



About the Company



DEVELOPMENT STRATEGY
FOR 2018–2028



Electricity and coal market
overview



Financial and economic
report



Investment
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Procurement
management



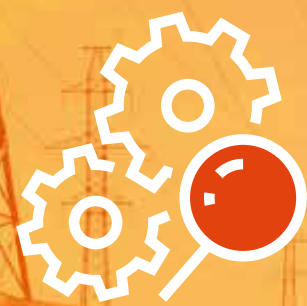
Corporate
governance structure



Sustainable
development



Attachments



DEVELOPMENT STRATEGY

FOR 2018–2028



RELIABILITY FOR ALL TIMES

VISION

An efficient high-tech operating energy company – the leader of Kazakhstan power industry

MISSION

To create shareholder value, meet the growing demand through reliable supplies of energy resources, high-tech development, while relying on the principles of sustainable development

STRATEGY

The strategy is based on current positions of “Samruk-Energy” JSC considering key trends in the external environment and power industry

RESULTS OF ACCOMPLISHMENT OF KEY STRATEGIC TASKS

The Board of Directors approved “Samruk-Energy” JSC Development Strategy for 2018–2020 on August 28, 2018 (BOD Minutes No. 08/18).


While implementing the Strategy, “Samruk-Energy” JSC adheres to the principles of sustainable development set out in the United Nations Global Compact, “Samruk-Energy” JSC Sustainable Development Guidelines and “Samruk-Energy” JSC Corporate Governance Code.

Strategic objectives and tasks of the Company were set on the basis of PESTEL analysis, the study of macroeconomic and industry trends, as well as analysis of the internal environment.


KEY CHALLENGES

Today the Company faces a number of key external and internal challenges, which are a consequence of the current situation of the Company, the characteristics of the external environment and trends in its development.


Key external challenges




Capacity market
It is planned to ensure the construction of new and retrofit, reconstruction of existing facilities by attracting investments. Expectations on reducing the deterioration level of generating equipment for uninterrupted operation of existing power plants of “Samruk-Energy” JSC.




Establishment of the EEU common electricity market
As a result of the formation of the common electricity market of the EEU, the Republic of Kazakhstan will not only have simplified access to the markets of the member countries of the Union, but will also increase the openness of the domestic market for external electricity suppliers.




Decrease in coal sales volumes
The decrease in loading of own stations operating on Ekibastuz coal negatively affects coal sales volumes. The growth potential of Ekibastuz coal consumption by third-party consumers in Kazakhstan is little. The volumes of supplies to the Russian Federation are variable in nature and this is because of an increase in electricity consumption in the RF. At the same time, Russia continues pursuing its policy regarding the partial conversion of Russian coal-fired power plants to domestic producers’ coal or natural gas.



Toughening of environmental legislation requirements
Currently, there is a steady trend in the world to reduce the level of environmental pollution. The commitments made by the Republic of Kazakhstan, as an active participant in international relations in environmental field, and “Samruk-Energy” JSC, as an environmentally and socially responsible company, determine the need for a proactive response to trends in the field of environmental protection.



Changes in the regulatory environment for the development of RES
The mechanism of auction tenders for the construction of renewable energy facilities was introduced. Auction are held on the principle of reducing the price of electricity, starting from the established ceiling auction prices, for participation in which it is necessary to provide a collateral.



Business digitization
Currently, there is a trend in the world for digitization of production and operational processes, which contributes to optimization of time costs, increase of operational efficiency and development of analytical data obtained in automated mode.

Key internal challenges

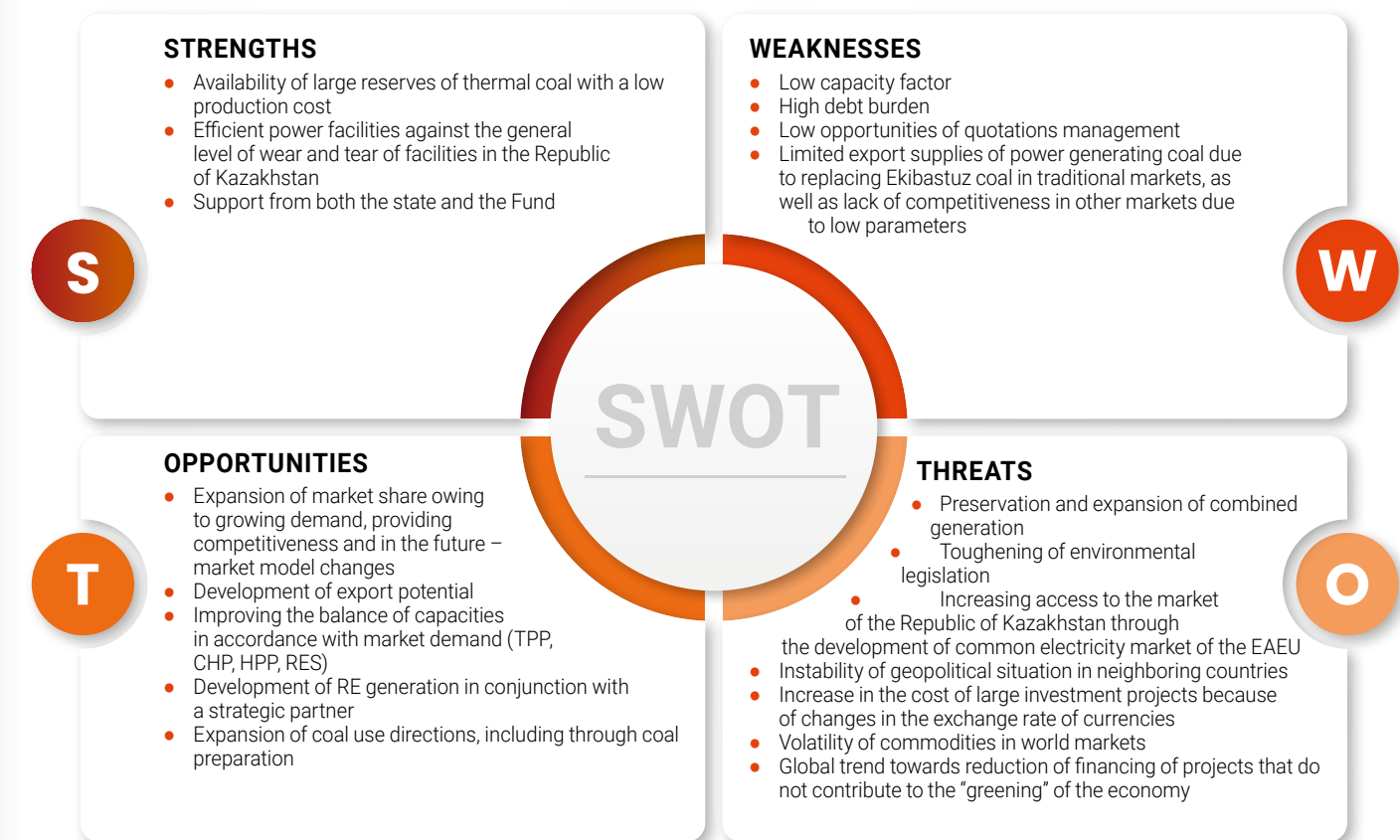


The need to ensure the sale of the Company's assets as part of a comprehensive privatization plan for 2016–2020 at a fair market price.



The need for significant improvement of the Company's operations

SWOT ANALYSIS OF “SAMRUK-ENERGY’S” JSC STANDING



Achievement of strategic KPI

No.	Description	2018 actual	2019 actual	2020 actual	2021 forecast	2022 forecast
1	Net income, bn tenge	3,241	6,835	8,008	10,604	56,829
2	Debt/EBITDA (ratio)	3.18	3.31	2.67	3.23	1.90
3	ROACE, %	2.99	3.43	3.60	3.98	9.53
4	Net asset value (NAV), bn KZT	385,304	392,073	400,623	403,255	460,084
5	Corporate governance rating	BB	–		BBB	
6	Electricity market in the RK, %	29.7	28.5	29.0	28.4	28.8
7	LTIFR*	0.28	0.33	0.27	0.36	0.33

*was included in the list of strategic KPI from 2019

In general, Strategic indicators of the Company tend to improve from 2018–2022. The main factors of growth are an increase in the volume of sales of electricity and capacity in the domestic market, obtaining individual tariffs for capacity,

reducing the unit consumption of fuel and water for process needs, reducing costs for fuel and energy conservation, as well as reducing the debt burden.

STRATEGIC OBJECTIVES			
<p>Ensuring reliable competitive energy supplies in the markets of presence</p>	<p>Increase of the value of share capital</p>	<p>Sustainable development</p>	
STRATEGIC INITIATIVES			
<p>Increase of profitability of sales</p>	<p>Improvement of the efficiency of activities</p>	<p>Effective implementation of the investment program</p>	<p>Corporate Governance and Sustainability</p>
OBJECTIVES			
Increase of sales of electricity and coal on the domestic market	Improvement of the operational efficiency of existing facilities	Implementation of investment projects	Implementation of sustainable development initiatives
<p>Ensuring the supply of electricity to consumers of the Fund's group of companies</p> <ul style="list-style-type: none"> the supply of electricity to consumers of the Fund's group of companies in the amount of 5.4 bn kWh was ensured 	<p>Implementation of measures to reduce the level of losses of electrical energy</p> <ul style="list-style-type: none"> ASCAPC and SCADA projects are implemented 	<p>Implementation of the project "Expansion and reconstruction of Ekibastuz SDPP-2 JSC with the installation of power unit No. 3"</p> <ul style="list-style-type: none"> The acceptance of the equipment was completed, and the adjustment of design and estimate documentation began 	<p>Effective interaction with stakeholders</p> <ul style="list-style-type: none"> Integrated Annual Report on "Samruk-Energy" JSC operating results for 2019 was published Comprehensive activities with the media are underway
<p>Ensuring the supply of electricity to energy-intensive industries (mining, DPC)</p> <ul style="list-style-type: none"> the supply of electricity to energy-intensive industries (mining, DPC) for 1.376 bn kWh is provided 	<p>Innovative development and digitalization</p> <ul style="list-style-type: none"> Implementation of the project "Digital Power Plant" Implementation of the project "Digital Coal mine" 	<p>Implementation of the project "Expansion and reconstruction of the capacities of the Ekibastuz SDPP-1 (Reconstruction of unit No. 1)"</p> <ul style="list-style-type: none"> Design and estimate documentation corrected. Internal procedures are underway to conclude an investment agreement 	<p>Improvement of the efficiency of corporate governance</p> <ul style="list-style-type: none"> The Action Plan to improve corporate governance is being successfully implemented

OBJECTIVES			
Increase of sales of electricity and coal on the domestic market	Improvement of the operational efficiency of existing facilities	Implementation of investment projects	Implementation of sustainable development initiatives
<p>Coal sales, including by driving out competitors</p> <ul style="list-style-type: none"> 33.4 mln tons of coal sold in the Kazakhstan market. An increase due to over-planned deliveries to northern consumers in the Republic of Kazakhstan, as well as due to an increase in consumption by major energy producing organizations 	<p>Implementation of the project "Boiler firing technology for burning high-ash coals of the Ekibastuz deposit (R&D)"</p> <ul style="list-style-type: none"> Experimental studies have been carried out on the combustion of high-ash Ekibastuz coal and its enrichment wastes on an complex fluidized bed installation and circulating fluidized bed. The data obtained confirming the possibility of efficient combustion. Technical proposals for the concept of industrial and power boilers have been developed 	<p>Implementation of the project for the transition to a cyclical-and-continuous method of mining, transportation, blending and loading of coal at the Bogatyr open pit (CCM)</p> <ul style="list-style-type: none"> More than 80 % of the equipment was delivered and construction and installation works continued 	<p>Human capital development</p> <ul style="list-style-type: none"> The following activities are being implemented: Leadership development; Corporate culture development; Development of HR competencies
<p>Assessment of potential new directions for export of electricity and coal</p> <ul style="list-style-type: none"> As part of monitoring the needs of potential electricity and coal sales markets, an analysis of the markets of Turkey, Tajikistan, Pakistan, and the Republic of Belarus was carried out 	<p>Increasing the financial stability of the Company</p> <ul style="list-style-type: none"> All financial covenants of the Company's creditors are respected. The international agency Fitch has affirmed the Company's long-term ratings at BB with a stable forecast as well as raised its standalone rating from "b" to "b+" 	<p>Implementation of the project "Construction of 50 MW wind farm near in the vicinity of Ereymentau city"</p> <ul style="list-style-type: none"> Construction and installation work have commenced 	
<p>Increase in sales of electricity and coal on foreign markets</p> <ul style="list-style-type: none"> 859 mln kWh of electricity was exported to the Republic of Uzbekistan and Kyrgyzstan. Coal exports to Russia amounted to 10 mln. tons 	<p>Implementation of the Company's transformation program</p> <ul style="list-style-type: none"> All planned activities on the Roadmap for the implementation of the Digital Transformation Program were completed on time 	<p>Implementation of the project "Construction of 60 MW wind farm in Shelek corridor including a possible increase in capacity up to 300 MW"</p> <ul style="list-style-type: none"> The process of construction and installation work has begun, equipment is being supplied 	

TRANSFORMATION PROGRAM IMPLEMENTATION RESULTS

“Samruk-Energy” JSC continues implementation of Digital Transformation Program Projects and Activities Portfolio (portfolio) in 2020, which included 4 projects and 13 activities and obtaining net benefits until 2025 in the amount of 27.5 bn tenge.

Title of the project/activity	Status	2020 results
Introduction of ALFC (project)	<div><div>The implementation is underway</div></div>	<ul style="list-style-type: none">The equipment was partially delivered to “Ekibastuz SDPP-1” LLP and “MHPP” JSC stations and construction and installation works have commenced. The project is aimed at automating the frequency and power control in order to obtain an additional source of income through participation of regulation in a single dispatch control network. Expected benefits of the project 4.95 bn tenge over 2021–2025.
Integrated Planning System (IPS)	<div><div>The system has been introduced, the project is at the “Monitoring” stage</div></div>	<ul style="list-style-type: none">In 2020, the indicator unit consumption of equivalent fuel (UCEF) at “ESDPP-1” LLP was reduced by 13.51 g/kWh, at “ESDPP-2” JSC by 8.30 g/kWh, and costs for process water were reduced at “ESDPP-1” LLP. According to the 2020 results, net benefits of 1,04 bn tenge were obtained. The planned benefits of the project from 2020 to 2024 amount to 6 bn tenge.
Introduction of the new integrated safety management model (project)	<div><div>The implementation is underway</div></div>	<ul style="list-style-type: none">On December 15, 2020, the second wave of the project was successfully completed at “ESDPP-2 Plant” JSC and “FWPP” LLP. 6 new standards were introduced, KPI for responsible persons were established, more than 1,500 employees completed trainings, the involvement of employees OHS issues has increased, and job descriptions were updated.A single organizational structure of HSE office is available at SA of “Samruk-Energy” JSC (in which the project was implemented).By the end of 2021, it is planned to complete the implementation of the third wave – at “AZhC” JSC, “AIES” JSC, “SGE” LLP. As a part of implementation of the project, it is planned to achieve a reduction in injury rates by 30% within three years after the implementation of the project.
Introduction of information security management system (project)	<div><div>The implementation is underway, “Monitoring” phase</div></div>	<ul style="list-style-type: none">IT specialists of SA were trained in methods of solving information security problems, as regards countering cyber threats, registering information security incidents and vulnerabilities, and interacting with the Information Security Operations Center. The process of the Information Security Management System was launched at the Head Office and SA: “ESDPP-1” LLP, “ShHPP” JSC, “MHPP” JSC, “AIES” JSC, “AZhC” JSC, “ESDPP-2” JSC, “AES” LLP, “ESC” LLP by the Order on timing of entry into force.
The introduction of projects portfolio management (Initiative) includes 3 activities: <ul style="list-style-type: none">Updating and implementing targeted processes for managing business initiatives portfolioDevelopment / updating of methodological materials for management of business initiatives and investment projects portfolioCreation of office for programs / projects portfolio management	<div><div>Completed</div></div>	<ul style="list-style-type: none">The structure of the Company projects and activities portfolio (hereinafter – the Portfolio) was determined, a methodological basis for managing the Portfolio of projects and activities of the Company and its components was created, and a structural unit was appointed, which is responsible for creating, balancing and monitoring of the Company’s projects and activities portfolio. If earlier approaches to project management differed and there were several of them, now it is a part of one process.

Title of the project/activity	Status	2020 results
Leadership development	<div><div>The implementation is underway</div></div>	<ul style="list-style-type: none">Individual development plans for CEO, CEO-1 were developed and approved by the Board of Directors resolution.
Corporate culture development	<div><div>The implementation is underway</div></div>	<ul style="list-style-type: none">A contest for the best video about the company’s values was held, a concept for the work of change agents was developed.
Development of HR competencies	<div><div>The implementation is underway</div></div>	<ul style="list-style-type: none">The center of expertise was established and the position “HR business partner” was introduced.
Yellow Pages principles implementation	<div><div>Completed</div></div>	<ul style="list-style-type: none">A roadmap for bringing IT services into a competitive environment has been developed.
Reduction of IT costs	<div><div>Completed</div></div>	<ul style="list-style-type: none">Fixed IT operating costs reduction plan was executed.
Development of the methodology for managing the company’s procurement activities and conducting diagnostics	<div><div>Completed</div></div>	<ul style="list-style-type: none">The Rules for management of “Samruk-Energy” JSC procurement activities were developed and approved.

In 2020, the transformation team carried out activities with subsidiaries and affiliates, structural units of “Samruk-Energy” JSC on searching for ideas and proposals to improve business performance. The result of this work was the updated Portfolio of projects and activities, which was approved by the Board of Directors in December 2020. The Portfolio contains 7 projects and 12 activities with a budget of 3.5 bn tenge and projected benefits of 15.8 bn tenge.

The Portfolio includes such projects as: “Implementation of fuel oil free startup of boilers (Plasmatron)”; “Safe production”; Analyzing power losses in grids using data analytics. As well as activities: “Implementation of master data management process”; “Firing up of boilers at CHP-3 using gas”; “Advancement of continuous improvement process”; “Improvement of Corporate Governance System”; “Improvement of the RES electricity purchase model”; “Implementation of an automated medical examination system”; “Implementation of online services for “AES” LLP electricity consumers”; “Diagnostics of procurement activities for development of projects under “Suppliers” initiative.

The activity “Implementation of online services for “AES” LLP corporate entities was launched in 2020. Thanks to this activity, corporate entities of Almaty city and Almaty region will be able to receive all necessary information and make

calculations online. It is planned to transfer at least 15 thous. corporate entities to online service until 2025.

The activity (in pilot mode) “Implementation of an automated medical examination system” was completed at “AIES” JSC and “Ekibastuz SDPP-1” LLP. According to results of the activity, “AIES” JSC purchased a set of hardware and software, which allows employees to undergo an examination in one minute, get complete information about their current physical condition and obtain a permission to work.

According to the 2020 results, net benefits of Digital Transformation Program amounted to 4.42 bn tenge in 2020 with an annual plan of 3.31 bn tenge, execution was 133%. The Digital Transformation Program Roadmap, which includes key results for projects and activities, was fully implemented, 100%.

The Business Transformation Program will continue collecting and analyzing business initiatives for updating the Projects Portfolio.