red hazard level). The 'spent transformer oil' and 'transformer oil' aspects are critical due to the existence of oil-filled equipment.

102-15

Financial or non-financial sanctions or fines for non-compliance with environmental laws and regulations were not imposed on KEGOC in 2020.

No appeals were received by the Company in connection with the environmental impact.

102-44

## Ambient Air Protection

According to the standards, the MES branches identified stationary sources of harmful emissions (both organized and unorganized emission sources). In order to monitor emissions from stationary sources, the MES branches conducted in 2020 the operational monitoring (monitoring of the operating process), namely, kept records of hours of operation for each item of equipment and consumption of

materials. The environmental monitoring of operations conducted by qualified organisations determine stationary source emissions through calculations or laboratory measurements.

In 2020, the volume of gross emissions of contaminants from stationary sources amounted to 9.34 tonnes (the established standard was 11.63 tonnes).



Emissions from stationary sources in 2020

Name of KEGOC's MES branch	Emissions from stationary sources, t/y	
	Standard	Actual
Akmolinskiye MES	0.93	0.55
Aktyubinskiye MES	0.31	0.10
Almatinskiye MES	0.73	0.73
Vostochnye MES	1.42	1.42
Zapadnye MES	0.84	0.50
Sarbaiskiye MES	0.68	0.68
Severnye MES	1.23	0.13
Tsentrálne MES	5.18	5.18
Yuzhnye MES	0.30	0.05
Total	11.63	9.34

Thus, gross emissions from stationary sources (with regard to standard rate) dropped by 20%. The fact of the reduced emissions (Akmolinskiye MES, Aktyubinskiye MES, Almatinskiye MES, Zapadnye MES, Severnye MES and Yuzhnye MES branches) was supported by the findings of the environmental monitoring that was conducted by the specialized organisations.

According to the UN Framework Convention on Climate Change, Kyoto Protocol, Paris Agreement and environmental laws of the Republic of Kazakhstan, the MES branches made an inventory of greenhouse gases emitted as a result of the Company operations in 2019. Greenhouse gas emissions from stationary sources and mobile sources equated to stationary

sources were calculated. The 2019 reports on inventory of greenhouse gases were sent to and registered at the territorial environment departments.

102-12

In accordance with the Resolution of the Government of the Republic of Kazakhstan ‘On approval of the list of greenhouse gases subject to state regulation’, the list includes carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O) and perfluorocarbons (PCFs).

Following the results of inventory of greenhouse gases emitted by stationary sources, emissions amount to 154.47 tonne carbon dioxide equivalent a year, in this connection KEGOC does not fall within the requirements for greenhouse gas cap-and-trade according to the National Plan

for Greenhouse Gas Quota Allocation for 2018-2020.

Greenhouse gas emissions from stationary sources of KEGOC in 2020

CO <sub>2</sub> , tonne	CH <sub>4</sub> , tonne carbon dioxide equivalent	N <sub>2</sub> O, tonne carbon dioxide equivalent	Total emissions in the tonne carbon dioxide equivalent
154.4	0.0022	0.06542	154.47

According to the Code of the Republic of Kazakhstan on Taxes and Other Mandatory Payments to the Budget the emissions from mobile sources shall not be measured, reports specify the amount of the used fuel. The vehicles were tested for toxicity and opacity of exhaust gas.

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

EU5

Waste Management

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

At KEGOC, all wastes are divided according to the:

- 1. type: industrial and municipal wastes (solid domestic wastes) generated in the course of life activity;
- 2. hazard level (according to the Environmental Code of the Republic of Kazakhstan):
  - 'green' – G index (non-hazardous);
  - 'amber'– A index (hazardous);
  - 'red' – R index (hazardous).

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

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

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

Waste Volume in KEGOC Divisions

Indicator, tonnes	2020
‘green’ – G index	5,042.86
‘amber’ – A index	74.25
‘red’ – R index	–
Total	5,117.11

The work on detection of PCBs in the equipment at KEGOC substations continued in 2020; this work was performed in accordance with the Law of the Republic of Kazakhstan on Ratification of the Stockholm Convention on Persistent Organic Pollutants and Rules for Handling of Persistent Organic Pollutants and Wastes Containing such Pollutants (approved by order of Kazakhstan Minister for Environment Protection). The MES branches updated the PCBs containing equipment registers; the registers were submitted to the territorial environmental authorities within the established deadlines.

In 2020, the planned and conducted laboratory analyses for the presence of PCBs in the oil-filled equipment of Akmolinskiye MES branch, Vostochnye MES branch, Severnye MES branch, Tsentralnye MES branch and Yuzhny MES branch detected no PCB.

## Water Impact

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

Potential sources contaminating water and soil at the Company's facilities include transformer oil used in oil-filled equipment, as well as waste waters resulting from domestic use of water. Environmental friendliness is one of high-priority criteria for KEGOC to select an equipment. The Company smoothly replaces oil circuit breakers with SF6 and vacuum circuit breakers to reduce the volume of transformer oil used at the MES branches substations. The oil free equipment increases reliability and fire safety and excludes pollution of ground water and soil. The oil-filled equipment has oil receiving devices or oil soak pits that prevent oil from spilling on the soil. The containment of oil receiving devices is checked on regular basis.

## Environmental Actions during Investment Projects Implementation

The Company addresses the environmental issues in a comprehensive way when implementing projects, including investment projects. PESTEL analysis is used to analyse the risks of project implementation, including analysis of social and environmental risks. The results of the conducted environmental impact assessment are taken into account, and the option that does the least harm to the environment and human health is adopted. Identification and assessment of project risks are carried out on a regular basis and at all stages of project implementation. The impact on atmospheric air, surface and groundwater, landscapes, land resources and soil cover, biodiversity and more is estimated.

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

102-11

## Energy Efficiency

The main objectives of energy saving and efficiency improvement at KEGOC is to reduce the consumption of fuel and power resources through reduction of auxiliary energy consumption by KEGOC facilities, reduction of technical electricity loss while transmitting via the national power

grid, improvement of the methods used for monitoring of energy consumption, and provision of the Company's facilities with electricity meters and other devices for metering of fuel and power resources, organisation of the information acquisition processes based on the metering devices.

Consumption of Fuel and Energy Resources in 2020, GJ<sup>1</sup>

Electricity	10,155,056.34
Heat power	81,395.58
Fuel	114,064.86
including	
motor gasoline	44,767.94
diesel fuel	65,250.37
natural gas	3,911.25
liquefied gas	135.30
Total	10,350,516.77

<sup>1</sup> When converted to Joule, the international system of units (SI) was used.

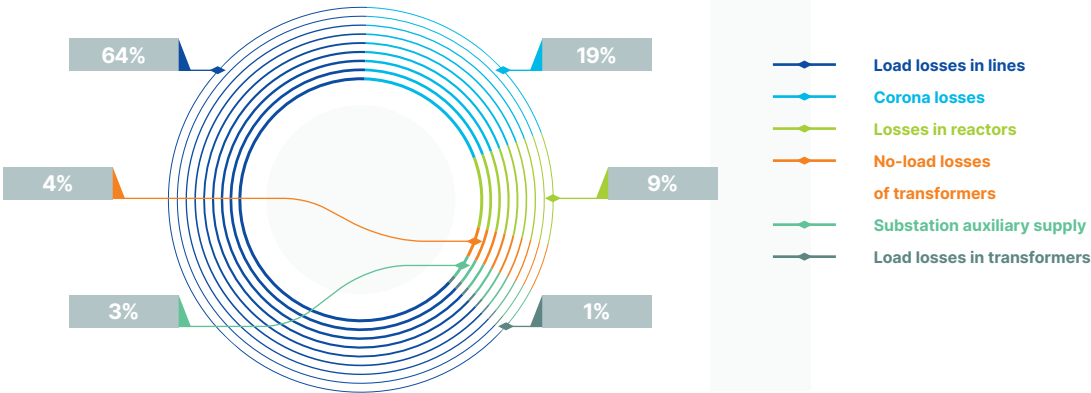
**Consumption of fuel and energy resources decreased by 360,105 GJ in 2020 compared to 2019.**

The most effective, in terms of reducing the energy consumption, are the measures on reduction of technological consumption of electricity in transmission lines.

The electrical power system of Kazakhstan is defined by large concentration of powerful

energy sources in the North and long length transit lines (about 1,000 km) (main transits include Kazakhstan North – South transit and Pavlodar oblast – Aktobe oblast transit): this is due to the vast territory of Kazakhstan and materially affects the level of technical losses. Also technical losses in KEGOC grid depend on the operation modes of neighbouring states' power systems (electricity transit, export and import) and climatic conditions.

KEGOC's Technical Losses  
Structure for 2020



The technical losses in KEGOC networks in 2020 amounted to 2.792 billion kWh or 6.0% of electricity supply to the grid based on the metering devices.

EU12

It should be understood that technical loss of electric power means the loss of electric power resulting from the physical processes in conductors and electrical equipment which occur during the electricity transmission

across transmission lines. Thus, the main goal of planning and taking the measures on reduction of electric power losses is to bring the actual amounts of technological loss to its optimal level.

Due to measures on electricity loss reduction implemented, in 2020 the reduction of electricity consumption amounted to 4.261 million kWh.

Activity	Outcomes	
	million kWh	GJ
Line tripping under low-load conditions	0.254	916
Shutdown of power transformers under low load conditions	4.006	14,422
Total for KEGOC	4.261	15,339

302-4



# Contacts

Kazakhstan

Electricity Grid

Operating Company

(KEGOC) joint-stock company

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REGARDING KEGOC'S  
ANNUAL REPORT:

102-53

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# Glossary

<b>AFPC</b>	Automatic Frequency and Power Control
<b>AMP</b>	Administrative and managerial personnel
<b>BCM</b>	Business continuity management
<b>Branches</b>	KEGOC branches: MES and NDC SO
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CHPP</b>	Combined heat and power plant
<b>CIS</b>	Commonwealth of Independent States
<b>Company</b>	KEGOC JSC
<b>COSO ERM</b>	COSO Enterprise Risk Management
<b>CRMS</b>	Corporate risk management system
<b>CRNM</b>	Committee on Regulation of Natural Monopolies
<b>EA</b>	Executive Administration
<b>EBITDA</b>	Earnings before Interest, Taxes, Depreciation and Amortization
<b>ENS</b>	Energy Not Supplied
<b>FOCL</b>	Fiber-optic communication line
<b>FS</b>	Feasibility study
<b>FSC RES</b>	Financial Settlement Centre for Renewable Energy Sources LLP
<b>Fund</b>	Samruk-Kazyna Fund
<b>GRI</b>	Global Reporting Initiative
<b>GRES</b>	State regional power plant
<b>GTPP</b>	Gas-turbine power plant

<b>HPP</b>	Hydro power plant
<b>IAS</b>	Internal Audit Service
<b>ICS</b>	Internal Control System
<b>IFRS</b>	International financial reporting standards
<b>IMS</b>	Integrated Management System
<b>IPO</b>	Initial Public Offering
<b>IPS</b>	Integrated power system
<b>IS</b>	Information security
<b>ISMS</b>	Information security management system
<b>ISO</b>	International Organization for Standardization
<b>JSC</b>	Joint-stock company
<b>KASE</b>	Kazakhstan Stock Exchange
<b>KEGOC JSC</b>	Kazakhstan Electricity Grid Operating Company (KEGOC) joint-stock company
<b>KPI</b>	Key performance indicator(s)
<b>kV</b>	Kilovolt
<b>kWh</b>	Kilowatt-hour
<b>LLP</b>	Limited liability partnership
<b>LTIFR</b>	Lost Time Injury Frequency Rate
<b>MES</b>	Interconnection Electric Networks, KEGOC branches
<b>MVA</b>	Megavolt-ampere
<b>MW</b>	Megawatt
<b>NAV</b>	Net asset value

<b>NDC SO</b>	National Dispatch Centre of the System Operator, KEGOC branch
<b>NPG</b>	National Power Grid
<b>NRC</b>	Nomination and Remuneration Committee
<b>OHS</b>	Occupational health and safety
<b>OHTL</b>	Overhead transmission line
<b>OP</b>	Operational personnel
<b>PCB</b>	Polychlorinated biphenyl
<b>PVPP</b>	Photovoltaic power plant
<b>R&amp;D</b>	Research and development
<b>RDC</b>	Regional Dispatch Centre
<b>REC</b>	Regional electric network company
<b>RES</b>	Renewable energy sources
<b>RMS</b>	Risk Management System
<b>ROACE</b>	Return on Average Capital Employed
<b>Samruk-Kazyna JSC</b>	Sovereign Wealth Fund Samruk-Kazyna joint-stock company
<b>SAP</b>	Systems Applications and Products
<b>SCADA</b>	Supervisory Control and Data Acquisition
<b>SML</b>	System minutes lost
<b>SPCGC</b>	Strategic Planning and Corporate Governance Committee
<b>SS</b>	Substation
<b>TPP</b>	Thermal power plant

UN	United Nations Organization
UPS	Unified Power System
USAID	United States Agency for International Development
VAT	Value-added tax
WAMS/WACS	Wide Area Management System and Control
WEC	World Energy Council Executive Assembly
WWP	Work without problems

# Appendices



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KEGOC HELD  
THE FIRST ANNUAL  
GENERAL MEETING OF  
SHAREHOLDERS

2015

# Appendix 1. About the Report

This KEGOC Annual Report 2020 is  
a comprehensive review of the Company's  
activities in all key areas including  
sustainability development.

The information on sustainable development activities is presented in the form and volume in which KEGOC has traditionally presented it for twelve years (since 2009). The Company continues the practice of releasing information on sustainable development on an annual basis.

102-52 | 102-50

The previous KEGOC's Sustainability Report 2019 included in the Annual Report 2019 was approved by KEGOC's Board of Directors and published in April 2020. All the Company's reports are available on KEGOC's official website.

102-51

Since 2011, KEGOC has annually engaged an independent external party to confirm the compliance of the reports information with the GRI Standards. In 2020 the Company did not engage an independent party to audit this Report due to significant changes in the requirements of the Listing Rules of the Kazakhstan Stock Exchange (hereinafter – the Listing Rules) for disclosure of information in its annual report. In the future, KEGOC, as far as possible, will continue the practice of independent certification of sustainability reports.

102-56

The report boundaries in terms of sustainability have not changed compared to the previous report: KEGOC prepared this Report at the corporate level: the data in this Report include the data of KEGOC's subsidiaries, i.e. EnergoInform JSC and the Financial Settlement Centre for Renewable Energy Sources Support LLP.

102-45 102-49

The GRI 403 Occupational Health and Safety aspect and the corresponding indicators in this Annual Report are disclosed in accordance with the GRI-403 standard amended in 2018.

102-48

The sustainability information included in this Report was prepared in accordance with the GRI Standards ('Core Option') and describes the relevant activities of the Company from 1 January to 31 December 2020.

102-54

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

## SUSTAINABLE DEVELOPMENT GOALS (SDGs)



This Report contains information confirming KEGOC's commitment to the principles of the UN Global Compact, as well as information on the work on the sustainable development goals adopted by all UN member states in 2015 as part of the 2030 Agenda for Sustainable Development.

102-12

We believe that the main contribution of any business to the achievement of the SDGs lies in employment opportunities, taxes and socio-economic development, as well as in respect for the environment. In addition, real and long-term positive changes can be achieved only by taking into account the management of our environmental impact (in a broad sense), focused response, cooperation with key players and stakeholders and the expansion of our efforts.

Each year we will report on work on specific SDGs that have the strongest links to our work. In addition, we analyse areas where we have the greatest potential to make a difference. We look at where negative impact can be, and also look for directions where we

have unique opportunities for making positive changes together with interested parties. The evaluation analyses factors such as the relevance of goals and objectives for our value chain, compliance with our aspirations to develop responsibly and sustainably, our ability to use our skills, competencies and resources to stimulate change, and the importance of issues for our stakeholders.

The key highlighted SDGs for this year on which work has been carried out are shown below.



COMPLIANCE WITH THE PRINCIPLES  
OF THE UN GLOBAL COMPACT



Principles of the Global Compact	page
<b>Human Rights Principles</b>	
<b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights.	141, 148, 166
<b>Principle 2:</b> Businesses should make sure that they are not complicit in human rights abuses.	141, 148, 166
<b>Labour Principles</b>	
<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	161
<b>Principle 4:</b> Businesses should uphold the elimination of all forms of forced and compulsory labour.	148
<b>Principle 5:</b> Businesses should uphold the effective abolition of child labour.	148
<b>Principle 6:</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.	146-148
<b>Environment Principles</b>	
<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges.	172
<b>Principle 8:</b> Businesses should undertake initiatives to promote greater environmental responsibility.	172
<b>Principle 9:</b> Businesses should encourage the development and diffusion of environmentally friendly technologies.	180
<b>Anti-Corruption Principles</b>	
<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.	128, 143, 210



## PRINCIPLES OF REPORT PREPARATION

In preparing the part of the Annual Report related to reporting on sustainable development activities, the Company applies the following principles:

<b>Significance</b>	KEGOC covers the Company's significant impacts on the economy, environment and society. For the purpose to identify most relevant sustainability-related topics to be disclosed, KEGOC analysed the materiality including questioning the external and internal stakeholders: consumers, employees and shareholders of KEGOC.
<b>Stakeholder Relations</b>	The Company receives a feedback upon the sustainability reports publication through different channels including publications and messages by emails and telephones given in the Contact Information. The gathered comments and recommendations are taken into account in preparing the regular report.
<b>Sustainability context</b>	The data in the Report are given in the context of sustainable development defined by KEGOC's Corporate Governance Code including three pillars, namely: economic, environmental and social. KEGOC's Development Strategy defines the sustainability goals, objectives, main initiatives and strategic KPIs, the information on their achievement in 2020 is included in this Report.
<b>Completeness</b>	This Report includes information on operations of all KEGOC's intersystem electric networks branches (MES branches), the National Dispatch Centre of the System Operator branch (NDC SO), the Executive Administration, and subsidiaries with regard to all significant sector-specific impacts on the economy, environment and society. In some cases, in order to avoid duplication of information, links to KEGOC's website or publicly available documents are provided.
<b>Balance</b>	This Report reflects the positive and negative of KEGOC's performance. This Report discloses the dynamics of some indicators for the last three years.
<b>Comparability</b>	This Report was prepared in accordance with GRI Standards allowing the stakeholders to compare KEGOC's activities with the other organizations.
<b>Accuracy and reliability</b>	This Report's information is collected based on documented data, and the Report sections relating to economy were prepared based on audited financial statements drafted in accordance with the IFRS.
<b>Timeliness</b>	This Report is prepared on a scheduled basis, published in the second quarter of the year following the reported year.
<b>Clarity</b>	KEGOC seeks to make this Report understandable and accessible to a wide range of stakeholders.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

To achieve the Company's strategic goals, it is important to:

- have an effectively functioning policy of interaction with stakeholders;
- achieve openness and mutually beneficial cooperation with all interested parties;
- achieve an understanding by stakeholders of the measures taken by the Company to minimize and eliminate all real risks in the implementation of the Development Strategy;
- create for interested parties a reliable source of information about the activities of the Company and ensure prompt delivery of reliable information about KEGOC's activities to target groups of stakeholders.

KEGOC determined the groups of stakeholders identified jointly with all structural divisions of the Company, as well as the degree of their influence on the achievement of the Development Strategy goals and the exposure to the impact of the Company's activities on them on a five-point scale. At the same time, when summarizing the analysis, special attention was paid to the opinions of 'experts' that is structural units that directly interact with specific groups of stakeholders.

KEGOC is engaged in continuous open dialogue with them and regularly discloses information relating to KEGOC, including sustainability. The Company approved a Stakeholders Map, a Communication Strategy that defines the main channels of interaction, as well as a Communication Plan with all interested parties, which is developed annually in support of the Development Strategy implementation.

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### Stakeholders Map



## Stakeholder Relations

102-40 102-43

Stakeholders	Principles of engagement	Engagement channels
<b>1. Shareholders</b>	The Company's activity on interaction with shareholders is aimed to protect and respect the rights and legitimate interests of shareholders envisaged by KEGOC Corporate Governance Code and Charter.	Publication of the Company's annual and interim reports, information on corporate events, transactions, information on holding general meetings of shareholders, meetings with the investment community, responses to inquiries. From 1 January to 31 December 2020, there were no claims from the shareholders in relation to activities of KEGOC and its officers.
<b>2. Funding groups</b>	The Company timely and fully fulfils its financial liabilities to investors and seeks for long-term cooperation based on mutual trust.	Publication of annual and interim reports of the Company, submission of periodic reports to international financial institutions (IFI) and information on requests, meetings, missions and visits of the IFI delegations under implemented projects through loan proceeds, and placing information on web-site.
<b>3. Authorities and supervisory bodies</b>	Being a strategic company in the Republic of Kazakhstan and a natural monopoly, KEGOC realizes its responsibility to the state and seeks to fulfil legal and ethical obligations, as well as observe the laws.	Regular reporting, participation in the development of legal acts, programme and sector documents, working meetings, replies to requests, operational meetings.
<b>4. Professional and expert organizations, public organizations, mass media</b>	KEGOC is a member and participant of international, regional and national sectoral organizations, and focuses on integration deepening mechanisms and coordinated power sector development strategy in the Republic of Kazakhstan and beyond. The Company furnishes creation of goodwill and positive image in mass media through engagement and disclosure of information based on urgency, accuracy, accessibility and harmony principles.	Active participation in energy organizations activity; elaboration of programme and sectoral documents and initiatives, public hearings on investment projects, disclosure of information on the activity on website and in mass media, replies to requests, conducting briefings and press conferences.

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Stakeholders	Principles of engagement	Engagement channels
<b>5. Suppliers</b>	During procurement of goods, works and services the Company relies on the following principles: publicity and transparency of procurement process; purchase of qualitative goods, works and services; granting to all potential suppliers equal opportunities provided that disabled people organisations are supported; fair competition among potential suppliers; control and responsibility for taken decisions; minimizing participation of mediators in procurement process.	Fulfilment of contractual obligations, preliminary discussion of draft tender documentation with potential suppliers, informing of procurement activities.
<b>6. Consumers</b>	The Company has implemented and adheres to the consumer-oriented principle, has established and secures the mechanism for defining and meeting the consumer requirements.	Regular assessment of customer satisfaction, public hearings, annual report to consumers, meetings with consumers, publication on website of spare capacities access and availability in operations areas.
<b>7. Staff</b>	The Company respects and appreciates its employees; it is oriented at needs of the employees, seeks to provide safe labour conditions, adequate level of labour payment and social allowances, professional training and advancement to its employees.	Reporting meetings of management with the staff at year-end and for future plans, questioning the staff on topical issues, informing and getting feedback through internal portal, annual social stability and personnel engagement research, institute of ombudsman, and hotline.
<b>8. Subsidiaries</b>	The Company seeks for balanced development of subsidiaries based on efficient corporate governance mechanisms.	The interaction is within corporate procedures. KEGOC governs through the representatives in subsidiary governing bodies and renders methodological support to the subsidiaries activity.
<b>9. Powers systems in neighbouring states</b>	The Company strives for mutually profitable and efficient cooperation with the Russian Federation and Central Asian countries to ensure parallel operation of the power systems in the Republic of Kazakhstan and neighbouring countries.	Meetings on a regular basis (Central Asia Coordination Electric Power Council, CIS Electric Power Council, Eurasian Economic Union, etc.), coordination of power systems operation modes and regulatory documentation.

MATERIALITY ANALYSIS

The Company's Annual Report seeks to reflect the relevant and material information for stakeholders. For the purpose of this Annual Report preparation, KEGOC analysed the materiality of sustainability topics. The material topics considered the fullest list covering sector-specific governance of the Company, economic performance, observance of human rights, and Company's impacts on the society and environment. In accordance with the GRI standard materiality principle, to define most relevant sustainability topics to be disclosed in 2020 Report an evaluation questionnaire survey was conducted based on a five-score scale of internal and external stakeholders that have the most significant impact on the Company. The analysis of questionnaires of KEGOC service consumers (56 organisations), internal

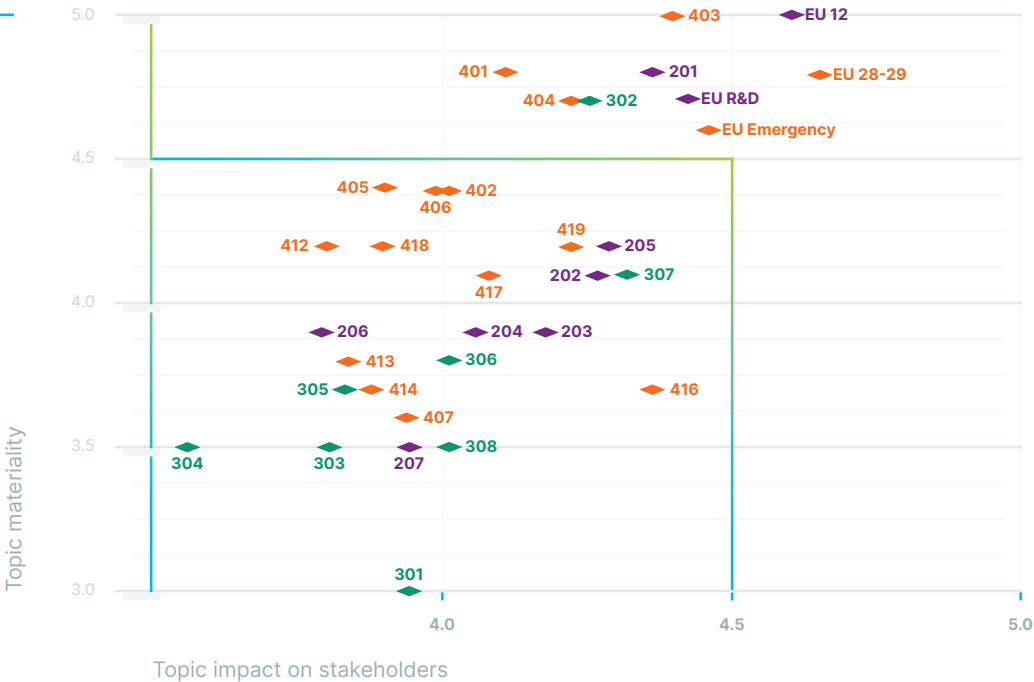
stakeholders – employees of the Company (91 persons), and shareholders (80 persons) revealed the most interesting topics of the Report.

After reviewing the results of the analysis of the questionnaires, the Coordinating Council for Sustainable Development and the IMS assessed the materiality of the economic, environmental and social impacts of the relevant topics on stakeholder assessments and decisions.

The Materiality Matrix prepared based on the assessments revealed 9 topics of most interest to KEGOC stakeholders, material for the Company and having average score higher than 4.5.

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Materiality Matrix



Thus, the list of material topics disclosed in this Report includes:

Economic themes:

- 201 Economic Performance
- EU R & D
- EU Energy Efficiency

Environmental themes:

- 302 Energy

Social themes:

- 401 Employment
- 403 Occupational Health and Safety
- 404 Training and Education
- EU Action plan and response to disasters/emergencies
- EU 28-29 Electricity Access

Compared with the topics disclosed in the Annual Report 2019, the topics ‘Market Presence’, ‘Anti-Corruption’, ‘Environmental Compliance’, ‘Labor/Management Relations’, ‘Diversity and Equal Opportunities’, ‘Non-Discrimination’, ‘Human Rights Assessment’, ‘Environmental Compliance’ ceased to be material although all of them are disclosed in this Report to comply with the requirements of the Listing Rules, which incorporated many GRI and ESG indicators in 2020.

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# Appendix 2. Indicators



## Human Resources

102-7 | 404-1

Indicator	Unit of Measure	2018	2019	2020	2020/2019	2020/2019, %
<b>Personnel indicators</b>						
<b>Staff listing</b>	<b>people</b>	<b>4,797</b>	<b>4,819</b>	<b>4,371</b>	<b>-448</b>	<b>-9.3</b>
<b>including:</b>						
Male employees	people	3,499 (72.9%)	3,502 (72.7%)	3,465 (73.2%)	-37	-1.1
Female employees	people	1,298 (27.1%)	1,317 (27.3%)	1,266 (26.8%)	-51	-3.9
Social stability rating	%	85	90	91	1	1.1
Employee engagement index	%	69	74	90	16	21.6
<b>Development and training</b>						
<b>Average annual hours for one employee</b>	<b>hours</b>	<b>37.9</b>	<b>25.2</b>	<b>23.0</b>	<b>-2.2</b>	<b>-8.7</b>
<b>including:</b>						
Male employees	hours	39.8	25.9	22.7	-3.2	-12.4
Female employees	hours	41.7	21.3	26.3	5	23.5
AMP	hours	48.0	18.9	23.7	4.8	25.4
OP	hours	36.2	26.3	22.9	-3.4	-12.9

**TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT  
CONTRACT AND GENDER, PEOPLE  
AS ON 31/12/2020**

102-8

Unit	Full-time employees, people			Rotational employees, people			Part-time employees, people			Total
	Total	including		Total	including		Total	including		
		male	female		male	female		male	female	
Akmolinskiye MES	571	462	109				3	3		574
Aktyubinskiye MES	253	202	51							253
Almatinskiye MES	469	390	79	5	5					474
Vostochnye MES	285	228	57				1	1		286
Zapadnye MES	190	142	48	39	39					229
Sarbaiskiye MES	414	343	71				1	1		415
Severnye MES	372	283	89				1	1		373
Tsentralnye MES	411	331	80	5	5					416
Yuzhnye MES	426	358	68				4	3	1	430
NDC SO	95	56	39							95
Executive Administration	371	185	186				1	1		372
Energoinform JSC	774	406	368	6	2	4				780
FSC RES	34	18	16							34
Total	4,665	3,404	1,261	55	51	4	11	10	1	4,731

# TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT AND GENDER, PEOPLE AS ON 31/12/2020

102-8

Unit	Regular employees, people			Temporary employees*, people			Total
	Total	including		Total	including		
		male	female		male	female	
Akmolinskiye MES	554	456	98	20	9	11	574
Aktyubinskiye MES	249	202	47	4		4	253
Almatinskiye MES	462	391	71	12	4	8	474
Vostochnye MES	280	228	52	6	1	5	286
Zapadnye MES	226	180	46	3	1	2	229
Sarbaiskiye MES	415	344	71				415
Severnye MES	370	284	86	3		3	373
Tsentralnye MES	415	335	80	1	1		416
Yuzhnye MES	423	358	65	7	3	4	430
NDC SO	95	56	39				95
Executive Administration	367	185	182	5	1	4	372
EnergoInform JSC	760	403	357	20	5	15	780
FSC RES	34	18	16				34
Total	4,650	3,440	1,210	81	25	56	4,731

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

**TOTAL WORKFORCE BY REGION  
AND GENDER, PEOPLE  
AS ON 31/12/2020**

102-8

All employees	where	
	Male employees	Female employees
Akmolinskiye MES	465	109
Aktyubinskiye MES	202	51
Almatinskiye MES	395	79
Vostochnye MES	229	57
Zapadnye MES	181	48
Sarbaikiye MES	344	71
Severnye MES	284	89
Tsentrálne MES	336	80
Yuzhnye MES	361	69
NDC SO	56	39
Executive Administration	186	186
Energoinform JSC	408	372
FSC RES	18	16
<b>Total</b>	<b>3,465</b>	<b>1,266</b>



## PERSONNEL TURNOVER STRUCTURE, PEOPLE

401-1

Name of the branch	As on 01/01/2020			As on 31/12/2020			Turnover for period: 01/01/2020 – 31/12/2020		
	Total	including		Total	including		Total	including	
		male	female		male	female		male	female
Executive Administration	386	194	192	372	186	186	2.91	3.68	2.12
NDC SO	92	53	39	95	56	39	2.13	3.67	-
Akmolinskiye MES	582	472	110	574	465	109	3.97	3.63	5.48
Aktyubinskiye MES	254	204	50	253	202	51	3.53	3.94	1.98
Almatinskiye MES	477	394	83	474	395	79	4.20	3.80	6.17
Vostochnye MES	297	235	62	286	229	57	5.82	5.17	8.40
Zapadnye MES	227	178	49	229	181	48	8.48	9.47	4.12
Sarbaiksiye MES	427	350	77	415	344	71	2.85	2.02	6.76
Severnnye MES	390	288	102	373	284	89	4.70	3.15	9.42
Tsentrálne MES	412	331	81	416	336	80	2.17	1.80	3.73
Yuzhnye MES	436	362	74	430	361	69	1.84	1.94	1.40
EnergoInform JSC	802	421	381	780	408	372	8.61	9.92	7.15
FSC RES	37	20	17	34	18	16	28.17	36.84	18.18
<b>Total</b>	<b>4,819</b>	<b>3,502</b>	<b>1,317</b>	<b>4,731</b>	<b>3,465</b>	<b>1,266</b>	<b>4.71</b>	<b>4.42</b>	<b>5.50</b>

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

## NUMBER OF HIRED AND QUITTED EMPLOYEES AT THE COMPANY, PEOPLE

401-1

Indicator	2018		2019		2020		2020/2019	
	people	%	people	%	people	%	people	%
<b>Total number of hired workers</b>	<b>523</b>	<b>10.9</b>	<b>590</b>	<b>12.24</b>	<b>343</b>	<b>7.25</b>	<b>-247</b>	<b>-41.9</b>
<b>by age</b>								
under 30	256	5.34	261	5.42	140	2.96	-121	-46.4
from 31 to 50	226	4.71	250	5.19	168	3.55	-82	-32.8
51 and over	41	0.85	79	1.64	35	0.74	-44	-55.7
<b>by gender</b>								
Male employees	361	7.53	404	8.38	263	5.56	-141	-34.9
Female employees	162	3.38	186	3.86	80	1.69	-106	-57.0
<b>by regions</b>								
Executive Administration	52	1.08	59	15.28	15	4.03	-44	-74.6
Akmolinskiye MES	61	1.27	83	14.26	46	8.01	-37	-44.6
Aktyubinskiye MES	20	0.42	21	8.27	15	5.93	-6	-28.6
Almatinskiye MES	63	1.31	49	10.27	29	6.12	-20	-40.8
Vostochnye MES	42	0.88	30	10.10	17	5.94	-13	-43.3
Zapadnye MES	31	0.65	31	13.66	28	12.23	-3	-9.7
Sarbaiskiye MES	25	0.52	35	8.20	17	4.10	-18	-51.4
Severnnye MES	32	0.67	36	9.23	16	4.29	-20	-55.6
Tsentralnye MES	49	1.02	27	6.55	26	6.25	-1	-3.7
Yuzhnye MES	19	0.4	29	6.65	24	5.58	-5	-17.2
NDC SO	8	0.17	10	10.87	6	6.32	-4	-40.0
EnergoInform JSC	109	2.27	153	19.08	92	11.79	-61	-39.9
FSC RES	12	0.25	27	72.97	12	35.29	-15	-55.6

## NUMBER OF HIRED AND QUITTED EMPLOYEES AT THE COMPANY, PEOPLE (continued)

401-1

Indicator	2018		2019		2020		2020/2019	
	people	%	people	%	people	%	people	%
<b>Total number of quitted employees</b>	<b>457</b>	<b>9.53</b>	<b>568</b>	<b>11.79</b>	<b>421</b>	<b>8.90</b>	<b>-147</b>	<b>-25.9</b>
<b>by age</b>								
under 30	111	2.31	168	3.49	82	1.73	-86	-51.2
from 31 to 50 years	203	4.23	223	4.63	170	3.59	-53	-23.8
51 and over	143	2.98	177	3.67	169	3.57	-8	-4.5
<b>by gender</b>								
Male employees	326	6.8	395	8.20	290	6.13	-105	-26.6
Female employees	131	2.73	173	3.59	131	2.77	-42	-24.3
<b>by regions</b>								
Executive Administration	44	0.92	54	13.99	29	7.80	-25	-46.3
Akmolinskiye MES	62	1.29	72	12.37	54	9.41	-18	-25.0
Aktyubinskiye MES	20	0.42	20	7.87	16	6.32	-4	-20.0
Almatinskiye MES	46	0.96	49	10.27	32	6.75	-17	-34.7
Vostochnye MES	28	0.58	32	10.77	28	9.79	-4	-12.5
Zapadnye MES	29	0.6	28	12.33	26	11.35	-2	-7.1
Sarbaiksiye MES	29	0.6	28	6.56	29	6.99	1	3.6
Severnye MES	31	0.65	34	8.72	33	8.85	-1	-2.9
Tsentralnye MES	36	0.75	36	8.74	22	5.29	-14	-38.9
Yuzhnye MES	14	0.29	27	6.19	30	6.98	3	11.1
NDC SO	8	0.17	10	10.87	3	3.16	-7	-70.0
EnergoInform JSC	104	2.17	162	20.20	104	13.33	-58	-35.8
FSC RES	6	0.13	16	43.24	15	44.12	-1	-6.3
<b>Total personnel turnover, %</b>	<b>-</b>	<b>5.2</b>	<b>-</b>	<b>7.4</b>	<b>-</b>	<b>4.7</b>	<b>-</b>	<b>-</b>

## NUMBER OF EMPLOYEES ELIGIBLE TO RETIRE, PEOPLE

EU15

Unit	Total, people	Number of employees who can retire in the period 2021-2025			Number of employees who can retire in the period 2021-2030			% of employees who can retire	
		Total	including		Total	including		in the period	
			AMP	OP		AMP	OP	2021- 2025	2021- 2030
Akmolinskiye MES	574	22	1	21	25	3	22	3.83	4.36
Akt'yubinskiye MES	253	28	2	26	57	5	52	11.07	22.53
Almatinskiye MES	474	58	5	53	103	6	97	12.24	21.73
Vostochnye MES	286	31	5	26	59	7	52	10.84	20.63
Zapadnye MES	229	12		12	21	1	20	5.24	9.17
Sarbaiskiye MES	415	51	1	50	126	4	122	12.29	30.36
Severnye MES	373	56	1	55	105	2	103	15.01	28.15
Tsentrálne MES	416	93	5	88	136	7	129	22.36	32.69
Yuzhnye MES	430	70	2	68	125	3	122	16.28	29.07
NDC SO	95	3		3	6		6	3.16	6.32
Executive Administration	372	14	14		44	44		3.76	11.83
EnergoInform JSC	780	78	3	75	180	3	177	10.00	23.08
FSC RES	34	1	1		2	2		2.94	5.88
<b>Total</b>	<b>4,731</b>	<b>517</b>	<b>40</b>	<b>477</b>	<b>989</b>	<b>87</b>	<b>902</b>	<b>10.93</b>	<b>20.90</b>



## Performance Indicators

EU1 EU3 EU4 EU28 EU29 102-7

Indicator	Unit of Measure	2018	2019	2020	2020/2019	2020/2019, %
<b>Performance indicators</b>						
<b>Installed capacity by power sources and control mode</b>	<b>MVA</b>	<b>36,660.05</b>	<b>38,246.05</b>	<b>38,746.05</b>	<b>500.00</b>	<b>1.3</b>
<b>including:</b>						
1,150 kV SS	MVA	9,384.10	9,384.10	9,384.10	0	0.0
500 kV SS	MVA	16,111.50	17,447.5	17,447.5	0	0.0
220 kV SS	MVA	11,136.25	11,391.25	11,891.25	500.00	4.4
110 kV SS	MVA	5.00	-	-	-	0.0
35 kV SS	MVA	23.20	23.20	23.20	0	0.0
<b>Length of OHTLs and cable transmission lines by control mode (circuit)</b>	<b>km</b>	<b>26,775.27</b>	<b>26,900.91</b>	<b>26,997.92</b>	<b>97.01</b>	<b>0.4</b>
<b>including:</b>						
1,150 kV	km	1,421.23	1,421.23	1,421.23	0	0.0
500 kV	km	8,287.98	8,287.98	8,287.98	0	0.0
330 kV	km	1,864.09	1,863.28	1,863.28	0	0.0
220 kV	km	14,693.99	14,816.35	14,898.86	82.51	0.6
110 kV	km	352.84	352.84	352.84	0	0.0
35 kV	km	44.13	44.13	44.13	0	0.0
under 35 kV	km	111.01	115.10	129.61	14.51	12.6

Indicator	Unit of Measure	2018	2019	2020	2020/2019	2020/2019, %
Number of electricity consumers (number of contracts)	pcs.	656	797	861	+64	8.0
System average interruption frequency – SAIFI		0.03	0.03	0.07	+0.04	133.3
System average interruption duration – SAIDI	hours	0.18	0.01	0.16	+0.15	1,500
System Minutes Lost – SML	minutes	1.11	1.52	5.21	+3.69	242.8
Percentage of the system's operating time without failures – WWP	%	98.78	99.64	98.63	-1.01	-1.0
Volumes of rendered services						
Electricity transmission	billion kWh	42.71	43.97	46.16	+2.19	+5.0
Technical dispatch control	billion kWh	97.65	97.06	98.99	+1.93	+2.0
Management of electricity production and consumption balancing	billion kWh	183.36	188.77	192.86	+4.09	+2.2

# Economic Indicators

201-1 201-4

Indicator	Unit of Measure	2018	2019	2020	2020/2019	2020/2019, %
<b>Economic indicators</b>						
<b>Total capitalization</b>	<b>KZT million</b>	<b>634,752.89</b>	<b>632,163.54</b>	<b>663,590.50</b>	<b>31,426.96</b>	<b>5.0</b>
equity capital	KZT million	472,693.80	481,838.02	502,556.47	20,718.45	4.3
borrowed funds	KZT million	162,059.09	150,325.52	161,034.03	10,708.51	7.1
<b>Funds from the government</b>	<b>KZT million</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Economic value generated</b>	<b>KZT million</b>	<b>185,017.94</b>	<b>269,329.57</b>	<b>353,765.98</b>	<b>84,436.41</b>	<b>31.4</b>
operating revenues	KZT million	175,797.39	263,162.07	350,659.55	87,497.48	33.2
financial revenue	KZT million	4,951.34	4,171.53	7,146.01	2,974.48	71.3
other revenues	KZT million	4,269.22	1,995.96	-4,039.58	-6,035.54	-302.4
<b>Economic cost</b>	<b>KZT million</b>	<b>176,346.50</b>	<b>260,222.43</b>	<b>339,846.50</b>	<b>79,624.07</b>	<b>30.6</b>
payroll expenses	KZT million	21,048.03	22,699.12	23,586.87	887.75	3.9
expenses on taxes and duties to the national budget	KZT million	18,553.89	19,110.84	21,591.02	2,480.18	13.0
payments to capital providers	KZT million	35,233.94	40,842.53	50,751.77	9,909.24	24.3
charity and sponsor support	KZT million	-	-	-	-	-
other operating expenses	KZT million	92,442.60	177,185.20	242,835.79	65,650.59	37.1
other non-operating expenses	KZT million	9,068.04	384.74	1,081.05	696.31	181.0
<b>Economic value of distribution</b>	<b>KZT million</b>	<b>8,671.44</b>	<b>9,107.14</b>	<b>13,919.48</b>	<b>4,812.34</b>	<b>52.8</b>
<b>Proportion of senior management hired from the local community at significant locations of operation</b>	<b>%</b>	<b>69</b>	<b>83</b>	<b>90.9</b>	<b>7.9</b>	<b>-</b>

## Compliance with Laws and Regulations

Indicator	Unit of Measure	2018	2019	2020
<b>Confirmed incidents of corruption and actions taken*</b>	-	0	0	0
<b>Monetary amount of significant fines and total number of non-monetary sanctions for non-compliance with social-economic laws and regulations</b>	KZT million	0	0	0
<b>where:</b>				
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	KZT million	0	0	0
Monetary value of significant fines and total number of non-monetary sanctions imposed for non-compliance with environmental laws and regulations	KZT million	0	0	0

\* No incidents were registered in 2020 where employees were dismissed or subject to disciplinary punishment for corruption, or contracts were terminated with business partners due to corruption-related violations, or corruption-related cases took place against the Company or its employees.





## Environmental Indicators

EU12 302-1 302-4

Indicator	Unit of Measure	2018	2019	2020	2020/2019	2020/2019, %
<b>Power consumption</b>						
Percentage of losses in electricity transmission and distribution	%	6.3	6.4	6.0	-0.4	-6.3
Effect of measures to reduce losses (energy saving)	GJ	16,560	17,222	15,340	-1,882	-10.9
Energy consumption within the organization	GJ	10,780,276	10,710,622	10,350,517	-360,105	-3.4
<b>including:</b>						
electricity	GJ	10,570,491	10,502,753	10,068,339	-434,414	-4.1
heat power	GJ	90,375	87,399	81,396	-6,003	-6.9
fuel	GJ	119,410	120,470	114,065	-6,405	-5.3
<b>including:</b>						
motor gasoline	GJ	53,680	53,935	44,767.94	-9,167.06	-17.0
diesel fuel	GJ	61,712	62,911	65,250.37	2,339.37	3.7
natural gas	GJ	3,716	3,314	3,911.25	597.25	18.0
liquefied gas	GJ	302	310	135.30	-174.7	-56.4

Indicator	Unit of Measure	2018	2019	2020	2020/2019	2020/2019, %
<b>Emissions</b>						
<b>Gross emissions of contaminants from stationary sources</b>	<b>tonne</b>	<b>11.41</b>	<b>9.45</b>	<b>9.34</b>	<b>-0.11</b>	<b>-1.2</b>
<b>Greenhouse gas emissions from stationary sources of KEGOC</b>	<b>tonne carbon dioxide equivalent</b>	<b>143.085</b>	<b>137.913</b>	<b>154.47</b>	<b>16.56</b>	<b>12.0</b>
<b>including:</b>						
CO <sub>2</sub>	tonne	125.451	137.860	154.40	16.54	12.0
CH <sub>4</sub>	tonne carbon dioxide equivalent	0.0019	0.0018	0.0022	0.0004	22.2
N <sub>2</sub> O	tonne carbon dioxide equivalent	0.0575	0.05161	0.06542	0.01381	26.8

\* Technical losses from electricity supplied to the grid during transmission

# Occupational Health Indicators

403-9 EU DMA

Indicator	2018	2019	2020
<b>Occupational health and safety indicators</b>			
<b>Accident frequency rate</b>	<b>0.07</b>	<b>0</b>	<b>0</b>
<b>By regions:</b>			
Executive Administration	0	0	0
Akmolinskiye MES	0.20	0	0
Aktyubinskiye MES	0.45	0	0
Almatinskiye MES	0	0	0
Vostochnye MES	0	0	0
Zapadnye MES	0	0	0
Sarbaiksiye MES	0	0	0
Severnye MES	0	0	0
Tsentralnye MES	0	0	0
Yuzhnye MES	0	0	0
NDC SO	0	0	0
<b>Occupational diseases rate</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Lost day rate</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Number of fatal accidents</b>	<b>1*</b>	<b>0</b>	<b>0</b>
<b>Civil defence and emergency situations trainings, exercises and drills</b>			
<b>National command-staff exercises</b>	<b>4</b>	<b>2</b>	<b>2</b>
<b>Staff exercises</b>	<b>11</b>	<b>12</b>	<b>4</b>
<b>Facility-based exercises</b>	<b>11</b>	<b>4</b>	<b>2</b>
<b>Special tactical exercises with civil defence divisions</b>	<b>11</b>	<b>1</b>	<b>2</b>
<b>Earthquake exercises</b>	<b>16</b>	<b>15</b>	<b>4</b>
<b>National and oblast emergencies and civil defence training course</b>	<b>42</b>	<b>14</b>	<b>32</b>

\* In 2018 there was one fatal accident in the Akmolinskiye MES branch.



# Appendix 3. KEGOC's Subsidiaries

## Energoinform JSC



The mission is to ensure reliable operation and effective development of information and telecommunication system of the unified power system (UPS) of Kazakhstan using the world's best practices and innovative technologies. The sole shareholder is KEGOC.

The core operations: maintenance of information telecommunication complex of KEGOC, including: commercial metering system, SCADA, balancing electricity market, information management system, PLC, radio relay links, satellite communication, guaranteed power supply, branch exchange, fiber optic links, fire and security alarm systems and corporate services.

The charter capital of Energoinform is KZT 2,179.7 million. The number of issued shares is 700,000; the nominal value of one share is KZT 10,000. The number of placed shares is 217,970.

The revenues of Energoinform in 2020 amounted to KZT 5,599 million, including operating income – KZT 5,527 million. Compared to 2019 the revenues increased by 16.7% or KZT 801 million.

Following the 2020 performance the net income amounted to KZT 807 million, which is higher than in 2019 (KZT 615 million) by KZT 192 million or 31%.

## Financial Settlement Centre for Renewable Energy Sources Support LLP



The Financial Settlement Centre for Renewable Energy Sources Support LLP (FSC RES) was established in accordance with the decision of the Board of Directors of KEGOC dated 12 August 2013 and registered in the Saryarka Justice Administration under Astana Justice Department on 27 August 2013.

KEGOC is the only founder and sole partner.

Resolution No. 1281 of Kazakhstan Government dated 29 November 2013 and Order No. 357 of Kazakhstan Minister of Energy dated 31 March 2015 determined FSC RES LLP as the financial settlement centre for renewable energy sources providing centralized purchase and sale of electricity generated by RES. Order of Kazakhstan Minister of Energy No. 256 dated 7 September 2018 determined the FSC RES as a single purchaser rendering service for maintaining availability of electric capacity and rendering service for ensuring readiness of electric capacity to bear the load.

In 2020, FSC RES LLP purchased electricity from 72 renewable energy facilities, and sold electricity to 60 conventional consumers. The total renewable electricity purchased/sold amounted to 2,543 million kWh.

As of 31 December 2020 the capacity market operation resulted in:

- 250 contracts concluded with capacity market consumers for rendering service for ensuring readiness of electric capacity to bear the load, the actual volume of capacity sold for consumers amounted to 110,544 MW\*months.
- 50 contracts concluded with 32 energy-producing organizations for the purchase of service for maintaining availability of electric capacity, the actual volume of capacity purchased from energy-producing organizations amounted to 106,974 MW\*months.

The total income of FSC RES by 2020 results amounted to KZT 177,852 million. Expenses amounted to KZT 166,445 million. Net income based on 2020 results amounted to KZT 9,225 million.

# Appendix 4. GRI Content Index

102-55

GRI Standard	Number	Contents	Page	Remark
GRI 102: General disclosures (2016)				
	102-1	Name of the organization	20	
	102-2	Activities, brands, products, and services	22	
	102-3	Location of the organization's headquarters	20, 182	
	102-4	Location of operations	30 – 31	
	102-5	Nature of ownership and legal form	24	
	102-6	Markets served:		
		• geographic locations	30 – 31	
		• sectors served	26 – 27	
		• types of customers and beneficiaries	60	
	102-7	Scale of the organization:		
		• total number of employees	148, 200	
		• total number of units	29, 30 – 31	
		• revenues	82 – 83	
		• total capitalization broken down in terms of debt and equity	85	
		• quantity of products or services provided	62 – 64, 209	

GRI Standard	Number	Contents	Page	Remark
	<b>102-8</b>	Information on employees		
		<ul style="list-style-type: none"> <li>total number of employees by employment contract and gender</li> </ul>	201	
		<ul style="list-style-type: none"> <li>total number of permanent employees by employment type and gender</li> </ul>	202	
		<ul style="list-style-type: none"> <li>total workforce by in-house employees and freelance employees, and by gender</li> </ul>	-	There are no freelance employees in the Company
		<ul style="list-style-type: none"> <li>total workforce by region and gender</li> </ul>	203	
		<b>Sector addition to the General Standard Disclosures</b>		
		<ul style="list-style-type: none"> <li>total number of contracting entities employees (contractors, subcontractors, independent contractors) by employment type, labour agreement and control mode.</li> </ul>	-	Information is not available now due to the difficult acquisition of data on number of employees of contracting/subcontracting organizations performing various works of different direction at the Company's facilities.
	<b>102-9</b>	Supply chain	81	All relations with the goods, works, services suppliers are governed by contracts (agreements), concluded in accordance with the Procurement Rules of the Fund, and provide for the terms of amending/cancellation of agreements.
	<b>102-10</b>	Significant changes to the size, structure, and ownership	98	There were no significant changes in the size, structure and ownership in 2020.
	<b>102-11</b>	Precautionary principle	88, 179	
	<b>102-12</b>	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses	24 – 25, 175, 191	
	<b>102-13</b>	Membership of associations	24 – 25	
	<b>102-14</b>	Statement from senior decision-maker	10, 13	
	<b>102-15</b>	Key impacts, risks, and opportunities	92, 168, 174	
	<b>102-16</b>	Organization's values, principles, standards and norms of behavior	141 – 143	



GRI Standard	Number	Contents	Page	Remark
<b>GRI 102: General disclosures (2016)</b>				
	<b>102-17</b>	Mechanisms for advice and concerns about ethics	129, 143	
	<b>102-18</b>	Governance structure of the organization, including committees of the highest governance body, responsible for decision-making on economic, environmental and social impacts of the organization	97, 118, 120, 123, 125, 137	
	<b>102-40</b>	List of stakeholder groups	196	
	<b>102-41</b>	Percentage of total employees covered by collective bargaining agreement	162	
<b>Sector addition to the General Standard Disclosures</b>				
		Percentage of contractors' employees (contractors, subcontractors, independent contractors) working in the reporting organization covered by the collective bargaining agreements by countries and control mode	-	Not applicable. The Company's collective bargaining agreement does not cover employees of the contractor, subcontractor or independent contractors
	<b>102-42</b>	Identifying and selecting stakeholders	195	
	<b>102-43</b>	Organization's approach to stakeholder engagement	68, 196	
	<b>102-44</b>	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	68, 79, 129, 143, 174, 196, 199	
	<b>102-45</b>	Entities included in the organization's statements	191	
	<b>102-46</b>	Defining report content and topic Boundaries	199	
	<b>102-47</b>	List of material topics	199	
	<b>102-48</b>	Effect of any restatements of information given in previous reports	191	
	<b>102-49</b>	Significant changes from previous reporting periods in the Scope and topic Boundaries	191, 199	

GRI Standard	Number	Contents	Page	Remark
	102-50	Reporting period	190	
	102-51	Date of the most recent report	190	
	102-52	Reporting cycle	190	
	102-53	Contact point for questions regarding the report	183	
	102-54	Claims of reporting in accordance with the GRI Standards	191	
	102-55	GRI – content index	218	
	102-56	Organization's practice with regard to seeking external assurance	190	
<b>Sectoral specific general reporting elements</b>				
	EU1	Installed capacity by power sources and control mode	28, 208	
	EU2	Clean energy generation by primary power sources and control mode	-	Not applicable. KEGOC is not a power generating company
	EU3	Quantity of power consumers	61, 208	
	EU4	Length of OHTLs and underground transmission lines by control mode	28, 208	
	EU5	Allocation of CO <sub>2</sub> e emissions allowances or its equivalent by scheme of green-gas emissions	176	
<b>Specific elements</b>				
<b>GRI 200: Economic aspects (2016)</b>				
<b>Economic Performance</b>				
<b>GRI 103: Disclosures on the management approach (2016)</b>	103-1	Explanations on the aspects significance and their boundaries	85	
	103-2	Organization's management approach related to material aspects	85	
	103-3	Assessment of the organization's management approach related to material aspects	86	
<b>GRI 201: Economic Performance (2016)</b>	201-1	Direct economic value generated and distributed	85, 210	
	201-4	Financial assistance received from government	85, 210	

GRI Standard	Number	Contents	Page	Remark
<b>Specific elements</b>				
<b>GRI 200: Economic aspects (2016)</b>				
<b>R&amp;D</b>				
<b>GRI 103: Disclosures on the management approach (2016)</b>	<b>103-1</b>	Explanations on the aspects significance and their boundaries	75	
	<b>103-2</b>	Organization's management approach related to material aspects	75	
	<b>103-3</b>	Assessment of the organization's management approach related to material aspects	75	
<b>GRI G4 R&amp;D:</b>	<b>EU8</b>	Research and development activities and costs to ensure the reliability and development of research and development in direct costs and research and development cooperation.	75	
<b>Sector specific aspect: System Efficiency</b>				
<b>GRI 103: Disclosures on the management approach (2016)</b>	<b>103-1</b>	Explanations on the aspects significance and their boundaries	180	
	<b>103-2</b>	Organization's management approach related to material aspects	180	
	<b>103-3</b>	Assessment of the organization's management approach related to material aspects	181	
<b>GRI G4 EU: System Efficiency</b>	<b>EU12</b>	Percentage of losses in electricity transmission and distribution	181, 212	
<b>GRI 300: Environmental aspects (2016)</b>				
<b>Energy</b>				
<b>GRI 103: Disclosures on the management approach (2016)</b>	<b>103-1</b>	Explanations on the aspects significance and their boundaries	180	
	<b>103-2</b>	Organization's management approach related to material aspects	180	
	<b>103-3</b>	Assessment of the organization's management approach related to material aspects	181	

GRI Standard	Number	Contents	Page	Remark
<b>GRI 302: Energy (2016)</b>	<b>302-1</b>	Energy consumption within the organization	180, 212	
	<b>302-4</b>	Reducing energy consumption	181, 212	
<b>GRI 400: Social aspects (2016)</b>				
<b>Employment</b>				
<b>GRI 103: Disclosures on the management approach (2016)</b>	<b>103-1</b>	Explanations on the aspects significance and their boundaries	153	
	<b>103-2</b>	Organization's management approach related to material aspects	153	
	<b>103-3</b>	Assessment of the organization's management approach related to material aspects	158	
<b>GRI 401: Employment (2016)</b>	<b>401-1</b>	Total number and rates of new employee hires and employee turnover by age, gender and region	153 – 154, 204 – 206	
	<b>Sector additions to the ratio</b>			
	<b>401-1</b>	Average work duration of employees who left employment during the reporting period by gender and age group	154 – 155, 204 – 206	
	<b>Sector specific ratios</b>			
	<b>EU15</b>	Percentage of employees eligible to retire in the next five and ten years by category and region	155, 207	
	<b>EU17</b>	Percentage of contracting and subcontracting entities employees trained in occupational health and safety	170	
<b>Health and Safety</b>				
<b>GRI 103: Disclosures on the management approach (2018)</b>	<b>103-1</b>	Explanations on the aspects significance and their boundaries	166	
	<b>103-2</b>	Organization's management approach related to material aspects	166	
	<b>103-3</b>	Assessment of the organization's management approach related to material aspects	166	

GRI Standard	Number	Contents	Page	Remark
<b>Specific elements</b>				
<b>GRI 400: Social aspects (2016)</b>				
<b>Health and Safety</b>				
<b>GRI 403: Occupational Health and Safety (2018)</b>	<b>403-1</b>	Occupational health and safety management system	166	
	<b>403-3</b>	Occupational Health and Safety services	168	
	<b>403-4</b>	Health and safety topics covered in formal agreements with trade unions	161, 168	
	<b>403-5</b>	Worker training on occupational health and safety	168	
	<b>403-8</b>	Workers covered by an occupational health and safety management system	166	
	<b>403-9</b>	Type of injury and rates of injury, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	169, 214	
<b>Training and Education</b>				
<b>GRI 103: Disclosures on the management approach (2016)</b>	<b>103-1</b>	Explanations on the aspects significance and their boundaries	159	
	<b>103-2</b>	Organization's management approach related to material aspects	159, 160	
	<b>103-3</b>	Assessment of the organization's management approach related to material aspects	159	
<b>GRI 404: Training and Education (2016)</b>	<b>404-1</b>	Annual average hours of training per employee by gender and by employee category	159, 200	
	<b>404-3</b>	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	160	

GRI Standard	Number	Contents	Page	Remark
<b>Sector specific aspect: Action plan and response to disasters/emergencies</b>				
<b>GRI 103: Disclosures on the management approach (2016)</b>	<b>103-1</b>	Explanations on the aspects significance and their boundaries	170	
	<b>103-2</b>	Organization's management approach related to material aspects	170	
	<b>103-3</b>	Assessment of the organization's management approach related to material aspects	170	
<b>GRI G4 EU: Action plan and response to disasters/ emergencies</b>	<b>EU DMA</b>	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans	170, 214	
<b>Sector specific aspect: Accessibility</b>				
<b>GRI 103: Disclosures on the management approach (2016)</b>	<b>103-1</b>	Explanations on the aspects significance and their boundaries	68	
	<b>103-2</b>	Organization's management approach related to material aspects	68	
	<b>103-3</b>	Assessment of the organization's management approach related to material aspects	68	
<b>GRI G4 EU: Accessibility</b>	<b>EU28</b>	Frequency of power failures	70, 208	
	<b>EU29</b>	System average interruption duration	69, 208	

# Appendix 5. Financial statements

AS AT AND FOR THE YEAR ENDED  
1 DECEMBER 2020 WITH INDEPENDENT  
AUDITOR'S REPORT



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237	Consolidated statement of cash flows
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## Independent auditor's report



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### Independent auditor's report

To the Shareholders, Audit Committee and management of Kazakhstan Electricity Grid Operating Company JSC

#### Opinion

We have audited the consolidated financial statements of Kazakhstan Electricity Grid Operating Company JSC and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue from services to ensure readiness of electricity capacity to bear the power load</b></p> <p>This issue was one of the key audit issues in connection with the changes in the Law of the Republic of Kazakhstan "On Electric Power " regarding the application of the k8 coefficient for calculating the volume of capacity sold and calculating the price for services to ensure the readiness of electricity capacity to bear the power load. The matter received special attention due to the large volume of operations, associated with it - in particular, service delivery to more than 240 consumers based on uniform weighted average tariff.</p> <p>Estimation of revenue received by the Group depends on management's estimates of the volume of capacity sold and the calculation of the price for services.</p> <p>The Group's disclosures in respect of capacity market and the application of the k8 coefficient are included in Notes 3 and 29 to the consolidated financial statements</p>	<p>We reviewed the relevant changes in the regulatory framework and the available information on the calculation of the price and actual volume of the electric capacity maintenance service, including additional explanations received from the Group's management regarding the application of the k8 coefficient to calculate the volumes of power sold during 2020. We evaluated the accounting policy applied for revenue recognition.</p> <p>On a sample basis we compared the values of electricity capacity volume used for revenue during the reporting period with the acts of the actual maximum volume of electricity capacity agreed with the customers. We analysed tariff calculation for the services to ensure the readiness of electricity capacity to bear the load.</p> <p>We also reviewed the calculation and application of the k8 coefficient during 2020. We analysed the Group's disclosures in respect of revenue for this service.</p>

### Development of accounting information systems

During the 2020, the Group was in the development process of the accounting information system, in particular, automation of consolidation and disclosures to financial statements.

The issue of development of the accounting information system was one of the key audit matters, since the accounting information system is fundamental to the processing and generation of

We discussed with the management of the Group the changes made to the system, as well as the relevant processes, paying particular attention to those changes that have a significant impact on the receipt and processing of financial information. We carried out procedures to evaluate the design and operational effectiveness of the general controls established by the Group's



financial information for financial statement purposes.

As a result of development of the accounting information system the Group implemented new processes, controls and changes in the delegation of duties.

***Fair value of assets of the National Electric Grid***

As at 31 December 2020, the carrying value of the assets of the National Electricity Grid ("NES") amounted to 580,460,546 thousand tenge (2019: 599,496,951 thousand tenge).

The NES assets are accounted at fair value in accordance with the Group's accounting policies. At each reporting date, the Group analyzes to what extent the fair value of NES assets differs significantly from their carrying amount. In order to assess the possible fluctuations in the fair values the Management of the Group determines the replacement cost of assets most exposed to the risk of changes in fair value.

Due to the significance of the carrying value of the NES assets, as well as significant use of professional judgment and estimates by Management when analyzing changes in the fair value of NES assets, this issue was one of the key audit matters.

Information on NES assets and analysis of changes in fair value of NES assets is presented in Note 4 to the consolidated financial statements.

management in the system, including the access and manage change.

We have engaged our IT specialists to complete the above procedures.

We received from the management of the Group an analysis of possible changes in the fair value of NES assets.

We have analyzed on a sample basis the calculations performed by the management of the Group in relation to the replacement cost of NES assets. We have reviewed the price index assumptions used by the Group in determining the replacement cost.

We have recalculated the replacement cost using the available information for the construction and installation works.

We have verified the mathematical accuracy of the replacement cost and accumulated depreciation calculations.

We reviewed the information disclosed in Note 4 to the consolidated financial statements.

**Other information included in Group's 2020 Annual Report**

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

**Responsibilities of management and the Audit Committee for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Adil Syzdykov.

*Ernst & Young LLP*



Adil Syzdykov  
Auditor

Auditor Qualification Certificate  
No. МФ - 0000172 dated 23 December 2013

050060, Republic of Kazakhstan, Almaty  
Al-Farabi Ave., 77/7, Esentai Tower

26 February 2021



Rustamzhan Sattarov  
General Director  
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2, No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005



# Consolidated financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 December 2020

In thousands of Tenge	Notes	31 December 2020	31 December 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	652,478,444	651,570,990
Intangible assets		3,327,999	1,411,900
Advances paid for non-current assets	6	4,126,292	1,485,220
Deferred tax asset	26	159,652	53,436
Investments in associate	7	2,017,593	1,862,241
Long-term receivables from related parties	27	742,477	840,324
Other financial assets, non-current portion	11	32,340,094	1,951,795
		695,192,551	659,175,906
<b>Current assets</b>			
Inventories	8	2,549,293	2,134,157
Trade accounts receivable	9	28,603,307	21,901,834
VAT recoverable and other prepaid taxes		477,893	698,928
Prepaid income tax		1,017,708	922,475
Other current assets	10	2,945,237	739,483
Other financial assets, current portion	11	58,801,720	45,260,710
Restricted cash	12	552,586	4,274,085
Cash and cash equivalents	13	21,867,205	21,179,282
		116,814,949	97,110,954
Assets held for transfer		5,126	700,861
<b>Total assets</b>		<b>812,012,626</b>	<b>756,987,721</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	14	126,799,554	126,799,554
Treasury shares	14	(930)	(930)
Asset revaluation reserve	14	309,836,582	310,369,243
Retained earnings		65,921,264	44,670,157
		502,556,470	481,838,024

In thousands of Tenge	Notes	31 December 2020	31 December 2019
<b>Non-current liabilities</b>			
Borrowings, non-current portion	15	49,843,453	56,925,610
Bonds payable, non-current portion	16	92,717,685	83,671,184
Deferred tax liability	26	89,323,835	89,995,249
Long-term trade payable	17	7,651,017	–
Government grant, non-current portion		29,113	59,543
Lease liability, non-current portion	27	99,406	156,661
Other payables, non-current portion		102,412	–
		239,766,921	230,808,247
<b>Current liabilities</b>			
Borrowings, current portion	15	14,334,439	6,083,377
Bonds payable, current portion	16	4,138,458	3,645,344
Trade and other accounts payable, current portion	17	40,884,883	23,389,482
Construction obligation	18	–	683,430
Contract liabilities		3,336,881	2,167,885
Government grant, current portion		30,430	30,430
Lease liability, current portion	27	462,359	262,882
Taxes payable other than income tax	19	2,028,506	3,371,344
Income tax payable		52,818	723,620
Dividends payable		–	56
Other current liabilities	20	4,420,461	3,983,600
		69,689,235	44,341,450
<b>Total liabilities</b>		<b>309,456,156</b>	<b>275,149,697</b>
<b>Total equity and liabilities</b>		<b>812,012,626</b>	<b>756,987,721</b>
<b>Book value per ordinary share (in Tenge)</b>			
	14	1,920	1,848

Acting chairman of the Management Board

Botabekov A.T.

Chief Accountant

Mukanova D.T.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

In thousands of Tenge	Notes	2020	2019
Revenue from contracts with customers	21	350,659,551	263,162,073
Cost of sales	22	(267,056,968)	(200,256,677)
<b>Gross profit</b>		<b>83,602,583</b>	<b>62,905,396</b>
General and administrative expenses	23	(8,309,669)	(8,834,207)
Selling expenses		(364,084)	(382,278)
(Loss from) / reversal of impairment of property, plant and equipment	6	(19,210)	28,364
<b>Operating profit</b>		<b>74,909,620</b>	<b>53,717,275</b>
Finance income	24	7,146,006	4,171,530
Finance costs	24	(11,205,980)	(9,200,695)
Foreign exchange (loss)/gain, net	25	(5,309,688)	469,129
Share in profit of an associate	7	358,447	774,374
Accrual of provision for expected credit losses	9, 10, 11, 12, 13	(458,445)	(134,370)
Other income		930,872	724,097
Other expenses		(622,600)	(250,366)
<b>Profit before tax</b>		<b>65,748,232</b>	<b>50,270,974</b>
Income tax expense	26	(12,282,961)	(9,522,004)
<b>Profit for the year</b>		<b>53,465,271</b>	<b>40,748,970</b>
<b>Earnings per share</b>			
<b>Basic and diluted profit for the year attributable to common shareholders of the parent (in Tenge)</b>	14	<b>205.64</b>	<b>156.73</b>

Acting chairman of the Management Board

Botabekov A.T.

Chief Accountant

Mukanova D.T.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

In thousands of Tenge	Notes	2020	2019
<b>Operating activities</b>			
Profit before tax		65,748,232	50,270,974
<b>Adjustments to reconcile profit before tax to net cash flows</b>			
Depreciation and amortisation		34,076,993	34,348,949
Finance costs	24	11,205,980	9,200,695
Finance income	24	(7,146,006)	(4,171,530)
Foreign exchange loss/(gain), net	25	5,309,688	(469,129)
Accrual of provision for expected credit losses		458,445	134,370
Accrual of allowance for obsolete inventories	23	57,028	67,532
Loss from disposal of property, plant and equipment and intangible assets		372,695	108,015
Loss from / (reversal) of property, plant and equipment	6	19,210	(28,364)
Share in profit of an associate	7	(358,447)	(774,374)
Income from government grants		(30,430)	(58,305)
<b>Working capital adjustments</b>			
Change in inventories		(472,164)	89,689
Change in trade accounts receivable		(7,404,216)	(12,725,280)
Change in other current assets		(2,325,816)	(255,298)
Change in VAT recoverable and other prepaid taxes		221,035	93,006
Change in trade and other accounts payable		16,526,787	8,617,459
Change in contract liabilities		1,168,996	433,215
Change in other non-current liabilities		102,412	-
Change in taxes payable other than income tax		(1,237,193)	1,229,811
Change in other current liabilities		142,312	472,010
<b>Cash flows from operating activities</b>		<b>116,435,541</b>	<b>86,583,445</b>
Interest paid		(2,093,727)	(2,536,865)
Coupon interest paid		(8,460,500)	(8,687,000)
Lease interest paid		(87,769)	(52,601)
Bank guarantee commission paid		(966,986)	(894,908)
Income tax paid		(13,529,672)	(8,093,869)
Interest received		5,405,063	3,380,005
<b>Net cash flows received from operating activities</b>		<b>96,701,950</b>	<b>69,698,207</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2020

In thousands of Tenge	Notes	2020	2019
<b>Investing activities</b>			
Withdrawal of bank deposits		40,103,448	31,924,115
Replenishment of bank deposits		(48,792,359)	(32,329,832)
Change in restricted cash		4,238,713	(9,352)
Gain from sale of property, plant and equipment and intangible assets		196,498	196,498
Purchase of property, plant, equipment		(30,376,834)	(24,541,643)
Purchase of intangible assets		(51,273)	(177,828)
Acquisition of debt securities (National bank notes, bills of Ministry of Finance of the Republic of Kazakhstan)		(117,199,634)	(8,459,310)
Redemption of debt securities (National bank notes, bills of Ministry of Finance of the Republic of Kazakhstan)		85,659,159	7,953,341
Repurchase of DSFK bonds by the issuer	11	67,980	22,141
Partial return of funds from Kazinvestbank JSC and Eximbank Kazakhstan JSC		358,558	95,075
Repayment of loans to employees		564	2,092
Dividends from an associate	7	–	20,000
<b>Net cash flows used in investing activities</b>		<b>(65,795,180)</b>	<b>(25,304,703)</b>
<b>Financing activities</b>			
Issue of bonds		9,032,407	–
Dividends paid		(32,746,767)	(31,644,640)
Repayment of borrowings		(6,574,597)	(10,517,957)
Principal repayment of lease liability		(400,692)	(47,420)
<b>Net cash flows used in financing activities</b>		<b>(30,689,649)</b>	<b>(42,210,017)</b>
<b>Net change in cash and cash equivalents</b>		<b>217,120</b>	<b>2,183,487</b>
Effect of exchange rate changes on cash and cash equivalents		460,732	(54,765)
Effect of accrual of provision on expected credit losses on cash and cash equivalents	13	10,071	(10,140)
<b>Cash and cash equivalents, as at 1 January</b>		<b>21,179,282</b>	<b>19,060,700</b>
<b>Cash and cash equivalents, as at 31 December</b>	13	<b>21,867,205</b>	<b>21,179,282</b>

Acting chairman of the Management Board

Botabekov A.T.

Chief Accountant

Mukanova D.T.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

In thousands of Tenge	Share capital	Asset revaluation reserve	Treasury shares	Other reserves	Retained earnings	Total
<b>As at 1 January 2019</b>	126,799,554	310,840,187	(930)	(37,081)	35,092,074	472,693,804
Profit for the year	-	-	-	-	40,748,970	40,748,970
<b>Total comprehensive income</b>	-	-	-	-	40,748,970	40,748,970
Dividends (Note 14)	-	-	-	-	(31,641,831)	(31,641,831)
Amortization of provision for bonds	-	-	-	37,081	-	37,081
Transfer of asset revaluation reserve (Note 14)	-	(470,944)	-	-	470,944	-
<b>As at 31 December 2019</b>	126,799,554	310,369,243	(930)	-	44,670,157	481,838,024
Profit for the year	-	-	-	-	53,465,271	53,465,271
<b>Total comprehensive income</b>	-	-	-	-	53,465,271	53,465,271
Dividends (Note 14)	-	-	-	-	(32,746,825)	(32,746,825)
Transfer of asset revaluation reserve (Note 14)	-	(532,661)	-	-	532,661	-
<b>As at 31 December 2020</b>	126,799,554	309,836,582	(930)	-	65,921,264	502,556,470

Acting chairman of the Management Board

Botabekov A.T.

Chief Accountant

Mukanova D.T.

## Notes to the consolidated financial statements

### 1. GENERAL INFORMATION

Kazakhstan Electricity Grid Operating Company JSC (“the Company” or “KEGOC”) was established in accordance with the Government Resolution of the Republic of Kazakhstan No. 1188 dated 28 September 1996 by transferring of some assets of the former National Energy System “Kazakhstanenergo”.

As at 31 December 2020 the Company’s major shareholder was Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna”) (90 percent plus one share). Samruk-Kazyna is controlled by the Government of the Republic of Kazakhstan.

In 2014 the Company placed 10 percent minus one share on the Kazakhstan Stock Exchange.

KEGOC is the national Company, which provides electricity transmission, dispatch and electricity production-consumption balancing services in Kazakhstan. As the state-appointed system operator, the Company provides centralized dispatching control, ensures parallel work with energy systems of other countries, maintains the balance in energy system, provides system services and acquires auxiliary services from wholesale entities at energy market, as well as transmits electricity through unified power system (the “NES”), ensures its technical support and maintenance. The NES consists of substations, distribution devices, interregional and international power transmission lines which provide the output of electricity of electrical stations with the voltage of 220 kW and more.

As of 31 December 2020 and 31 December 2019 the Company has stakes in the following companies:

Companies	Activities	Percentage of ownership	
		31 December 2020	31 December 2019
<b>Energoinform JSC</b>	Maintenance of the KEGOC's IT system	<b>100%</b>	100%
<b>Accounting and Finance Center for the support of renewable energy resources LLP (hereafter “RFC” LLP)</b>	Centralised sales and purchase of electricity produced by energy producers using renewable energy sources and delivery into the electricity grid of the Republic of Kazakhstan; purchase of services to ensure readiness of electricity capacity to bear the power load and centralised provision of services to ensure the readiness of electricity capacity to bear the power load on capacity market.	<b>100%</b>	100%

The Company and its subsidiaries are hereafter referred as the “Group”.

For management purposes, the Group's activities are organized into business units based on their services, and has three reportable operating segments, as follows (Note 5):

- **Electricity transmission and related support.** Electricity transmission is regulated by the Law of the Republic of Kazakhstan dated 9 July 1998 No. 272 I On Natural Monopolies and Regulated Markets (the “Law”) as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan (the “Committee”).
- **Ensure readiness of electricity capacity to bear the power load.** From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the reliability of the power system of the Republic of Kazakhstan. Balance reliability refers to the ability of a power system to meet consumer demand for electricity at any given time.
- **Sale of purchased electricity.** The sale of purchased electricity segment includes the renewable energy sector (hereinafter – “RES”) created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV On Supporting the Use of Renewable Energy Sources.

The Company's registered office is located at 59 Tauelsyzdyk Ave., Nur-Sultan, Z00T2D0, the Republic of Kazakhstan.

These consolidated financial statements were approved by the Acting chairman of the Management Board and Chief Accountant of the Company on 26 February 2021.

## 2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been prepared on a historical cost basis, except for certain classes of property, plant and equipment, which are stated at revalued amounts and financial assets measured at fair value as described in the accounting policies and notes to these consolidated financial statements. The consolidated financial statements are presented in Kazakhstan Tenge (“Tenge” or “KZT”) and all values are rounded to the nearest thousands, except when otherwise indicated.

### BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the following term apply:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES



#### NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED TO THE EXISTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE COMPANY FOR THE FIRST TIME

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

In 2020, the Group first applied the amendments and clarifications below, but they did not have an impact on its consolidated financial statements.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group.

#### Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group.

#### Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”.

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of the Group.

#### Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Group.

#### Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

#### CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 (twelve) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 (twelve) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as financial assets measured at fair value at each reporting date, and non-financial assets (NES assets) at fair value when fair value differs materially from their carrying value. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 28.

Fair value is the price that would be received from sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### FAIR VALUE MEASUREMENT (CONTINUED)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's finance management determines the policies and procedures for both recurring fair value measurement, such as NES assets and unquoted trading financial assets, and for non-recurring measurement, if any.

External valuers are involved for valuation of NES assets. Involvement of external valuers is decided upon annually by the finance management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The finance management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the finance management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the finance management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The finance management, in conjunction with the Group's external values, also compares each the changes in the fair value of each asset of revalued class of property, plant and equipment in accordance with Group accounting policy with relevant external sources to determine whether the change is reasonable.

The finance management and external values discusses the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## FOREIGN CURRENCY TRANSACTIONS

The Group's consolidated financial statements are presented in Tenge ("KZT"), which is also the Group's parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are recognized in consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Exchange rates for foreign currencies in which the Group had significant transactions are represented as follows:

Exchange rate as at the end of the year (to KZT)	31 December 2020	31 December 2019
USD 1	420.91	382.59
EUR 1	516.79	429.00
RUB 1	5.62	6.16

Average exchange rate for the year (to KZT)	31 December 2020	31 December 2019
USD 1	412.95	382.87
EUR 1	471.44	428.63
RUB 1	5.73	5.92

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, except for NES assets, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

NES assets are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation reserve is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in consolidated statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation is computed on a straight-line basis over the estimated useful lives set out in the following table:

Buildings	60 years
<b>NES assets</b>	
Power transmission lines	50 years
Constructions	10-30 years
Machinery and equipment	12-30 years
<b>Vehicles and other property, plant and equipment</b>	
Other machinery and equipment	7-25 years
Vehicles	11 years
Computers and other data processing equipment	4-10 years
Furniture	7 years
Other property, plant and equipment	3-15 years

Land is not depreciated.

The useful lives and residual values of property, plant and equipment are reviewed annually and, where applicable, adjustments are made on a prospective basis.

If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These estimates may have a material impact on the amounts of the carrying amount of property, plant and equipment and on depreciation expenses recognized in the consolidated statement of comprehensive income.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognized.

## INTANGIBLE ASSETS

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets of the Group, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit and loss in the period in which expenditure is incurred.

Intangible assets of the Group consist primarily of licenses and software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 3 to 20 years.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

The Group bases its impairment calculation on value in use, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations (including impairment on inventories) are recognised in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for NES assets previously revalued with the revaluation taken to OCI. For such assets, the impairment is recognized in OCI up to the amount of any previous revaluation. For assets previously impaired, except for goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation surplus.

#### INVESTMENTS IN AN ASSOCIATE

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognized its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount, then recognized the loss as 'Share in profit of an associate' in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognized any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

## FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets

#### Initial recognition and measurement

The Group's financial assets include cash and cash equivalents, short-term and long-term deposits, restricted cash, other financial assets, trade and other accounts receivable, quoted and unquoted financial instruments.

Financial assets at initial recognition are classified as financial assets measured at amortized cost; financial assets measured at fair value through profit or loss; financial assets measured at fair value through other comprehensive income.

A financial asset is measured at amortized cost if two criteria are met:

1. The purpose of the business model is to hold a financial asset to receive all contractual cash flows; and
2. Contractual cash flows are represented only by interest payments and principal debt. The fee is a payment for the time value of money and the credit risk associated with the principal debt to maturity in a certain period of time.

If at least one of the above criteria is not met, the financial asset is measured at fair value.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT (CONTINUED)

##### Financial assets (continued)

##### Initial recognition and measurement (continued)

The Group's financial assets not carried at amortized cost are stated at fair value.

A financial asset is measured at fair value through other comprehensive income if two criteria are met:

1. The purpose of the business model is to hold a financial asset both for obtaining all contractual cash flows and for selling a financial asset; and
2. Contractual cash flows are represented only by interest payments and principal debt. The fee is a payment for the time value of money and the credit risk associated with the principal debt to maturity in a certain period of time.

The Group accounts for financial assets at fair value through profit or loss, except when they are carried at amortized cost or at fair value through other comprehensive income.

##### Subsequent measurement

Subsequently, financial assets are measured at amortized or fair value through other comprehensive income, or through profit or loss, based on the business model of the Group for the Management of Financial Assets. The business model is determined by the management of the Group.

##### Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Recognition of expected credit loss

The Group recognizes the estimated provision for expected credit losses on financial assets measured at amortized cost and fair value through other comprehensive income in an amount equal to expected credit losses for the entire period, if the credit loss has increased significantly since initial recognition. The Group does not reduce the carrying amount of a financial asset at fair value through other comprehensive income but recognizes estimated provision in other comprehensive income.

In determining whether there has been a significant increase in the credit risk of a financial asset since its initial recognition, the Group focuses on changes in the risk of a default occurring over the life of the loan instrument, and not on changes in the amount of expected credit losses.

If the terms and conditions of the cash flows of a financial asset stipulated by the agreement have been revised or modified and the recognition of the financial asset has not been terminated, the Group assesses whether the credit risk of the financial instrument has changed significantly by comparing the following:

1. Risk assessment of default as of the reporting date (based on modified contractual terms);
2. Risk assessment of default upon initial recognition (based on the initial unmodified contractual terms).

If there is no significant increase in credit risk, the Group recognizes an allowance for losses on a financial asset in the amount equal to 12-month expected credit losses, with the exception of:

1. Acquired or created credit-impaired financial assets;
2. Trade receivables or contractual assets arising from transactions that are within the scope of IFRS 15 Revenue from Contracts with Customers; and
3. Lease receivables.

For financial assets referred to in paragraphs (1) to (3), the Group estimates the provision for losses in the amount of expected credit losses for the entire term.

If in the previous reporting period the Group estimated the estimated provision for losses on a financial instrument in an amount equal to expected credit losses for the entire term, but as of the current reporting date determines that there is no significant increase in credit risk, then at the current reporting date the Group should evaluate the estimated a provision equal to 12-month expected credit losses.

The Group recognizes, as profit or loss from impairment, the amount necessary to adjust the estimated provision for losses to the amount of expected credit losses as at the reporting date.

For acquired or created credit-impaired financial assets, the Group recognizes favorable changes in expected credit losses for the whole term as a recovery of impairment losses, even if the expected credit losses for the whole period are less than the expected credit losses that were included in the estimated cash flows at initial recognition.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT (CONTINUED)

##### Financial assets (continued)

##### Measurement of expected credit loss

The Group estimates expected credit losses for a financial instrument in a manner that reflects:

1. An unbiased and probability-weighted amount determined by assessing the range of possible results;
2. The time value of money;
3. Reasonable and confirmed information about past events, current conditions and projected future economic conditions available at the reporting date.

The maximum period considered in assessing expected credit losses is the maximum period under the contract (including extension options) during which the Group is exposed to credit risk.

For financial instruments that include both a loan and an unused component of the loan obligation, the Group's contractual ability to request repayment of the loan and annual the unused component of the loan obligation does not limit the Group's exposure to credit loss risk by the contractual deadline for notifying. For such financial instruments, the Group estimates credit losses for the entire period of exposure to credit risk, and expected credit losses will not be reduced as a result of the Group's activities in managing credit risks, even if such a period exceeds the maximum period under the contract.

To achieve the goal of recognizing expected credit losses over the entire term arising from a significant increase in credit risk since initial recognition, it may be necessary to assess a significant increase in credit risk on a group basis, for example, by analysing information indicating a significant increase in credit risk for a group or subgroup of financial instruments. This ensures that the Group achieves the goal of recognizing expected credit losses for the entire period in the event of a significant increase in credit risk, even if confirmation of such a significant increase in credit risk at the level of an individual instrument is not yet available.

##### Financial liabilities

##### Initial recognition and measurement

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, and bonds issued.

##### Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

### Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income.

### Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

## **OFFSETTING OF FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## **INVENTORY**

Inventories are accounted for on a FIFO basis.

Inventories are valued at the lower of cost and net realizable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity till 3 (three) months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### RESTRICTED CASH

In accordance with loan agreements on projects financing signed with International Bank for Reconstruction and Development (the “IBRD”) and European Bank for Reconstruction and Development (the “EBRD”), the Group opened bank escrow accounts, necessary for debt service. Cash, held on these bank accounts, can be used exclusively for the purposes of planned payments on interest and principal loan amounts. If cash is restricted in use for the period not exceeding 12 (twelve) months from the reporting date, such cash is treated as current asset and an appropriate disclosure is provided in the notes to the consolidated financial statements. If cash is restricted in use for the period exceeding 12 (twelve) months from the reporting date, such cash is reflected within non-current assets.

#### PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

#### REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The Group recognizes revenue to reflect the provision of promised services to consumers in the amount of compensation that the Group expects to be entitled to receive in exchange for goods or services.

The Group, when recognizing revenue, takes the following steps:

1. Identification of the contract with the consumer;
2. Identification of the obligation to be executed under the contract;
3. Determination of transaction price;
4. Distribution of the transaction price between certain duties to be performed under the contract;
5. Recognition of proceeds at the time of (or as far as) the performance of the obligations to be performed under the contract.

Revenue from rendering of services is recognized by reference to the stage of completion. The Group receives its revenue from rendering of transmission services of electricity from power generators to wholesale and major customers, technical dispatching of the input of electricity into the energy system and consumption of electricity, organization of balancing of electricity producing and consumption and ensuring a contractual power supply with energy systems of neighbouring countries and other.

Tariffs for services of electricity transmission, technical dispatch, organization of balancing of production/consumption of electricity are approved by the Committee.

Revenues from providing a contractual power supply with energy systems of neighbouring countries are recognised in accordance with terms of contracts conducted on the basis of Agreement between the Government of Republic of Kazakhstan and Russian Federation On Measures Securing Parallel Operation of Unified Power Systems of the Republic of Kazakhstan and Russian Federation.

Also, from 1 January 2019, with the launch of the capacity market in the Republic of Kazakhstan, the Group provides services to ensure the readiness of electricity capacity to bear the power load. Revenues from the provision of services to ensure the readiness of electricity capacity to bear the power load are recognized monthly based on the volume of services rendered. The volume of the service for ensuring the readiness of electric power to bear the power load for each specific buyer is the maximum, for the respective month, electric power consumption, indicated in the act on the actual maximum volume of electric power consumption for a month.

### Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the consolidated statement of comprehensive income.

### BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

### LEASE

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) LEASE (CONTINUED)

#### The Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

#### PENSION OBLIGATIONS

In accordance with the legislation of the Republic of Kazakhstan, the Group deducted 10% of employees' salaries, but no more than KZT 212,500 per month (2019: KZT 212,500) to accumulative pension funds. Pension fund payments are withheld from employees' salaries and included with payroll expenses in the consolidated statement of comprehensive income when they are incurred. The Group has no other retirement benefit obligations.

#### CURRENT INCOME TAX

Current income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### DEFERRED TAX

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### DIVIDENDS

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

#### CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed in the consolidated financial statements unless the possibility of any outflow in settlement is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures, and the disclosure of contingent liabilities and assets. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

The Group performed revaluation of NES assets as at 1 October 2018. The Group engaged Deloitte TSF LLP, an accredited independent appraiser, to assess the fair value of the NES assets.

The revalued NES assets represent one class of assets according to IFRS 13, based on the nature, characteristics and risk of the property. Input data for determining the fair value of NES assets refer to Level 3 in the fair value hierarchy (unobservable inputs).

After 2017, the Committee approved an increase in tariffs for electricity transmission services, technical dispatching and balancing the production and consumption of electricity. Higher tariffs resulted in the revaluation surplus on certain assets credited to other comprehensive income in the amount of KZT 113,259,316 thousand, and respective deferred tax liability in the amount of KZT 22,651,864 thousand and revaluation gain amounting to KZT 3,342,507 thousand was credited to profit and loss to the extent of revaluation deficit recognized in these assets in prior periods.

Fair value of NES assets was determined by using the cost approach. The cost approach has been used due to highly specialized nature of the assets and because there is no history of such assets ever being sold. Within cost approach, the method of determining the replacement cost or the cost of reproduction was used to calculate the total cost of replacement of fixed assets less all types of accumulated depreciation, as well as the method of calculation by analogues, the method of specific indicators and the method of indexation of past costs.

The appraised current replacement cost has been further compared to the recoverable amount identified based on the discounted cash flow model. The cash flows are derived from the budget for the next five (5) years.

As a result of the assessment, the amount of KZT 527,147,904 thousand was recognised as a fair value of NES assets as of 1 October 2018.

In assessment of the fair value in 2018 the following main assumptions have been applied:

Discount rate (WACC)	11.82%
Long term growth rate	3.6%
Remaining useful life of the primary asset	40 years

An increase in the discount rate by 0.5% or a reduction in long term growth rate by 0.5% would result in a decrease in the fair value of Group's property, plant and equipment for approximately KZT 40,116,819 thousand or KZT 26,219,011 thousand, respectively.

At each reporting date, the Group assesses whether there is any difference between the carrying amount of NES assets from that which was determined using fair values at the reporting date. As of 31 December 2020, and 31 December 2019, the management of the Group revised its estimates in relation to the fair value of its NES assets by calculating the actual replacement cost of the NES assets excluding all types of accumulated depreciation. As a result, the management of the Group has concluded that there has been no significant change in the fair value of NES assets as at 31 December 2020 and 31 December 2019 from the date of the last revaluation in 2018. As a result, the Group concluded that the carrying amount of NES assets as of 31 December 2020 does not significantly differ from their fair value.

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

### TAXES

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and benefit already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised in the consolidated financial statements, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value reported in the consolidated financial statements.

### Bonds DSFK

On 28 December 2017, in accordance with the Decree of the Government of the Republic of Kazakhstan dated 7 November 2017, the Group acquired bonds of Special Financial Company DSFK LLP (“DSFK bonds”) using the funds placed with RBK Bank JSC (“RBK Bank”). The nominal value of deposits placed with RBK Bank before the transaction was KZT 1,498,249 thousand. DSFK bonds carry coupon interest of 0.01% per annum (paid annually) and mature in 15 years. The bonds are secured by a financial guarantee of Kazakhmys Corporation LLP of KZT 411,883 thousand. The guarantee is exercisable upon request of the Group not earlier than the fifth anniversary after the inception of the bonds.

Management of the Group believes that at 31 December 2020 DSFK bonds are non-recoverable. Accordingly, management of the Group believes that fair value of DSFK bonds is limited to their recoverable amount that is equal to the fair value of the guarantee. The Group does not hold the bonds for all contractual cash flows, so as at 31 December 2020, the bonds were classified as financial instruments at fair value through profit or loss. As at 31 December 2020, the Group revalued the fair value of the bonds at a discount rate of 11.2%, which represents the market discount rate as at 31 December 2020.

### Samruk-Kazyna Bonds

On 30 March 2020, the Group purchased 25,927,008 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit on the Kazakhstan Stock Exchange. The bonds are valid until 19 April 2021. The bonds were classified at amortized cost and were initially recognized at fair value using discount rate of 12.5%.

On 3 December 2020, the Group purchased 16,000,000 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit on the Kazakhstan Stock Exchange. The bond circulation period is 3 December 2023. The bond were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

On 7 December 2020, the Group purchased 14,000,000 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit from Freedom Finance JSC. The bond circulation is 3 December 2023. The bonds were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

### PURCHASE AND SALE OF ELECTRICITY GENERATED BY RENEWABLE ENERGY FACILITIES

In order to create conditions for the development of the renewable energy sector (hereinafter – “RES”), the Government of the Republic of Kazakhstan adopted a mechanism of state support based on the introduction of a centralized purchase by a single buyer – “RFC” LLP of electricity produced by renewable energy facilities. The activities of the “RFC” LLP are regulated by the Law of the Republic of Kazakhstan On Supporting the Use of Renewable Energy Sources.

After analysing the contracts for the purchase and sale of electricity generated by renewable energy facilities, the Group's management made significant judgment that the Group momentarily obtains control over the electricity generated by renewable energy facilities and transfers it to customers. The management of the Group believes that buyers consider the Group as the party that bears the main responsibility for the implementation of the contract for the sale of electricity produced by renewable energy facilities, since the Group is obliged to supply the agreed amount of electricity, while all expenses for balancing production and consumption of electricity and technological losses are incurred by the Group.

Moreover, contracts for the purchase of electricity generated by renewable energy facilities are concluded by the Group for a period of 15 years, that is, the Group has the long-term obligation to purchase electricity for the electricity generated by renewable energy facilities wherein contracts with customers are signed for a period of one year.

#### **4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)** **PURCHASE AND SALE OF ELECTRICITY GENERATED BY RENEWABLE ENERGY FACILITIES (CONTINUED)**

Therefore, the Group Management determined that the Group is a principal in the sale of electricity generated by renewable energy facilities, and the Group recognizes revenue in the gross amount to which the entity expects to be entitled.

##### **DETERMINATION OF THE LEASE COMPONENT IN RENEWABLE ENERGY PURCHASE AGREEMENTS**

A subsidiary of the Group, RFC has entered into long-term contracts for the purchase of electricity produced at power plants using renewable energy sources (hereinafter referred to as “RES power stations”). According to these agreements, the RFC has the right to receive almost all economic benefits from the use of a renewable energy plant during the period of use, defined as the 15-year period of validity of purchase agreements. The RFC purchases the entire amount of electricity produced at these renewable energy plants. Renewable energy purchase agreements provide for fixed tariffs in Tenge for each kWh of electricity generated at renewable energy plants.

Therefore, the Group's management determined that renewable energy purchase agreements contain a lease component in accordance with IFRS 16. However, the Group's management cannot reliably estimate the amount of electricity due to high fluctuations in the volumes of production that will be generated at each specific power plant, as the nature of the renewable energy business depends to a large extent on external factors such as weather conditions. Accordingly, the management of the Group was not able to reliably assess lease liability (and, accordingly, right of use asset).

##### **ESTIMATED PROVISION FOR EXPECTED CREDIT LOSSES ON RECEIVABLES**

The Group uses the estimated reserves matrix to calculate the ECL for receivables. Valuation reserve rates are set depending on the number of days of delay in payment for groups of different customer segments with similar loss characteristics (i.e., by geographic region, product type, type and rating of customers, collateral by letters of credit and other forms of credit risk insurance).

Initially, observable data on the occurrence of defaults in past periods underlies in the basis of the estimated reserves matrix. The Group will update the matrix to adjust past experience with credit losses, considering forward-looking information. At each reporting date, the observed default level data in previous periods are updated and changes in forecast estimates are analyzed.

The assessment of relationship between historical observed default levels, forecasted economic conditions, and ECL is a significant estimate. The value of the ECL is sensitive to changes in circumstances and projected economic conditions. Past experience of occurrence of credit losses and the forecast of economic conditions may also not be indicative of actual default of the buyer in the future.

## 5. OPERATING SEGMENTS INFORMATION

### GEOGRAPHIC INFORMATION

Revenues from external customers based on the geographic locations of the customers represent the following:

In thousands of Tenge	2020	2019
Revenue from Kazakhstan customers	333,105,023	247,186,271
Revenue from Russian customers	16,579,111	15,245,821
Revenue from Uzbekistan customers	954,342	708,465
Revenue from Kyrgys customers	21,075	21,516
<b>Total revenue per consolidated statement of comprehensive income</b>	<b>350,659,551</b>	<b>263,162,073</b>

Management analyses the Group's revenue and profit before tax determined in accordance with IFRS.

For the year ended 31 December 2020 the revenue from one customer, Samruk-Energo Group, including its joint-ventures, amounted to KZT 57,496,342 thousand, arising from electricity transmission and the provision of related support, ensuring the readiness of electric power to bear the load, as well as the sale of purchased electricity (for the year ended 31 December 2019: KZT 38,464,643 thousand).

### OPERATING SEGMENTS

For management purposes, the Group's activities are organized into business units based on their services, and has three reportable operating segments, as follows:

- **Electricity transmission and related support.** Electricity transmission is regulated by the Law as the Group is a natural monopolist in electricity transmission, technical dispatch and electricity production-consumption balancing services. According to the Law, the Group's electricity transmission, technical dispatch and electricity production-consumption tariffs are approved by the Committee.
- **Ensure readiness of electricity capacity to bear the power load.** From 1 January 2019, the electricity capacity market was put into operation in the Republic of Kazakhstan, the main purpose of which is to ensure the balance of the reliability of the power system of the Republic of Kazakhstan. Balance reliability refers to the ability of a power system to meet consumer demand for electricity at any given time.
- **Sale of purchased electricity.** • The sale of purchased electricity segment includes the renewable energy sector (hereinafter – “RES”) created by the Government of the Republic of Kazakhstan in order to create conditions for the development of the RES. The renewable energy sector is regulated by the Law of the Republic of Kazakhstan dated 4 July 2009 No. 165-IV On Supporting the Use of Renewable Energy Sources.

## 5. OPERATING SEGMENTS INFORMATION (CONTINUED)

### OPERATING SEGMENTS (CONTINUED)

In thousands of Tenge

	Electricity transmission and related support services	Ensure readiness of electricity capacity to bear the power load
Revenue from sales to external customers	178,298,630	84,384,233
Revenue from sales to other segments	249,262	4,569,012
<b>Total revenue</b>	<b>178,547,892</b>	<b>88,953,245</b>
<b>Gross profit</b>	<b>71,912,504</b>	<b>8,570,187</b>
General and administrative expenses	(7,924,511)	(381,775)
Selling expenses	(391,066)	–
Finance income	6,245,387	1,358,572
Finance costs	(11,200,196)	(5,784)
Share in profit of an associate	358,447	–
Foreign exchange loss, net	(5,304,463)	–
Income tax expense	(9,912,348)	(1,745,646)
<b>Profit/(loss) for the reporting period</b>	<b>44,257,239</b>	<b>7,380,159</b>
<b>Total net income/(loss)</b>	<b>44,257,239</b>	<b>7,380,159</b>
<b>Other segment information</b>		
Total segment assets	763,557,223	27,623,419
Total segment liabilities	282,879,191	14,084,196
Accrual of expected credit losses for doubtful debts	(467,868)	(368,624)
Investments in an associate	2,017,593	–

For the year ended 31 December 2020

	Sale of purchased electricity	Other	Elimination	Total
	87,177,756	798,932	-	350,659,551
	1,448	4,728,576	(9,548,298)	-
	87,179,204	5,527,508	(9,548,298)	350,659,551
	2,176,959	1,506,179	(563,246)	83,602,583
	(173,837)	(573,558)	744,012	(8,309,669)
	-	-	26,982	(364,084)
	307,194	52,554	(817,701)	7,146,006
	-	-	-	(11,205,980)
	-	-	-	358,447
	-	(5,225)	-	(5,309,688)
	(436,412)	(188,555)	-	(12,282,961)
	1,845,040	806,869	(824,036)	53,465,271
	1,845,040	806,869	(824,036)	53,465,271
	19,195,936	5,291,404	(3,655,356)	812,012,626
	13,000,797	1,443,216	(1,951,244)	309,456,156
	(114,611)	16,582	-	(934,521)
	-	-	-	2,017,593



## 5. OPERATING SEGMENTS INFORMATION (CONTINUED)

### OPERATING SEGMENTS (CONTINUED)

In thousands of Tenge		
	Electricity transmission and related support services	Ensure readiness of electricity capacity to bear the power load
Revenue from sales to external customers	153,938,491	67,727,114
Revenue from sales to other segments	118,642	3,366,165
<b>Total revenue</b>	<b>154,057,133</b>	<b>71,093,279</b>
<b>Gross profit</b>	<b>50,246,401</b>	<b>12,809,151</b>
General and administrative expenses	(8,454,964)	(244,126)
Selling expenses	(411,350)	–
Finance income	3,861,445	357,094
Finance costs	(9,200,695)	–
Share in profit of an associate	774,374	–
Foreign exchange gain/(loss), net	469,269	–
Impairment of property, plant and equipment	(28,364)	–
Income tax expense	(6,906,005)	(2,597,311)
<b>Profit/(loss) for the reporting period</b>	<b>30,942,952</b>	<b>10,358,076</b>
<b>Total net income/(loss)</b>	<b>30,942,952</b>	<b>10,358,076</b>
<b>Other segment information</b>		
Total segment assets	729,742,694	17,967,007
Total segment liabilities	260,216,629	10,741,958
Accrual of expected credit losses for doubtful debts	94,761	(236,653)
Investments in an associate	1,862,241	–

## For the year ended 31 December 2019

	Sale of purchased electricity	Other	Elimination	Total
	40,838,117	658,351	-	263,162,073
	32,811	4,009,395	(7,527,013)	-
	40,870,928	4,667,746	(7,527,013)	263,162,073
	(710,722)	1,188,292	(627,726)	62,905,396
	(118,534)	(546,169)	529,586	(8,834,207)
	-	-	29,072	(382,278)
	232,623	70,749	(350,381)	4,171,530
	-	-	-	(9,200,695)
	-	-	-	774,374
	1	(141)	-	469,129
	-	-	-	(28,364)
	144,113	(162,801)	-	(9,522,004)
	(574,723)	614,608	(591,943)	40,748,970
	(574,723)	614,608	(591,943)	40,748,970
	8,166,822	4,570,336	(3,459,138)	756,987,721
	4,882,708	914,410	(1,606,008)	275,149,697
	2,584	9,121	-	(130,187)
	-	-	-	1,862,241

## 6. PROPERTY, PLANT AND EQUIPMENT AND ADVANCES PAID FOR NON-CURRENT ASSETS

In thousands of Tenge	Land	Buildings	NES assets	Vehicles and other property, plant and equipment	Const- ruction-in- progress	Total
<b>As at 1 January 2019</b>	1,771,135	17,424,530	1,116,427,405	33,624,896	62,403,893	1,231,651,859
Additions	50,427	76,411	214,121	1,382,027	16,641,467	18,364,453
Transfers	88,694	1,236,427	52,579,631	7,362,162	(61,347,432)	(80,518)
Disposals	–	(862)	(817,105)	(544,568)	(700,861)	(2,063,396)
<b>As at 31 December 2019</b>	1,910,256	18,736,506	1,168,404,052	41,824,517	16,997,067	1,247,872,398
Additions	<b>11,269</b>	<b>196,100</b>	<b>8,027,050</b>	<b>2,894,181</b>	<b>24,694,126</b>	<b>35,822,726</b>
Transfers	<b>48,813</b>	<b>186,638</b>	<b>3,929,847</b>	<b>866,458</b>	<b>(5,031,756)</b>	<b>–</b>
Transfer to intangible assets	–	–	–	–	<b>(1,612,929)</b>	<b>(1,612,929)</b>
Transfer from inventory	–	–	–	–	<b>837,678</b>	<b>837,678</b>
Transfers to non-current assets for sale	<b>(5,126)</b>	–	–	–	–	<b>(5,126)</b>
Disposals	–	<b>(402,940)</b>	<b>(2,552,883)</b>	<b>(444,198)</b>	<b>(73,815)</b>	<b>(3,473,836)</b>
<b>As at 31 December 2020</b>	<b>1,965,212</b>	<b>18,716,304</b>	<b>1,177,808,066</b>	<b>45,140,958</b>	<b>35,810,371</b>	<b>1,279,440,911</b>
<b>Accumulated depreciation and impairment</b>						
As at 1 January 2019	–	(4,003,282)	(538,815,274)	(20,646,878)	(250,058)	(563,715,492)
Charge for the year	–	(546,045)	(30,658,153)	(2,537,292)	–	(33,741,490)
Transfer	–	(99,574)	(106,641)	206,215	–	–
Disposals	–	389	672,967	453,854	–	1,127,210
Reversal of impairment	–	–	–	–	28,364	28,364
<b>As at 31 December 2019</b>	–	(4,648,512)	(568,907,101)	(22,524,101)	(221,694)	(596,301,408)
Charge for the year	–	<b>(249,462)</b>	<b>(30,572,899)</b>	<b>(2,779,662)</b>	–	<b>(33,602,023)</b>
Disposals	–	<b>393,737</b>	<b>2,128,850</b>	<b>437,587</b>	–	<b>2,960,174</b>
Impairment loss	–	–	–	–	<b>(19,210)</b>	<b>(19,210)</b>
<b>As at 31 December 2020</b>	–	<b>(4,504,237)</b>	<b>(597,351,150)</b>	<b>(24,866,176)</b>	<b>(240,904)</b>	<b>(626,962,467)</b>
<b>Net book value</b>						
<b>As at 1 January 2019</b>	1,771,135	13,421,248	577,612,131	12,978,018	62,153,835	667,936,367
<b>As at 31 December 2019</b>	1,910,256	14,087,994	599,496,951	19,300,416	16,775,373	651,570,990
<b>As at 31 December 2020</b>	<b>1,965,212</b>	<b>14,212,067</b>	<b>580,456,916</b>	<b>20,274,782</b>	<b>35,569,467</b>	<b>652,478,444</b>

If NES assets were measured using the cost model, net of accumulated depreciation, the carrying amount would be as follows:

In thousands of Tenge	31 December 2020	31 December 2019
Cost	421,253,836	409,926,673
Accumulated depreciation	(124,078,236)	(112,519,473)
<b>Net book value</b>	<b>297,175,600</b>	<b>297,407,200</b>

As at 31 December 2020 and 31 December 2019 the cost of fully amortised property, plant and equipment, which is still in use amounted to KZT 43,753,588 thousand and KZT 35,090,534 thousand, respectively.

### CAPITALIZED COSTS ON ISSUED BONDS

During the year ended 31 December 2020 the Group capitalized the cost of coupon interest on issued bonds (less investment income) amounted to KZT 310,407 thousand (for the year ended 31 December 2019: KZT 2,118,729 thousand) (Note 16).

### CONSTRUCTION IN PROGRESS

Construction in progress is mainly represented by equipment and construction works as part of the implementation of the project "Reconstruction of 220-500 kW overhead lines of KEGOC JSC branches "Aktobe MES", "Sarbaiskie MES", "Western MES" (stage 1)".

### ADVANCES PAID FOR NON-CURRENT ASSETS

As of 31 December 2020 and 31 December 2019, advances paid for non-current assets are mainly represented by advances paid to suppliers for construction work and services under the project "Reconstruction of 220-500 kW of KEGOC JSC branches "Aktobe MES", "Sarbaiskie MES", "Western MES" branches (stage 1)".

## 7. INVESTMENTS IN ASSOCIATE

The Group has 20% share in Batys Transit JSC. Principal place of operations and country of incorporation of Batys Transit JSC ("Batys Transit") is the Republic of Kazakhstan. The main activity of Batys Transit is realization of a project on construction and exploitation of interregional power line, which connects the North Kazakhstan region with Aktobe region and construction and exploitation of street lighting networks in Atyrau city. Batys Transit has bonds traded on the Kazakhstan Stock Exchange. The following table illustrates the summarised financial information about Batys Transit:

In thousands of Tenge	31 December 2020	31 December 2019
<b>Statement of financial position</b>		
Current assets	17,139,259	11,609,091
Non-current assets	17,309,889	20,448,279
Current liabilities	(7,440,560)	(4,311,941)
Non-current liabilities	(16,920,626)	(18,334,225)
<b>Net assets</b>	<b>10,187,962</b>	<b>9,411,204</b>

In thousands of Tenge	31 December 2020	31 December 2019
Group's share in net assets	2,017,593	1,862,241
<b>Carrying amount of the investments</b>	<b>2,017,593</b>	<b>1,862,241</b>

In thousands of Tenge	31 December 2020	31 December 2019
<b>Statement of comprehensive income</b>		
Revenue	10,406,346	14,248,515
Net profit	1,792,235	3,871,868
<b>Group's share in profit of Batys Transit</b>	<b>358,447</b>	<b>774,374</b>

As of 31 December 2020, and 31 December 2019, the associate had no contingent liabilities or capital commitments.

The Extraordinary General Meeting of Shareholders (GMS) of Batys Transit, held on 6 April 2020, taking into account the amendments and additions to the extraordinary GMS dated 2 July 2020, decided to assign a part of the profit from non-core activities for 2019 to pay dividends on ordinary shares in the amount of KZT 1,015,477 thousand, at the rate of KZT 33,849.23 per ordinary share. The start date of payment is the day following the date of receipt of written consent to pay dividends on ordinary shares of Batys Transit from the Eurasian Development Bank in accordance with the loan agreement concluded between Batys Transit and the Bank, but no later than 21 August 2020. Dividends receivable in the amount of KZT 203,095 thousand were included in the consolidated statement of financial position as of 31 December 2020.

## 8. INVENTORIES

In thousands of Tenge	31 December 2020	31 December 2019
Raw and other materials	1,441,729	1,319,421
Spare parts	1,113,256	848,899
Fuel and lubricants	84,148	90,399
Other inventory	273,433	188,556
Less: allowance for obsolete inventories	(363,273)	(313,118)
	2,549,293	2,134,157

Movement in the allowance for obsolete inventories was as follows:

In thousands of Tenge	2020	2019
At 1 January	313,118	246,046
Charge (Note 23)	201,353	91,041
Reversal (Note 23)	(144,325)	(23,509)
Write-off	(6,873)	(460)
At 31 December	363,273	313,118

## 9. TRADE ACCOUNTS RECEIVABLE

In thousands of Tenge	31 December 2020	31 December 2019
Trade accounts receivable	31,505,569	24,006,143
Less: provision for expected credit losses	(2,902,262)	(2,104,309)
	28,603,307	21,901,834

Movement in the provision for expected credit losses was as follows:

In thousands of Tenge	2020	2019
At 1 January	2,104,309	2,024,770
Charge	2,025,634	824,194
Reversal	(1,227,681)	(739,689)
Write-off	–	(4,966)
At 31 December	2,902,262	2,104,309

## 9. TRADE ACCOUNTS RECEIVABLE (CONTINUED)

As at 31 December 2020 trade accounts receivable included accounts receivable from the customer National Electric Grids of Uzbekistan JSC, in the amount of KZT 1,721,705 thousand (31 December 2019: KZT 1,472,045 thousand.)

As at 31 December 2020 provision for debts from National Electric Grids of Uzbekistan JSC amounted to KZT 1,466,984 thousand (31 December 2019: KZT 1,332,370 thousand).

Set out below is the information about the credit risk exposure on the Group's trade accounts receivable using a provision matrix:

In thousands of Tenge	Trade accounts receivable					
	Total	Current	Days past due			
			30-90 days	91-180 days	181-270 days	Above 271 days
31 December 2020						
Percentage of expected credit losses	9.21%	0.75%	14.06%	19.89%	32.29%	99.12%
Estimated total gross carrying amount in case of default	31,505,569	26,405,391	1,090,797	1,233,908	667,744	2,107,729
Expected credit losses	(2,902,262)	(198,706)	(153,340)	(245,440)	(215,639)	(2,089,137)
	28,603,307	26,206,685	937,457	988,468	452,105	18,592
31 December 2019						
Percentage of expected credit losses	8.77%	0.19%	2.49%	9.82%	27.21%	99.96%
Estimated total gross carrying amount in case of default	24,006,143	20,372,759	859,963	504,020	376,674	1,892,727
Expected credit losses	(2,104,309)	(39,061)	(21,395)	(49,478)	(102,492)	(1,891,883)
	21,901,834	20,333,698	838,568	454,542	274,182	844

Trade accounts receivable were denominated in the following currencies:

In thousands of Tenge	31 December 2020	31 December 2019
Tenge	27,812,664	20,907,577
Russian Rouble	535,922	931,182
US Dollars	254,721	63,075
	28,603,307	21,901,834

## 10. OTHER CURRENT ASSETS

In thousands of Tenge	31 December 2020	31 December 2019
Advances paid for goods and services	2,216,768	314,710
Other receivables for property, plant and equipment and constructions	399,974	399,974
Deferred expenses	166,970	92,629
Loans receivable from employees	469	1,521
Other	769,850	402,998
Less: provision for expected credit losses	(608,794)	(472,349)
	2,945,237	739,483

Movement in the provision for expected credit losses and impairment of other current assets are as follows:

In thousands of Tenge	2020	2019
At 1 January	472,349	427,059
Charge	219,244	93,972
Reversal	(82,675)	(48,533)
Write-off	(124)	(149)
At 31 December	608,794	472,349



## 11. OTHER FINANCIAL ASSETS

In thousands of Tenge	31 December 2020	31 December 2019
<b>Financial assets at amortised cost</b>		
Bonds of Samruk-Kazyna	30,213,089	25,886,318
Bank deposits	29,656,027	19,194,586
Notes of the National Bank of the Republic of Kazakhstan	28,823,615	–
Placements with Eximbank Kazakhstan	2,572,504	2,865,652
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	1,816,832	1,663,184
Placements with DeltaBank JSC	1,230,000	1,230,000
Placements with Kazinvestbank JSC	1,219,017	1,239,455
Interest accrued on Samruk-Kazyna bonds	254,334	463,667
Dividends receivable from an associate	203,095	–
Interest accrued on Ministry of Finance Eurobonds	17,163	13,304
Less: provision for impairment of placements with Eximbank Kazakhstan	(2,572,504)	(2,865,652)
Less: provision for impairment of placements with Deltabank JSC	(1,230,000)	(1,230,000)
Less: provision for impairment of placements with Kazinvestbank JSC	(1,219,017)	(1,239,455)
Less: provision for expected credit losses	(152,516)	(297,167)
	90,831,639	46,923,892
<b>Financial assets at fair value through profit or loss</b>		
Bonds of Special Financial Company DSFK	310,175	288,613
	310,175	288,613
<b>Total other financial assets</b>	<b>91,141,814</b>	<b>47,212,505</b>
Other current financial assets	58,801,720	45,260,710
Other non-current financial assets	32,340,094	1,951,795
<b>Total other financial assets</b>	<b>91,141,814</b>	<b>47,212,505</b>

Movement in the provision for impairment of other financial assets are as follows:

In thousands of Tenge	2020	2019
<b>At 1 January</b>	<b>5,632,274</b>	<b>5,600,216</b>
Accrual	442,012	508,905
Reversal	(900,249)	(476,847)
<b>At 31 December</b>	<b>5,174,037</b>	<b>5,632,274</b>

### BONDS OF SAMRUK-KAZYNA JSC

During May-June 2018, the Group acquired coupon bonds of Samruk-Kazyna JSC with nominal value of KZT 26,000,000 thousand at cost lower than par value for KZT 25,159,831 thousand at Kazakhstan Stock Exchange JSC. The bonds mature on 13 March 2020. During the March 2020, the bonds were fully repaid. During the year ended 31 December 2020, amortization of the discount in amount of KZT 113,682 thousand was recognized as financial income in the consolidated statement of comprehensive income.

The Group classified the bonds as carried at amortised cost. During the year ended 31 December 2020, the discount amount was fully amortized and the bonds were fully repaid on 13 March 2020.

On 30 March 2020, the Group purchased coupon bonds of SWF Samruk-Kazyna JSC in the amount of 25,927,008 at a par value of 1,000 Tenge per unit on the Kazakhstan Stock Exchange, with an interest rate of 12.5% per annum. The bonds were redeemed ahead of schedule on 2 December 2020.

On 3 December 2020, the Group purchased 16,000,000 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit on the Kazakhstan Stock Exchange. The bond circulation period is 3 December 2023. The bond were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

On 7 December 2020, the Group purchased 14,000,000 coupon bonds of SWF Samruk-Kazyna JSC at a par value of 1,000 Tenge per unit from Freedom Finance JSC. The bond circulation is 3 December 2023. The bonds were classified as carried at amortized cost and were initially recognized at fair value using a discount rate of 10.9%.

### BONDS OF SPECIAL FINANCIAL COMPANY DSFK LLP

During the year ended 31 December 2020, Special Financial Company DSFK LLP redeemed bonds amounting to KZT 67,980 thousand.

As at 31 December 2020, the Group reassessed the fair value of bonds and increased their carrying amount to KZT 310,175 thousand, recognizing gain from revaluation of financial instruments in the amount of KZT 89,541 thousand as finance income in the consolidated statement of comprehensive income.

### DEPOSITS

As at 31 December 2020 and 31 December 2019 the deposits include accrued interest income in the amount of KZT 65,981 thousand and KZT 16,284 thousand, respectively.

## 11. OTHER FINANCIAL ASSETS (CONTINUED)

### PLACEMENTS WITH EXIMBANK KAZAKHSTAN JSC

On 27 August 2018, by a resolution of the Board of the National Bank of the Republic of Kazakhstan, it was decided to deprive Eximbank of the license in terms of accepting deposits, opening bank accounts of individuals. Accordingly, the Group reclassified cash and cash equivalents held with Eximbank to other financial assets and accrued an expected credit loss provision in the amount of 100%, which is KZT 2,930,115 thousand.

On 14 November 2019, the Liquidation Commission of Eximbank Kazakhstan JSC made a payment in the amount of 178 thousand US Dollars (equivalent to KZT 69,151 thousand as of the date of payment) according to the approved register of creditors' claims dated 13 June 2019. The Group recognized a corresponding reversal of the allowance for impairment losses.

During the year ended 31 December 2020, the Liquidation Commission of Eximbank Kazakhstan JSC made a payment in the amount of 805 thousand US Dollars (equivalent to KZT 330,624 thousand as of the date of payment) in accordance with the approved register of creditors' claims dated 13 June 2019. The Group recognized a corresponding reversal of the allowance for impairment losses.

### NOTES OF THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

During the 2020 year, the Group acquired discount notes of the National Bank of the Republic of Kazakhstan at the Auction of the National Bank of the Republic of Kazakhstan and Kazakhstan Stock Exchange JSC. The circulation period of the notes of the National Bank of the Republic of Kazakhstan was from 15 May 2020 to 25 June 2021. During the year ended 31 December 2020, a finance income of KZT 1,399,121 thousand was recognized.

### KAZINVESTBANK JSC

On 20 March 2020 and 21 April 2020, the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 43.5 thousand US Dollars (equivalent to KZT 19,531 thousand as of the date of payment) and in the amount of KZT 222.4 thousand, respectively. The Group recognized a corresponding reversal of the allowance for impairment losses. On 19 October 2020 the Liquidation Commission of Kazinvestbank JSC made a payment according to the approved register of creditors' claims in the amount of 18,9 thousand US Dollars (equivalent to KZT 6,085 thousand as of the date of payment) and in the amount of KZT 96,4 thousand, respectively. The Group recognized a corresponding reversal of the allowance for impairment losses.

### EUROBONDS OF THE MINISTRY OF FINANCE OF THE REPUBLIC OF KAZAKHSTAN

On 26 April 2019, the Group acquired Eurobonds of the Ministry of Finance of the Republic of Kazakhstan in the amount of 4,200,000 at a rate of 3.875% per annum and maturity until October 2024 at a price higher than the nominal amount of 4,368 thousand USD (equivalent of 1,816,832 thousand Tenge).

Other financial assets were represented in the following currencies:

In thousands of Tenge	Interest rate	31 December 2020	31 December 2019
Tenge	7,55-10,5%	<b>64,453,314</b>	26,899,100
US Dollars	0,3-1,5%	<b>26,688,500</b>	20,313,405
		<b>91,141,814</b>	<b>47,212,505</b>

## 12. RESTRICTED CASH

In thousands of Tenge	31 December 2020	31 December 2019
Cash reserved for return on guarantee obligations	<b>553,284</b>	292,786
Cash on reserve accounts	–	2,932,192
Cash on debt service accounts	–	1,057,574
Less: provision for expected credit losses	<b>(698)</b>	(8,467)
	<b>552,586</b>	<b>4,274,085</b>

During 2020 and 2019, interest was not charged on restricted cash.

As of 31 December 2020, there is no balance of restricted cash, including funds planned to be redeemed. This is due to the closure of the reserve account, due to the fulfilment of obligations under the terms of the guarantee agreement with the Government of the Republic of Kazakhstan, the guarantor for the Group's loans.

According to the terms of the loan agreements with IBRD, the Group's creditors, the Group accumulates cash on a special debt service bank account opened with Kazakhstan bank in 35 calendar days before the date of payment of the principal debt, interest and commissions on loans to the IBRD.

In December 2019, the final payment was made on the IBRD loan (loan agreement 4526-KZ dated 21 December 1999), attracted within the framework of the project "Modernization of the national electrical network". A letter confirming the full fulfilment of liabilities to the IBRD was received in January 2020, after which cash in the amount of KZT 2,932,192 thousand was transferred to the current account within cash and cash equivalents.

In accordance with the terms of the guarantee agreements with the Government of the Republic of Kazakhstan, the guarantor of the Group's loans (Note 15), the Group is obliged to hold cash on a special reserve account opened in a Kazakhstan bank. The Group is obliged to reserve cash for at least 110% of the upcoming semi-annual payment of principal, interest and commission fees of the IBRD loans. As of 31 December 2020, the loans entered into with the above requirement have been fully repaid.

## 12. RESTRICTED CASH (CONTINUED)

The movement in the provision for expected credit losses on restricted cash was as follows:

In thousands of Tenge	2020	2019
At 1 January	8,467	46,480
Charge	855	19,390
Reversal	(8,624)	(57,403)
At 31 December	698	8,467

As at 31 December 2020 and 31 December 2019, restricted cash taking into account the funds planned to be repaid were denominated in the following currencies:

In thousands of Tenge	31 December 2020	31 December 2019
Tenge	552,586	292,422
US Dollars	–	3,981,663
	552,586	4,274,085

## 13. CASH AND CASH EQUIVALENTS

In thousands of Tenge	31 December 2020	31 December 2019
Current accounts with banks, in Tenge	10,816,529	3,136,231
Short-term deposits, in Tenge	10,812,426	17,795,817
Current accounts with banks, in foreign currencies	244,835	263,712
Cash on hand, in Tenge	1,828	2,672
Cash at special accounts, in Tenge	752	86
Less: provision for expected credit losses	(9,165)	(19,236)
	21,867,205	21,179,282

As at 31 December 2020 the Group placed short-term deposits with banks with maturity less than 90 days at 7-8.25% per annum (2019: 7-9% per annum) and current accounts with banks at 8.25% per annum (2019: 3.69% per annum).

Movement of the provision for expected credit losses on cash and cash equivalents is as follows:

In thousands of Tenge	2020	2019
As at 1 January	19,236	9,096
Accrual	14,551	26,334
Reversal	(24,622)	(16,194)
As at 31 December	9,165	19,236

As at 31 December 2020 and 31 December 2019, cash and cash equivalents were denominated in the following currencies:

In thousands of Tenge	31 December 2020	31 December 2019
Tenge	21,622,663	20,915,735
Russian Rouble	223,177	4,278
US Dollars	20,991	258,492
Euro	1	450
Others	373	327
	21,867,205	21,179,282

## 14. EQUITY

As at 31 December 2020 and 31 December 2019 share capital of the Group comprised of 260,000,000 shares for the total amount of KZT 126,799,554 thousand that were issued and fully paid.

### TREASURY SHARES

In November 2016 the Group repurchased shares placed on the open market consisting of 1,390 shares for the total amount of KZT 930 thousand.

### DIVIDENDS

In May 2019, shareholders approved the distribution of 87.7% of net profit for 2018 minus the amount of net profit distributed for the first half of 2018. The amount to be paid was KZT 14,177,724 thousand to all common shareholders of the Group, which is KZT 54.53 per ordinary share.

In October 2019 shareholders approved the distribution of 77.36% of net profit for the 1st half-year 2019. The amount of dividends to be distributed amounted to KZT 17,464,107 thousand to all common shareholders of the Group, which is KZT 67.17 per ordinary share.

## 14. EQUITY (CONTINUED)

### DIVIDENDS (CONTINUED)

In May 2020, shareholders approved the distribution of 74% of net profit for 2019 minus the amount of net profit distributed for first half of 2019. The amount to be paid amounted to KZT 12,703,532 thousand for all common shareholders of the Group, which is equal to KZT 48.86 per ordinary share.

In November 2020, shareholders approved the distribution of 70% of net profit for first half of 2020. The amount to be paid amounted to KZT 20,043,293 thousand for all common shareholders of the Group, which is equal to KZT 77.09 per ordinary share.

### EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing net profit for the period by the weighted average number of common shares outstanding during the period. The Group had weighted average number of common shares in circulation in the amount of 259,998,610 shares during the year ended 31 December 2020 (for the year ended 31 December 2019: 259,998,610 shares). For the year ended 31 December 2020 and 2019 basic and diluted earnings per share were KZT 205.64 and KZT 156.73, respectively.

### BOOK VALUE PER SHARE

In accordance with the decision of the Exchange Board of the Kazakhstan Stock Exchange JSC ("KASE") dated 4 October 2010 financial statements shall disclose book value per share (ordinary and preferred) as of the reporting date, calculated in accordance with the KASE rules.

In thousands of Tenge	31 December 2020	31 December 2019
<b>Total assets</b>	<b>812,012,626</b>	<b>756,987,721</b>
Less: intangible assets	(3,327,999)	(1,411,900)
Less: total liabilities	(309,456,156)	(275,149,697)
<b>Net assets</b>	<b>499,228,471</b>	<b>480,426,124</b>
Number of ordinary shares	<b>260,000,000</b>	260,000,000
<b>Book value per ordinary share, Tenge</b>	<b>1,920</b>	<b>1,848</b>

### ASSET REVALUATION RESERVE

Asset revaluation reserve represents revaluation surplus recognized as a result of revaluation of Group's NES assets as at 1 October 2018 (previous revaluation was held as at 1 June 2014) (Note 6). Transfer of asset revaluation surplus into retained earnings, upon disposal of PPE and transfer of NES assets into other classes of PPE, for the year ended 31 December 2020 amounted to KZT 532,661 thousand (for the year ended 31 December 2019: KZT 470,944 thousand).

## 15. BORROWINGS

In thousands of Tenge	31 December 2020	31 December 2019
International Bank of Reconstruction and Development (IBRD)	41,647,967	44,314,813
European Bank of Reconstruction and Development (EBRD)	22,529,925	18,694,174
	64,177,892	63,008,987
Less: current portion of loans repayable within 12 months	(14,334,439)	(6,083,377)
	49,843,453	56,925,610

As at 31 December 2020 and 31 December 2019 the accrued and unpaid interest amounts to KZT 343,237 thousand and KZT 760,458 thousand, respectively. As at 31 December 2020 and 31 December 2019 the unamortized portion of loan origination fees amounts to KZT 285,919 thousand and KZT 303,894 thousand, respectively.

Loans were denominated in the following currencies:

In thousands of Tenge	31 December 2020	31 December 2019
US Dollars	41,647,967	44,314,813
Euro	22,529,925	18,694,174
	64,177,892	63,008,987

### “CONSTRUCTION OF THE SECOND NORTH-SOUTH 500 KW ELECTRICITY TRANSMISSION LINE”

In 2005 for the purpose of implementation of the Phase II of the “Construction of the second North-South 500 kW Electricity Transmission line”, the Group received a credit line facility of USD 100,000 thousand provided by IBRD for a period of 17 (seventeen) years of which first 5 (five) years are a grace period. This credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR Dollar rate plus general spread is paid semi-annually. In 2011 the non-disbursed part of this IBRD credit line in the amount of USD 1,918 thousand was cancelled due to the fact that actual costs incurred within this project were less than expected. The outstanding balances as at 31 December 2020 and 31 December 2019 are USD 16,351 thousand (equivalent to KZT 6,882,125 thousand) and USD 24,506 thousand (equivalent to KZT 9,375,865 thousand), respectively.



## 15. BORROWINGS (CONTINUED)

### **“KAZAKHSTAN NATIONAL ELECTRICITY TRANSMISSION REHABILITATION PROJECT, PHASE 2”**

In 2008, for the realization of the “Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2” the Group opened the following credit lines:

Two credit-line facilities of Euro 127,500 thousand and Euro 75,000 thousand from EBRD for 15 (fifteen) years, of which the first 4 (four) years are a grace period. An interest at the interbank six months EURIBOR rate plus a 3.85% margin is payable semi-annually. The outstanding balances as at 31 December 2020 and 31 December 2019 are Euro 43,130 thousand (equivalent to KZT 22,288,891 thousand) and Euro 43,130 thousand (equivalent to KZT 18,502,553 thousand), respectively.

### **“MOINAK ELECTRICITY TRANSMISSION PROJECT”**

In 2009, for the realization of the “Moinak Electricity Transmission Project” a credit line facility from IBRD of USD 48,000 thousand was opened for 25 (twenty five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by the guarantee of the Government of the Republic of Kazakhstan. An interest rate is USD LIBOR rate plus fixed spread 0.85% is payable semi-annually. In May 2013 unused portion of the credit line from the IBRD in the amount of USD 3,274 thousand was cancelled due to the fact that the amount of actual expenses incurred in the course of the project was less than expected. The outstanding balances as at 31 December 2020 and 31 December 2019 are USD 31,308 thousand (equivalent to KZT 13,177,966 thousand) and USD 33,545 thousand (equivalent to KZT 12,833,821 thousand), respectively.

### **“CONSTRUCTION OF THE ALMA 500 KW SUBSTATION WITH CONNECTION TO NES OF KAZAKHSTAN WITH THE VOLTAGE OF 500, 200 KW”**

In 2010 for the realization of the project “Construction of the Alma 500 kW substation with connection to NES of Kazakhstan with the voltage of 500, 200 kW” the Group received a credit line facility of USD 78,000 thousand from IBRD for 25 (twenty five) years, of which the first 5 (five) years are a grace period. The credit line facility is secured by a guarantee of the Government of the Republic of Kazakhstan. An interest at LIBOR Dollar rate plus fixed spread 1.15% is repayable semi-annually. In July 2014 undeveloped part of the credit line from the IBRD in the amount USD 6,644 thousand has been cancelled due to the fact that the amount of actual costs was less than expected costs. The outstanding balances as at 31 December 2020 and 31 December 2019 are USD 51,733 thousand (equivalent to KZT 21,771,592 thousand) and USD 57,085 thousand (equivalent to KZT 21,840,184 thousand), respectively.

## 16. BONDS PAYABLE

In thousands of Tenge	31 December 2020	31 December 2019
Nominal value of issued bonds	93,500,000	83,800,000
Accrued coupon interest	4,138,458	3,645,344
Less: discount on bonds issued	(719,637)	(86,190)
Less: transaction costs	(62,678)	(42,626)
	96,856,143	87,316,528
Less: current portion of bonds repayable within 12 months	(4,138,458)	(3,645,344)
	92,717,685	83,671,184

Under the State Program “Nurly Zhol” the Group placed two tranches of coupon bonds on “Kazakhstan Stock Exchange” JSC in order to finance the projects “Construction of 500 kW line Semey – Ak-togay – Taldykorgan – Alma”:

(a) During the period from June to August 2016 the Group issued coupon bonds with nominal amount of KZT 47,500,000 thousand under floating interest rate equal to the inflation rate in Republic of Kazakhstan plus 2.9% with the maturity in 2031 (the minimum rate of the consumer price index is set at 5%). The coupon rate for the first coupon period from 26 May 2017 to 26 May 2018 is 10.6% per annum. The coupon rate for the third coupon period from 26 May 2018 to 26 May 2019 is 9.5% per annum.

All bonds under this program were acquired by United Pension Saving Fund.

Bonds were issued with discount in the amount of KZT 111,945 thousand.

(b) In August 2017, the Group placed the second tranche of coupon bonds amounting to KZT 36,300,000 thousand with a fixed rate of 11.5%.

The received cash has been temporarily placed on short-term bank deposits.

All bonds under this program were acquired by United Pension Saving Fund and other entities.

In order to implement the investment project “Reconstruction of 220-500 kW overhead lines of branches of KEGOC JSC” on 28 May 2020, KEGOC’s bonds were placed on the trading floor of Kazakhstan Stock Exchange JSC (KASE) with a total volume of 9,700,000 thousand at par value in the amount of KZT 9,032,407 thousand with a yield of 12% per annum.

The funds received were temporarily placed on short-term bank deposits.

## 16. BONDS PAYABLE (CONTINUED)

As a result of trades, 89.6% of bonds by the volume of attracted were purchased by STB (second-tier banks), 9.9% – by other institutional investors, 0.5% – by other legal entities.

During the year ended 31 December 2020 the Group capitalized the borrowing costs of coupon interest on the issued bonds less investment income in the amount of KZT 310,407 thousand (for the year ended 31 December 2019: KZT 2,118,729 thousand) (Note 6).

## 17. TRADE AND OTHER ACCOUNTS PAYABLE

As at 31 December 2020 and 31 December 2019 trade accounts payable

In thousands of Tenge	31 December 2020	31 December 2019
Accounts payable for property, plant and equipment and construction works	19,118,365	5,226,900
Accounts payable for electricity purchased	15,982,064	10,277,750
Accounts payable for inventories, works and services	15,414,490	7,844,832
Less: discount	(1,978,958)	–
	48,535,900	23,389,482
Less: current portion of trade payables repayable within 12 months	40,884,883	23,389,482
	7,651,017	–

As at 31 December 2020 and 31 December 2019 trade and other accounts payable are denominated in the following currencies:

In thousands of Tenge	31 December 2020	31 December 2019
Tenge	45,752,581	22,386,569
Russian Rouble	2,677,323	938,700
Euro	59,275	22,893
US Dollars	46,721	41,320
	48,535,900	23,389,482

## 18. CONSTRUCTION OBLIGATION



On 28 November 2013 in accordance with the decision of the Board of Samruk-Kazyna, the Group was committed to build a kindergarten in Nur-Sultan city and transfer it upon completion to the Akimat of Nur-Sultan. In 2014, the Group has estimated construction costs and signed a contract with the construction company. Accordingly, the Group recognized construction obligation for the total amount of KZT 683,430 thousand and the corresponding distribution to shareholders. On 23 January 2020, the Group completed the transfer of the kindergarten to the Akimat of Nur-Sultan.

## 19. TAXES PAYABLE OTHER THAN INCOME TAX

In thousands of Tenge	31 December 2020	31 December 2019
VAT payable	960,338	2,391,947
Contributions payable to pension fund	364,051	345,742
Personal income tax	316,597	284,573
Social tax	269,371	244,406
Social contribution payable	104,804	82,635
Property tax	–	1,599
Other	13,345	20,442
	2,028,506	3,371,344

## 20. OTHER CURRENT LIABILITIES

In thousands of Tenge	31 December 2020	31 December 2019
Due to employees	3,727,583	3,662,535
Other	692,878	321,065
	4,420,461	3,983,600

## 21. REVENUE FROM CONTRACTS WITH CUSTOMERS

In thousands of Tenge	2020	2019
Electricity transmission services	121,953,313	106,160,250
Sale of purchased electricity	87,198,830	40,826,184
Sale of services to ensure readiness of electricity capacity to bear the power load	84,384,233	67,727,113
Technical dispatch	30,291,437	23,003,501
Balancing of electricity production and consumption	18,649,805	16,493,329
Sale of electricity for compensation of the interstate balances of electricity flows	5,101,651	6,326,309
Power regulation services	954,342	708,465
Other	2,125,940	1,916,922
<b>Total revenue from contracts with customers</b>	<b>350,659,551</b>	<b>263,162,073</b>

In thousands of Tenge	2020	2019
<b>Revenue recognition timeline</b>		
The goods are transferred at a certain point in time	92,300,481	47,152,493
The services are provided over a period of time	258,359,070	216,009,580
<b>Total revenue from contracts with customers</b>	<b>350,659,551</b>	<b>263,162,073</b>

Discounts to customers are authorised by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies.

## 22. COST OF SALES

In thousands of Tenge	2020	2019
Cost of purchased electricity	84,772,374	41,456,649
Cost of electricity capacity readiness services	80,381,919	58,282,988
Depreciation and amortization	33,349,877	33,490,579
Payroll expenses and related taxes	18,292,955	16,930,191
Cost of purchased electricity for compensation of interstate balances of electricity flows	16,019,937	14,807,491
Technical losses of electric energy	14,709,725	16,022,320
Taxes other than income tax	9,049,154	8,845,051
Repair and maintenance expenses	5,642,147	5,933,830
Security services	1,206,494	1,157,369
Inventories	1,031,355	532,806
Other	2,601,031	2,797,403
	<b>267,056,968</b>	<b>200,256,677</b>

## 23. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge	2020	2019
Payroll expenses and related taxes	5,414,484	5,488,847
Depreciation and amortization	701,193	832,919
Taxes other than income tax	297,402	122,354
Consulting services	169,247	253,477
Utilities	68,540	76,023
Expenses for the Board of Directors	67,725	134,017
Charge/(reversal) for obsolete inventories (Note 8)	57,028	67,532
Trainings	55,174	83,363
Materials	49,564	69,665
Expenses for the rights to use the software	47,273	122,693
Insurance	30,368	52,394
Business trip expenses	28,631	123,870
Rent expenses	22,806	137,628
Other	1,300,234	1,269,425
	8,309,669	8,834,207

## 24. FINANCE INCOME/(COSTS)

In thousands of Tenge	2020	2019
<b>Finance income</b>		
Interest income from deposits, current accounts and bonds	5,552,858	3,693,259
Income from the National Bank notes	1,399,121	123,420
Income from recognition of premiums on long-term financial assets	213,089	–
Amortization of discount on other financial assets	113,682	544,470
Amortization of discount on accounts receivable	98,615	107,536
Others	89,542	43,885
	7,466,907	4,512,570
Less: interest capitalized into cost of qualifying asset (Note 6)	(320,901)	(341,040)
	7,146,006	4,171,530
<b>Finance costs</b>		
Bond coupon	8,977,984	8,243,226
Interest on borrowings	1,652,890	2,399,085
Commission on bank guarantees	980,762	925,963
Interest expense on finance leases	96,818	36,235
Discounting of the other financial assets	79,439	11,816
Amortization of loan origination fees	25,416	24,394
Other costs on bonds issued	23,979	17,329
Other	–	2,416
	11,837,288	11,660,464
Less: interest capitalized into cost of qualifying assets (Note 6)	(631,308)	(2,459,769)
	11,205,980	9,200,695

## 25. FOREIGN EXCHANGE LOSS, NET

On 20 August 2015 the National Bank of Republic of Kazakhstan and the Government of the Republic of Kazakhstan decided to shift to freely floating currency exchange rate as a part of implementation of inflation targeting program. As a result of change of exchange rate of Tenge for the year ended 31 December 2020, the Group incurred net foreign exchange loss in the amount of KZT 5,309,688 thousand (for the year ended 31 December 2019: net foreign exchange loss in the amount of KZT 469,129 thousand).

## 26. INCOME TAX EXPENSE

In thousands of Tenge	2020	2019
<b>Current income tax</b>		
Current income tax expense	13,032,423	9,880,628
Adjustments in respect of current income tax of previous year	28,168	(133,995)
<b>Deferred tax</b>		
Deferred income tax benefit	(777,630)	(224,629)
<b>Total income tax expense reported in consolidated statement of comprehensive income</b>	<b>12,282,961</b>	<b>9,522,004</b>

The income tax rate in the Republic of Kazakhstan is 20% in 2020 and 2019.

A reconciliation of the 20% income tax rate and actual income tax recorded in consolidated statement of comprehensive income is provided below:

In thousands of Tenge	2020	2019
<b>Profit before tax</b>	<b>65,748,232</b>	<b>50,270,974</b>
<b>Tax at statutory income tax rate of 20%</b>	<b>13,149,646</b>	<b>10,054,195</b>
(Reversal)/accrual of provision for expected credit loss	(97,995)	26,874
Adjustments in respect of current income tax of previous year	28,168	(133,995)
Accrual/(reversal) of allowance for doubtful accounts receivable from non-residents	10,897	(43,349)
Accrual of allowance for obsolete inventories	10,877	12,889
Interest income from securities	(564,155)	(334,796)
Income from changes in FV	(332,284)	(85,869)
Other permanent differences	77,807	26,055
<b>Income tax expense reported in profit or loss</b>	<b>12,282,961</b>	<b>9,522,004</b>

Tax effect on temporary differences leading to deferred income tax assets and liabilities at 31 December 2020 and 31 December 2019 is provided below:

In thousands of Tenge	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	31 December 2020	31 December 2019	2020	2019
Accounts receivable	384,646	208,610	176,036	62,773
Accrued liabilities	702,392	602,636	99,756	(62,176)
Property, plant and equipment	(90,251,221)	(90,753,059)	501,838	224,032
<b>Deferred tax benefit</b>	<b>-</b>	<b>-</b>	<b>777,630</b>	<b>224,629</b>
<b>Net deferred tax liabilities</b>	<b>(89,164,183)</b>	<b>(89,941,813)</b>	<b>-</b>	<b>-</b>



## 26. INCOME TAX EXPENSE (CONTINUED)

Deferred tax assets and liabilities reflected in consolidated statement of financial position are presented as follows:

In thousands of Tenge	31 December 2020	31 December 2019
Deferred tax assets	159,652	53,436
Deferred tax liabilities	(89,323,835)	(89,995,249)
<b>Net deferred tax liabilities</b>	<b>(89,164,183)</b>	<b>(89,941,813)</b>

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

## 27. TRANSACTIONS WITH RELATED PARTIES

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel and other entities controlled by the Government. The related party transactions were made on terms agreed between the parties that may not necessarily be at market rates, except for regulated services, which are provided based on tariffs available to related and third parties.

The following table provides the balances of trade accounts payable to/receivable from related parties as at 31 December 2020 and 31 December 2019:

In thousands of Tenge		Trade accounts receivable from related parties	Trade accounts payable to related parties
Subsidiaries of Samruk-Kazyna Group	<b>31 December 2020</b>	<b>5,520,116</b>	<b>18,658,353</b>
	31 December 2019	4,562,033	5,212,732
Associates of Samruk-Kazyna	<b>31 December 2020</b>	<b>397,719</b>	<b>586,602</b>
	31 December 2019	122,745	469,270
Entities under joint control of Samruk-Kazyna	<b>31 December 2020</b>	<b>404,371</b>	<b>12,646</b>
	31 December 2019	225,098	47,233
Associates of the Group	<b>31 December 2020</b>	<b>276,675</b>	<b>9,820</b>
	31 December 2019	51,357	874

The Group had the following transactions with related parties for the year ended 31 December 2020 and 31 December 2019:

In thousands of Tenge		Sales to related parties	Purchases from related parties
Subsidiaries of Samruk-Kazyna Group	<b>2020</b>	<b>67,328,921</b>	<b>56,206,438</b>
	2019	44,420,011	35,862,210
Associates of Samruk-Kazyna	<b>2020</b>	<b>11,900,079</b>	<b>3,211,878</b>
	2019	7,612,678	2,749,820
Entities under joint control of Samruk-Kazyna	<b>2020</b>	<b>4,775,623</b>	<b>44,152</b>
	2019	7,212,565	5,797,907
Associates of the Group	<b>2020</b>	<b>732,943</b>	<b>75,315</b>
	2019	1,745,632	6,257

The Group's sales to related parties mainly represent electricity transmission, technical dispatch and services on organizing and balancing of electricity production and consumption services, electrical capacity readiness services. The Group's purchases from related parties mainly represent communication services, energy services, purchase of electricity and purchase of electric capacity readiness maintenance services.

As at 31 December 2020 the Group's borrowings of KZT 42,800,248 thousand were guaranteed by the Government of the Republic of Kazakhstan (31 December 2019: KZT 44,558,028 thousand).

## 27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

As at 31 December 2020 the Group had accounts receivable for the sale of property, plant and equipment to Balkhash TES JSC, a related party, in the amount of KZT 220,494 thousand (as at 31 December 2019: KZT 220,494 thousand). In accordance with sales agreement Balkhash TES JSC must repay the outstanding balance before the end of 2018. However, as at 31 December 2020 the debt was not paid off. In connection with the suspension of construction of Balkhash TES JSC, the management of the Group made a decision to accrue a provision for receivables of 100%.

On 30 September 2015 the Group has sold buildings and constructions with equipment and land located in Nur-Sultan city to its related party Kazpost JSC for KZT 2,161,476 thousand. In accordance with sales agreement Kazpost JSC will repay the outstanding balance by equal monthly payments until June 2027. Accordingly, the Group discounted the future cash flows using discount rate of 10.37%, which is the Group Management's best estimate of market rate. As at 31 December 2020 the discount on accounts receivable from Kazpost JSC amounted to KZT 338,205 thousand. As at 31 December 2020 the receivables net of discount comprised KZT 922,655 thousand, of which KZT 742,533 thousand was accounted for within long-term receivables from related parties. During the year ended 31 December 2020, the Group recognized income from amortization of a discount on long-term receivables from Kazpost JSC in the amount of KZT 98,615 thousand (during the year ended 31 December 2019: KZT 107,536 thousand).

In 2017, the Group entered into a long-term contract with a related party, Samruk-Kazyna Business Contract LLP, for leasing out the rights to use the software. As at 31 December 2020, lease liability of the Group comprised KZT 561,765 thousand (as at 31 December 2019: KZT 419,543 thousand).

In November-December 2020, the Group acquired a property complex from a related party – Karabatan Utility Solutions LLP in amount of KZT 11,794,689 thousand. In accordance with the sale and purchase agreement, the Group will pay by equal annual instalments until 25 March 2025. Accordingly, the Group discounted future cash flows at a discount rate of 10.25%, which is the best an estimate of the market rate by the Group's Management. As of 31 December, 2020 discount on accounts payable of Karabatan Utility Solutions LLP amounted to KZT 1,978,958 thousand. As of 31 December 2020, the amount of payable net of the discount was KZT 9,815,731 thousand, of which KZT 7,651,017 thousand were included within long-term payables from related parties. During the year ended 31 December 2020, the Group recognized the expense from amortization of discount of long-term trade payables in the amount of KZT 68,328 thousand.

Compensation to key management personnel and all related expenses (taxes, contributions, sick leaves, vacation pay, material assistance and others) included in salary expenses in the consolidated statement of comprehensive income amounted to KZT 381,788 thousand for the year ended 31 December 2020 (for the year ended 31 December 2019: KZT 543,682 thousand). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise borrowings, bonds payable, trade and other payables. The main purpose of these financial liabilities is to finance the Group's investment projects and operations. The Group has trade and other receivables, cash and cash equivalents, short-term deposits that arrive directly from its operations, as well as investments in debt securities.

The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk.

### INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term borrowings with floating interest rates (Notes 15 and 16).

The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which the borrowings are denominated. The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates with all other variables held constant.

In thousands of Tenge	Increase/(decrease) in basis points* / in percentage	Effect on profit before tax
<b>For the year ended 31 December 2020</b>		
LIBOR	1/(0,25)	(418,317)/104,579
EURIBOR	0,2/(0,2)	(44,578)/44,578
Inflation rate in the Republic of Kazakhstan	1%/0%	(474,048)/–
<b>For the year ended 31 December 2019</b>		
LIBOR	0.35/(0.35)	(154,175)/154,175
EURIBOR	0.15/(0.15)	(27,754)/27,754
Inflation rate in the Republic of Kazakhstan	1%/0%	(474,270)/–

\* 1 basis point = 0.01%.

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities. Also, the Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The following tables demonstrate the sensitivity to a reasonably possible change in the US Dollar and Euro exchange rate, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

In thousands of Tenge	Increase/(decrease) in the exchange rate in absolute terms (Tenge)	Increase/(decrease) in exchange rate	Effect on profit before tax
<b>At 31 December 2020</b>			
US Dollar	<b>58.93/(46.3)</b>	<b>14%/(11%)</b>	<b>(2,062,267)/1,620,352</b>
Euro	<b>72.35/(56.85)</b>	<b>14%/(11%)</b>	<b>(3,162,488)/2,484,812</b>
<b>At 31 December 2019</b>			
US Dollar	45.91/(34.43)	12%/(9%)	(2,368,740)/1,776,555
Euro	51.48/(38.61)	12%/(9%)	(2,245,994)/1,684,496

### CREDIT RISK

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables (Note 9) and from its financing activities, including deposits with banks (Notes 11, 12 and 13). The Group's exposure and the creditworthiness of its counterparties are controlled constantly. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to the credit risk is represented by the carrying value of each financial asset (Notes 9, 11, 12 and 13).

Book value of financial assets recognized in consolidated financial statements of the Group less impairment allowance reflects the maximal extent of the Group's credit risk.

An impairment analysis is performed by Group management at each reporting date on an individual basis for all customers based on number of days the receivables are overdue. The calculation is based on actual incurred historical data. The maximum exposure to the credit risk is represented by the carrying value of each class of

financial assets disclosed in Note 9. The Group does not hold collateral as security.

During 2016-2018 some banks were deprived of a license to conduct banking and other operations by the National Bank (Note 11).

The Group is exposed to credit risk from its operating activities and investing activities. With regard to investing activities, the Group mainly places deposits with Kazakhstani banks.

The following table shows the balance of cash and cash equivalents and bank deposits placed in banks at the reporting date using the credit rating agency "Standard & Poor's" and "Fitch" less accrued provisions:

In thousands of Tenge	Location	Rating		31 December 2020	31 December 2019
		2020	2019		
Halyk Bank Kazakhstan JSC	Kazakhstan	BB/stable	BB/stable	<b>19,333,594</b>	15,190,343
ATF Bank JSC	Kazakhstan	B-/stable	B-/stable	<b>12,326,032</b>	11,477,329
ForteBank JSC	Kazakhstan	B/stable	B+/stable	<b>9,871,765</b>	12,486,567
BankCenterCredit JSC	Kazakhstan	B/stable	B/stable	<b>6,149,103</b>	5,193,789
Kaspi Bank JSC		BB-/stable	BB-/stable	<b>4,240,228</b>	-
				<b>51,920,722</b>	<b>44,348,028</b>

## LIQUIDITY RISK

The management of the Group has built an appropriate liquidity risk management framework in accordance with the short, medium and long-term funding and liquidity management requirements. The Group manages its liquidity risk by maintaining adequate reserves, bank loans and credit lines, by monitoring projected and actual cash flows and comparing maturity dates of financial assets and liabilities.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 (twelve) months can be rolled over with existing lenders.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### LIQUIDITY RISK (CONTINUED)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

In thousands of Tenge	On demand	Due more than 1 month but not later than 3 months	Due more than 3 months but not later than 1 year	Due more than 1 year but not later than 5 years	Due more than 5 years	Total
<b>At 31 December 2020</b>						
Borrowings	–	5,980,856	10,355,771	28,374,905	24,940,645	69,187,210
Bonds payable	–	2,414,750	7,244,250	38,636,000	155,224,542	203,519,542
Trade and other accounts payable	–	40,884,883	–	–	–	48,535,900
Lease liability	–	–	493,644	99,907	–	593,551
	–	49,280,489	17,628,698	74,761,829	180,165,187	321,836,203
<b>At 31 December 2019</b>						
Borrowings	–	1,618,831	5,662,720	38,119,263	27,519,216	72,920,030
Bonds payable	–	1,981,750	5,945,250	31,708,000	139,689,340	179,324,340
Trade and other accounts payable	–	23,389,482	–	–	–	23,389,482
Lease liability	–	–	288,173	167,176	–	455,349
	–	26,990,063	11,896,143	69,994,439	167,208,556	276,089,201

## CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise the shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a debt to capital ratio, which is debt divided by total capital. The Group's objective is to keep the ratio not higher than 0.5. Debt is considered to be equal to all borrowings and bonds payable. Capital is considered to be equal to the total liabilities and entire equity.

In thousands of Tenge	31 December 2020	31 December 2019
Debt/capital	0.20	0.21

In thousands of Tenge	31 December 2020	31 December 2019
Long-term borrowings and long-term bonds payable	142,561,138	140,596,794
Short-term borrowings and short-term bonds payable	18,472,897	9,728,721
<b>Debt</b>	<b>161,034,035</b>	<b>150,325,515</b>
Total liabilities	309,456,156	275,149,697
Equity	502,556,470	481,838,024
<b>Total equity and liabilities</b>	<b>812,012,626</b>	<b>756,987,721</b>

The structure of the Group capital includes the share capital as disclosed in Note 14, reserves and retained earnings.

### FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

### Assets measured at fair value

In thousands of Tenge	31 December 2020	Level 1	Level 2	Level 3
<b>Revalued property, plant and equipment</b>				
NES assets (Note 6)	580,456,916	–	–	580,456,916
Bonds of "Special Financial Company DSFK LLP" (Note 11)	–	310,175	–	310,175

In thousands of Tenge	31 December 2019	Level 1	Level 2	Level 3
<b>Revalued property, plant and equipment</b>				
NES assets (Note 6)	599,496,951	–	–	599,496,951
Bonds of "Special Financial Company DSFK LLP" (Note 11)	–	288,613	–	288,613



## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### FAIR VALUE HIERARCHY (CONTINUED)

#### Assets for which fair values are disclosed

In thousands of Tenge	31 December 2020	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Other financial assets (Note 11)	90,831,639	–	90,831,639	–

In thousands of Tenge	31 December 2019	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Other financial assets (Note 11)	46,923,892	–	46,923,892	–

#### Liabilities for which fair values are disclosed

In thousands of Tenge	31 December 2020	Level 1	Level 2	Level 3
<b>Financial liabilities</b>				
Bonds payable (Note 16)	96,856,143	–	96,856,143	–
Borrowings (Note 15)	64,177,892	–	64,177,892	–

In thousands of Tenge	31 December 2019	Level 1	Level 2	Level 3
<b>Financial liabilities</b>				
Bonds payable (Note 16)	87,316,528	–	87,316,528	–
Borrowings (Note 15)	63,008,987	–	63,008,987	–

For the years ended 31 December 2020 and 31 December 2019, there were no transitions between Level 1, 2, and 3 of the fair value of financial instruments.

#### FAIR VALUES OF FINANCIAL INSTRUMENTS

As at 31 December 2020 and 31 December 2019 the management assessed that the fair value of financial instruments of the Group, such as trade accounts receivable and payable, other financial assets, cash and cash equivalents, cash restricted in use, approximates their carrying amounts largely due to the short-term maturities of these instruments. Borrowings and bonds payable are stated at amortized costs which approximate their fair values.

## CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

In thousands of Tenge	1 January 2020	Cash flows	Foreign exchange movement	New leases	Other	31 December 2020
Borrowings	63,008,987	(6,574,597)	8,166,364	–	(422,862)	64,177,892
Bonds payable	87,316,528	9,032,407	–	–	507,208	96,856,143
Lease liability	419,543	(400,692)	–	533,866	9,048	561,765
<b>Total liabilities from financing activities</b>	<b>150,745,058</b>	<b>2,057,118</b>	<b>8,166,364</b>	<b>533,866</b>	<b>93,394</b>	<b>161,595,800</b>

In thousands of Tenge	1 January 2019	Cash flows	Foreign exchange movement	New leases	Other	31 December 2019
Borrowings	74,301,860	(10,517,957)	(673,696)	–	(101,220)	63,008,987
Bonds payable	87,757,226	–	–	–	(440,698)	87,316,528
Lease liability	193,498	(47,420)	–	289,831	(16,366)	419,543
<b>Total liabilities from financing activities</b>	<b>162,252,584</b>	<b>(10,565,377)</b>	<b>(673,696)</b>	<b>289,831</b>	<b>(558,284)</b>	<b>150,745,058</b>

The Other column shows the amounts of received but not yet paid loan interest, including liabilities under Finance leases. The Group classifies the interest paid as cash flows from operating activities.

## 29. COMMITMENTS AND CONTINGENCIES

### OPERATING ENVIRONMENT

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Kazakhstan economy has been negatively impacted by a drop in oil prices. Interest rates in Tenge remain high. Combination of these factors resulted in a reduced access to capital, a higher cost of capital, increased uncertainty regarding further economic growth, which could negatively affect the Group's financial position, results of operations and business prospects. Management of the Group believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

## 29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### OPERATING ENVIRONMENT (CONTINUED)

In connection with the recent rapid development of the coronavirus (COVID-19) pandemic, many countries, including the Republic of Kazakhstan, introduced quarantine measures, which had a significant impact on the level and scale of business activity of market participants.

Since March 2020, there has been significant volatility in the stock, foreign exchange and commodity markets, including the depreciation of the Tenge against the US Dollar and the Euro. The extent and duration of these events remains uncertain. However, management does not expect a significant impact on the profit, cash flows and financial condition of the Group.

### TAXATION

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including an opinion on the IFRS approach regarding revenue, expenses and other accounts of financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50-80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for 5 calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2020.

### COMPLIANCE WITH LOAN COVENANTS

From 1999 till 2011 the Group concluded loan facility agreements with EBRD and IBRD (the "Creditors") of which are effective for the amounts of 506 million US Dollars and 228 million Euro (Note 15). According to the Loan facility Agreements concluded between the Group and the Creditors, the Group has to comply with the following covenants:

- Current ratio of not less than 1:1;
- Total debt to total capital of not more than 50%;
- Earnings before interest, income tax, depreciation and amortization ("EBITDA") to interest expense of not less than 3:1;
- Net debt to EBITDA of not more than 4:1.

Management believes that the Group complied with all existing loan covenants with EBRD and IBRD as at 31 December 2020 and 31 December 2019. The Group excludes from EBITDA the foreign exchange loss, as management believes that foreign exchange loss meets definition of non-cash impairment and as such shall be excluded from the calculation of EBITDA as provided in the loan agreement. As of 31 December 2020 the Group excluded from EBITDA the foreign exchange loss of KZT 5,309,688 thousand (during the year ended 31 December 2019: the foreign exchange gain of KZT 469,129 thousand).

## INSURANCE

As at 31 December 2020, the Group insured production assets with a replacement value of KZT 257,314,802 thousand. The insurance payment is limited to the replacement value of property, plant and equipment. The Group does not insure its other property. Since absence of any insurance does not imply a reduction of the cost of assets or origination of liabilities, no provision has been made in these consolidated financial statements for unexpected expenses associated with damage or loss of such assets.

## CONTRACTUAL COMMITMENTS

To ensure the stable and reliable performance of the national electricity grid, the Group developed a capital investment plan. As at 31 December 2020, the Group's outstanding contractual commitments within the frameworks of this plan amount to KZT 82,980,915 thousand (31 December 2019: KZT 52,925,016 thousand).

Due to the fact that a significant part of the plan on capital investments and, open contracts in particular, consist of equipment and spare parts purchased outside of the Republic of Kazakhstan, there is a likelihood of fluctuations in the value of contractual obligations. The main cause of these variations is the effect of changes in exchange rates caused by the transition to the regime of free-floating exchange rate in the framework of the implementation of target-based inflation.

### Tariffs for the transmission of electrical energy, technical dispatching of grid output and consumption of electrical energy and organization of balancing the production and consumption of electric energy

Taking into account the expiration of the tariffs for the services of KEGOC on December 31, 2020 and in accordance with the requirements of paragraph 3 of Article 15 of the Law of the Republic of Kazakhstan On Natural Monopolies, the Group provides regulated services from January 1, 2021 until the approval of new tariffs at the following tariffs (without VAT):

- Transmission of electric energy in the amount of KZT 2.448 per kWh;
- Technical dispatching of the grid output and consumption of electric energy in the amount of KZT 0.264 per kWh;
- Organization of balancing the production and consumption of electric energy in the amount of KZT 0.086 per kWh.

Tariffs for consumers for 2020, approved by the Committee for the following regulated services of the Group:

- Transmission of electric energy in the amount of KZT 2.797 per kWh;
- Technical dispatching of the grid output and consumption of electric energy in the amount of KZT 0.306 per kWh;
- Organization of balancing the production and consumption of electric energy in the amount of KZT 0.098 per kWh.

Temporary offsetting tariffs for consumers for 2019 approved by the Committee for the following regulated services of the Group:

- For the transmission of electrical energy in the amount of 2.496 Tenge per kWh;
- On technical dispatching of supply to the grid and consumption of electric energy in the amount of 0.237 Tenge per kWh;
- On the organization of balancing the production and consumption of electrical energy in the amount of 0.088 Tenge per kWh.

## 29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### CONTRACTUAL COMMITMENTS (CONTINUED)

#### Tariff on sale of electricity from renewable energy sources

The tariff on sale of electricity, produced by the renewable energy sources, to conditional consumers is calculated in accordance with the “Rules for determining the tariff for the support of renewable energy sources”, approved by Government Decision No. 290 dated 1 April 2014 and the “Rules for pricing in socially significant markets”, approved by Order of the Minister of National Economy of the Republic of Kazakhstan dated 1 February 2017 No. 36. The tariff on sale of electricity include the costs of the accounting and finance center for the purchase of electricity, produced by the renewable energy facilities, the costs of services for the organization of balancing the production and consumption of electricity, the costs of forming a reserve fund and the costs associated with the activities of the RFC on renewable energy sources.

Tariffs on sale of electricity, produced by the renewable energy sources for 2020 by Areas:

- Area 1:
  - From 1 January to 30 June – 34.62 Tenge per kWh;
  - From 1 July to 31 December – 36.47 Tenge per kWh.
- Area 2:
  - From January 1 to December 31 – 24.46 Tenge per kWh.

The management believes that during 2020 the calculation and application of tariffs on sale and purchase of electricity, produced by the renewable energy facilities, was carried out properly and in accordance with applicable norms and legislative acts.

#### Tariffs for the provision of services to ensure readiness of electricity capacity to bear the power load

The tariff for the provision of ensure readiness of electricity capacity to bear the power load is calculated in accordance with the “Rules for calculating and posting the price of the ensure readiness of electricity capacity to bear the power load on the Internet resource as a single purchaser”, approved by the Order of the Minister of Energy of the Republic of Kazakhstan dated 3 December 2015 No. 685. The calculation of the price of the ensure readiness of electricity capacity to bear the power load for the coming calendar year is carried out by “RFC on RES” LLP based on:

1. The weighted average price of the service to ensure readiness of electricity capacity, estimated according to the results of centralized trading of electricity capacity;
2. The weighted average price of the service to ensure readiness of electricity capacity of all contracts for the purchase of the services for maintaining readiness of electricity capacity, concluded by a single purchaser with the winners of tenders for the construction of generating units that are newly put into operation, with existing energy-producing organizations that have concluded an investment agreement for modernization, expansion, reconstruction and (or) updating with an authorized body, as well as with existing energy-producing organizations, comprising heat and power plants;

3. Forecast applications for the consumption of energy supplying, energy-transmitting organizations and consumers, which are subjects of the wholesale market;
4. Forecast demand for electricity capacity for the coming and subsequent calendar years.

Annually, prior to 1 December RFC LLP places on its Internet resource a price for a service to ensure readiness of electricity capacity to bear the power load for the coming calendar year along with supporting calculations. The price of the service to ensure readiness of electricity capacity to bear the power load for 2020 is 799,869 thousand Tenge / MW \* month (excluding VAT) (for 2019: 613,413 thousand Tenge / MW \* month (excluding VAT)).

### Impact of changes in legislation by type of activity “Capacity Market”

By order of the Minister of Energy of the Republic of Kazakhstan dated 6 August 2020 No. 273, amendments and additions were made to the order dated 27 February 2015 No. 152 On approval of the Rules for the Organization and Functioning of the Electric Power Market (hereinafter referred to as the “Rules”). One of the additions to the Rules was a change in the application of the k8 coefficient (the value of k8 before 1 January 2020 is equal to one). As a result of changes in legislation, the 2020 financial statements has been adjusted for December 2019.

As a result of the k8 coefficient, the proceeds from the provision of services for ensuring the readiness of electric power to bear the load decreased by 1,259,214 thousand Tenge, and the cost of maintaining the readiness of electric power to bear the load increased by 1,215,828 thousand Tenge for the year ended 31 December 2020.

### Revision of the methodology for calculating the tariff for the services to ensure the readiness of electricity capacity to bear the power load

The Ministry of Energy of the Republic of Kazakhstan made amendments to the Law of the Republic of Kazakhstan On Electric Power Industry in terms of the methodology for calculating the tariff for the services to ensure the readiness of electricity capacity to bear the power load. In this regard, the Ministry of Energy of the Republic of Kazakhstan developed a draft order of the Minister of Energy of the Republic of Kazakhstan On Amending the Order of the Minister of Energy of the Republic of Kazakhstan dated December 3, 2015 No. 685 On approval of the Rules for calculating and posting on the Internet resource by a single purchaser of prices for the services to ensure the readiness of electricity capacity to bear the power load. The calculation of the tariff for the services to ensure the readiness of electricity capacity to bear the power load for 2021 was made taking into account the amendments made to the legislation of the Republic of Kazakhstan.

## EXECUTION OF INVESTMENT PROGRAM

In accordance with the Law of the Republic of Kazakhstan On Natural Monopolies, the Company, as a subject natural monopolies, within the approved maximum tariffs for 2016-2020, there is an liability to fulfil an investment program for capital construction/reconstruction/overhaul/diagnostics of production facilities for 2016-2020 (approved by the joint order of the Ministry of Energy of the Republic of Kazakhstan No. 38 dated 29 January 2020 and Committee on regulations of natural monopolies of the Ministry of national economy of the Republic of Kazakhstan (“CREM”) No. 8-OD dated January 24, 2020), for a total amount of 172 billion Tenge.

## 29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### EXECUTION OF INVESTMENT PROGRAM (CONTINUED)

According to clause 6 of the Rules for the approval of a temporary compensating tariff, approved by order Of the Minister of National Economy of the Republic of Kazakhstan dated 23 November 2016 No. 484, for failure to comply measures of investment programs taken into account when approving tariffs or their limit levels, a temporary compensating tariff is introduced. However, in 2016-2020 the Group's expenses on its own funds exceed the approved amount by 17.4 billion Tenge. In addition, unused funds were redistributed among other activities included in the approved Investment Program. As of 31 December 2020, the Group's management believes that the investment program has been completed.

### LITIGATION WITH THE CREM

KEGOC JSC in accordance with the Tariff Formation Rules approved by the order of the Minister of the national economy of the Republic of Kazakhstan dated 19 November 2019 No. 90, 1 July 2020 sent to Committee an application for approval of the maximum levels of tariffs and tariff estimates for regulated services of JSC KEGOC for a five-year period (2021-2025), as well as on June 24, 2020, sent an application for approval of KEGOC's investment program for 2021-2025 years.

Based on the results of the consideration of the submitted materials, on 23 November 2020, the Committee decided to refuse approval limit levels of tariffs and tariff estimates for regulated services, as well as an investment program for the upcoming five-year period.

On 29 December 2020, the Group appealed the decision of the Committee on the refusal to approve tariffs in court. The first instance court dismissed the claims of KEGOC. The Group is in process of preparation of an appeal against the decision of the court of first instance.

## 30. SUBSEQUENT EVENTS

On December 8, 2020, the Group signed an agreement with Samruk-Kazyna Construction LLP for the sale of land plots at a contractual cost of 2,182,037 thousand Tenge for the construction of residential and non-residential premises and parking spaces. On 12 January 2021, land plots were transferred under an agreement with Samruk-Kazyna Construction LLP.

On 5 February 2021, the Group made a partial repayment of the loan of IBRD in the amount of USD 1,296 thousand (equivalent to KZT 546,910 thousand).

On 10 February 2021, the Group made a partial repayment of the EBRD loan in the amount of 9,382 thousand Euros (equivalent to KZT 4,745,384 thousand).