



**Report on the results of the assessment
of the economic, environmental and social
effects from the implementation of current investment projects
of the KCM JSC and the commitment of ESG portfolio companies to
standards at the end of 2021**

June 2022



**KAZYNA
CAPITAL
MANAGEMENT**

General information about the Report

Kazyna Capital Management Joint-Stock Company (KCM, the Company) is aware of the importance of its economic and social activities and seeks to ensure a high level of transparency for internal and external stakeholders.

The report on the results of the assessment of economic, environmental and social effects from the implementation of current investment projects of Kazyna Capital Management JSC and the commitment of portfolio companies to ESG standards for 2021 (Report) was prepared in accordance with the Sustainable Development Policy of Kazyna Capital Management JSC , approved by the decision of the Board of Directors of KCM dated September 9, 2021 (Minutes #16/21) (SDP) and in pursuance of the Action Plan for Sustainable Development of Kazyna Capital Management JSC for 2021-2022, approved by the decision of the KCM Board dated November 2, 2021 year (Minutes #58/21).

- In 2021, KCM carried out work to determine the list of material topics that are most significant for disclosure in the Report.
- Based on these topics and in accordance with the SDP, a questionnaire was prepared, consisting of two sections: a project passport and information on a project in the field of sustainable development.
- The project passport includes general questions and discloses information about the company in terms of the total annual revenue from the sale of services/goods, export revenues, payments to the budget, the number of jobs created, etc.
- Sustainability information includes questions divided into 3 groups of indicators (environmental, social and corporate governance) and discloses data about the company in terms of environmental policy, social policy and corporate governance policy
- The questionnaire was sent to representatives of the management companies of private equity funds with the participation of KCM for further filling by portfolio companies

Questionnaire sections	
Project passport	Information on the project in the field of sustainable development
32 general questions	60 questions divided into 3 groups of indicators: 1. Environmental 2. Social 3. Corporate Governance

38 (out of 59) portfolio companies of private equity funds with the participation of KCM took part in the survey:

Kazakhstan Infrastructure Fund C.V.

2 companies

CITIC Kazyna Investment Fund I L.P.

1 company

Falah Growth Fund L.P.

2 companies

Kazakhstan Hungarian Investment Private Equity Fund C.V.

2 companies

Kazakhstan Growth Fund L.P.

5 companies

Kazakhstan Capital Restructuring Fund C.V.

1 company

Baiterek Venture Fund JSC

14 companies

DBK Equity Fund C.V.

5 companies

KCM Sustainable Development Fund I C.V.

6 companies

Thematic subgroups of environmental indicators:

- Environmental management system (*quality of management in the field of environmental protection*);
- Water use;
- Atmospheric pollution;
- Waste and packaging (*existence of a program and policy of a portfolio company for the disposal of industrial waste and household waste*);
- Energy efficiency (*specific energy intensity, the existence of an energy efficiency improvement program and the quality of energy consumption management*);
- Climate change (*the degree of integration into the activities of the portfolio company of the agenda on global climate change*).

Thematic subgroups of social indicators:

- Working conditions and safety at work (*industrial injuries over the past three years*);
- Personnel policy (*average salary level in a portfolio company, staff turnover, etc.*);
- Social support (*workers' compensation in the form of benefits, medical care, pension insurance and the availability of social assistance programs*);
- Human rights and discrimination (*policy and standards of the portfolio company in the field of observance of human rights, gender balance, etc.*);
- Interaction with local communities (*charitable activities and social investments in the regions of presence, interaction with the local population*).

Thematic subgroups of corporate governance indicators:

- Ownership structure of the company (*transparency of the ownership structure and beneficial owners, transparency of the ownership structure, business reputation of beneficial owners*);
- The influence of shareholders/participants (*the level of concentration of the ownership structure, the balance of influence of different groups of owners, the presence of facts of neglect of the interests of minority shareholders/participants or facts of influence that is detrimental to other stakeholders*);
- Interaction with stakeholders (*use and condition of the stakeholder management system in the portfolio company, levels of interaction and disclosure of information in the interests of stakeholders*);
- Level of disclosure and quality of financial information.

The assessment was carried out by calculating the following indicators:

- 1) Effect on socio-economic indicators (revenue, exports, payments to the budget, the number of new jobs);
- 2) Index of commitment of portfolio companies to environmental and social indicators, as well as indicators of corporate governance:
 - Average commitment index (i) by thematic subgroups:

$$i \text{ for the thematic subgroup} = \frac{\text{the sum of the scores of all respondents in the subgroup}}{\text{the total number of respondents in the subgroup}};$$

- Average commitment index (i) by industry:

$$i \text{ for the industry} = \frac{\frac{\text{the total number of points in the industry}}{\text{the total number of respondents in the industry}}}{\text{the maximum number of points that each respondent can receive}}.$$

The maximum adherence index (i) is 1, the minimum is 0

Assessment of socio-economic effects from the implementation of investment projects

In 2021, portfolio companies, in accordance with the data they provided, showed the following results*:

- total revenue amounted to 281 billion tenge ;
- total revenues to the budget amounted to 22,7 billion tenge ;
- created 1 383 new jobs ;
- total revenue from product exports - 6 billion tenge ;
- portfolio companies export to Kyrgyzstan, Afghanistan, Russia, Uzbekistan, Mongolia, Belarus, Poland, China and the countries of the European Union.

Revenue (tenge)	Taxes paid to the budget (tenge)	Jobs created (units)	Export revenue (tenge)
281 181 368 616	22 743 924 489	1 383	6 041 560 000

* data provided by 38 (out of 59) portfolio companies of private equity funds with the participation of KCM

The investment portfolio of KCM includes the following green projects*:
«Turgusun-1» LLP, «KazGreen Energy» LLP, «Baikonur Solar» LLP, «CATEC Green Energy» LLP

As of December 31, 2021, the companies showed the following results:

- the total volume of green energy produced by green projects under projects financed by the Company amounted to 456,933 thousand kW/h;
- the revenue of «green» projects amounted to 25,622 million tenge;
- total budget revenues from «green» projects amounted to 772 million tenge;
- 39 jobs were created.

Economic, environmental and social effects from the implementation of "green" projects			
<i>(as of December 31, 2021)</i>			
Electricity produced <i>(thousand kW/h)</i>	Income <i>(million tenge)</i>	Taxes paid to the budget <i>(million tenge)</i>	Jobs created (units)
456 933,47	25 622,49	772,37	39

* «green» projects - projects in the field of renewable energy sources

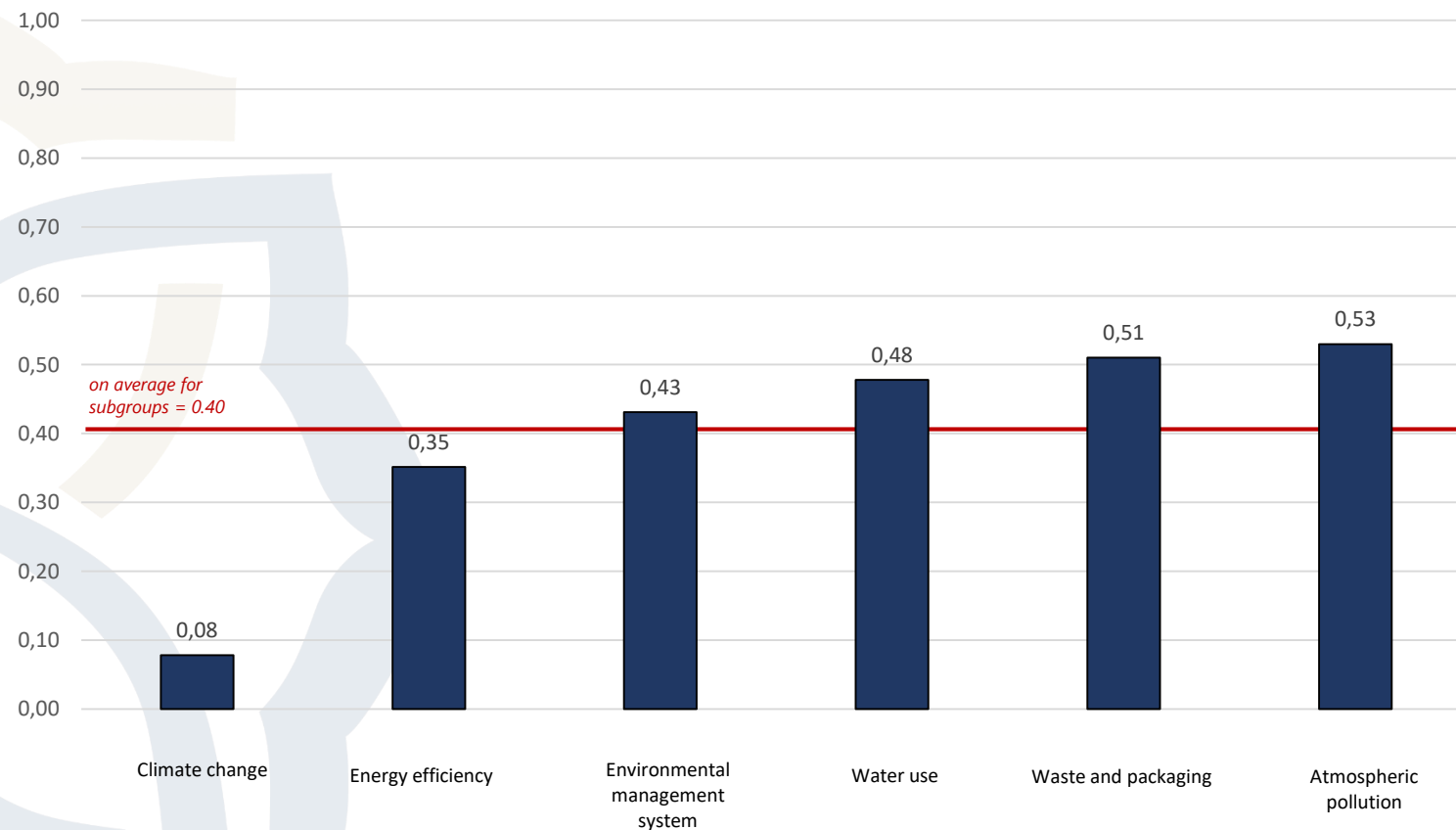
- 65% of the surveyed portfolio companies have a tax policy, a control and risk management system;
- 19% of surveyed portfolio companies purchase 100% of services/goods from local suppliers, 81% - purchase 67% and more of services/goods from local suppliers;
- In 27% of the portfolio companies surveyed, the ratio of standard entry level salaries for men and women is 1:1; in 63% of the portfolio companies surveyed, the ratio of standard entry level salaries for men and women varies;
- 84% of the surveyed portfolio companies attract local top managers, 16% of the surveyed portfolio companies attract foreign top managers also;
- There are no portfolio companies with litigation for anti-competitive behaviour, anti-trust practices and monopolistic practices.

Environmental indicators by thematic subgroups

Index of commitment of portfolio companies to environmental performance by thematic subgroups:

- The average for subgroups is 0,4;
- The highest level of commitment is observed in terms of air pollution (0,53), followed by waste and packaging (0,51), water use (0,48) and environmental management system (0,43);
- Least of all portfolio companies pay attention to the issue of climate change (0,08).

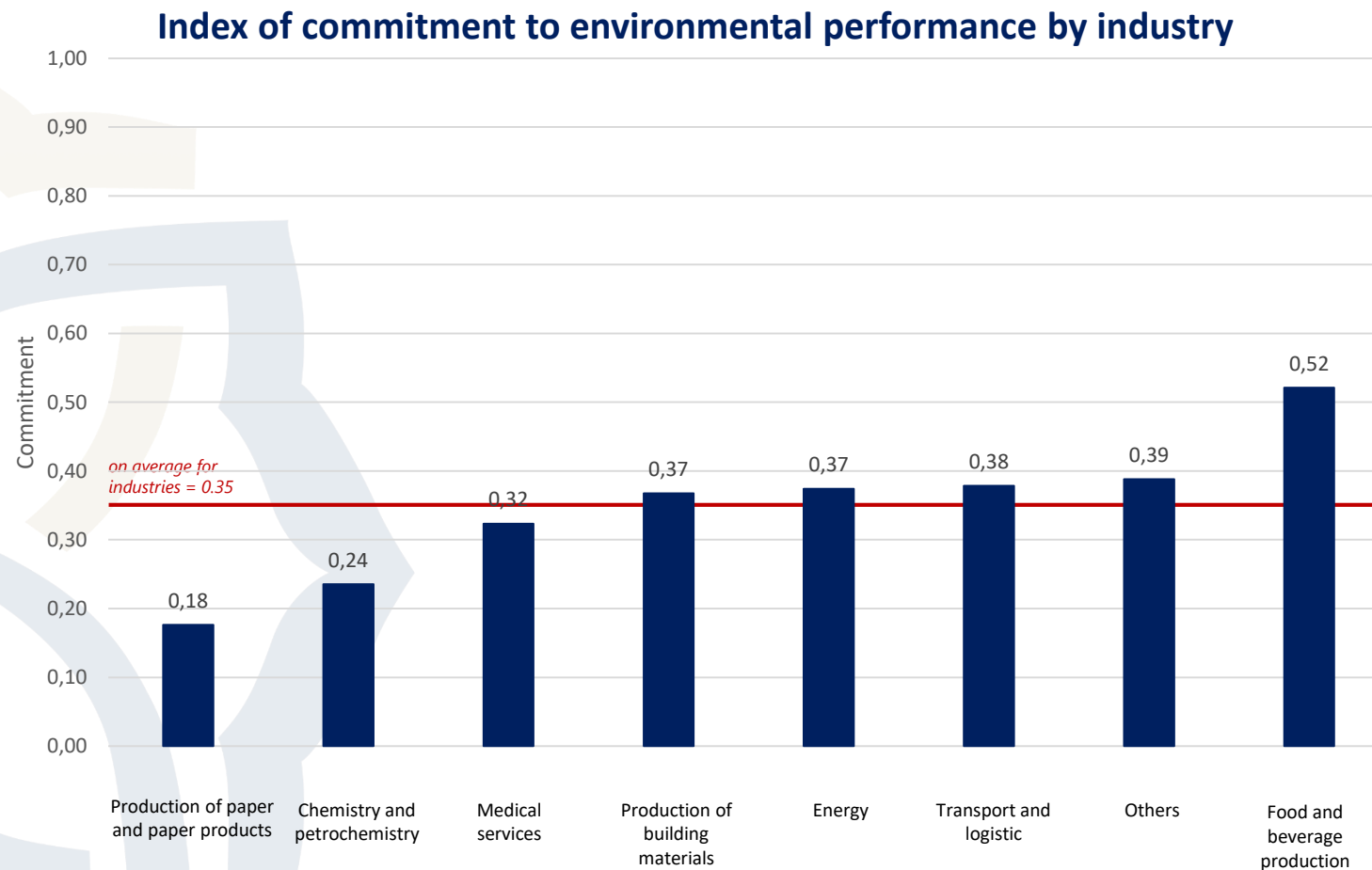
Index of commitment to environmental performance by thematic subgroups



Environmental indicators by industry

Index of commitment of portfolio companies to environmental performance by industry:

- The industry average is 0,35;
- The highest commitment index is observed in the food and beverage industry (0,52), followed by other industries (0,39), transport and logistics (0,38) and energy (0,37);
- The lowest commitment index was recorded in the paper and paper products industry (0,18).



2 companies (out of 38) demonstrate **the highest indicators of commitment to** environmental issues (0,82 and 0,79), while three companies have the lowest indicators of commitment (each – 0,06);

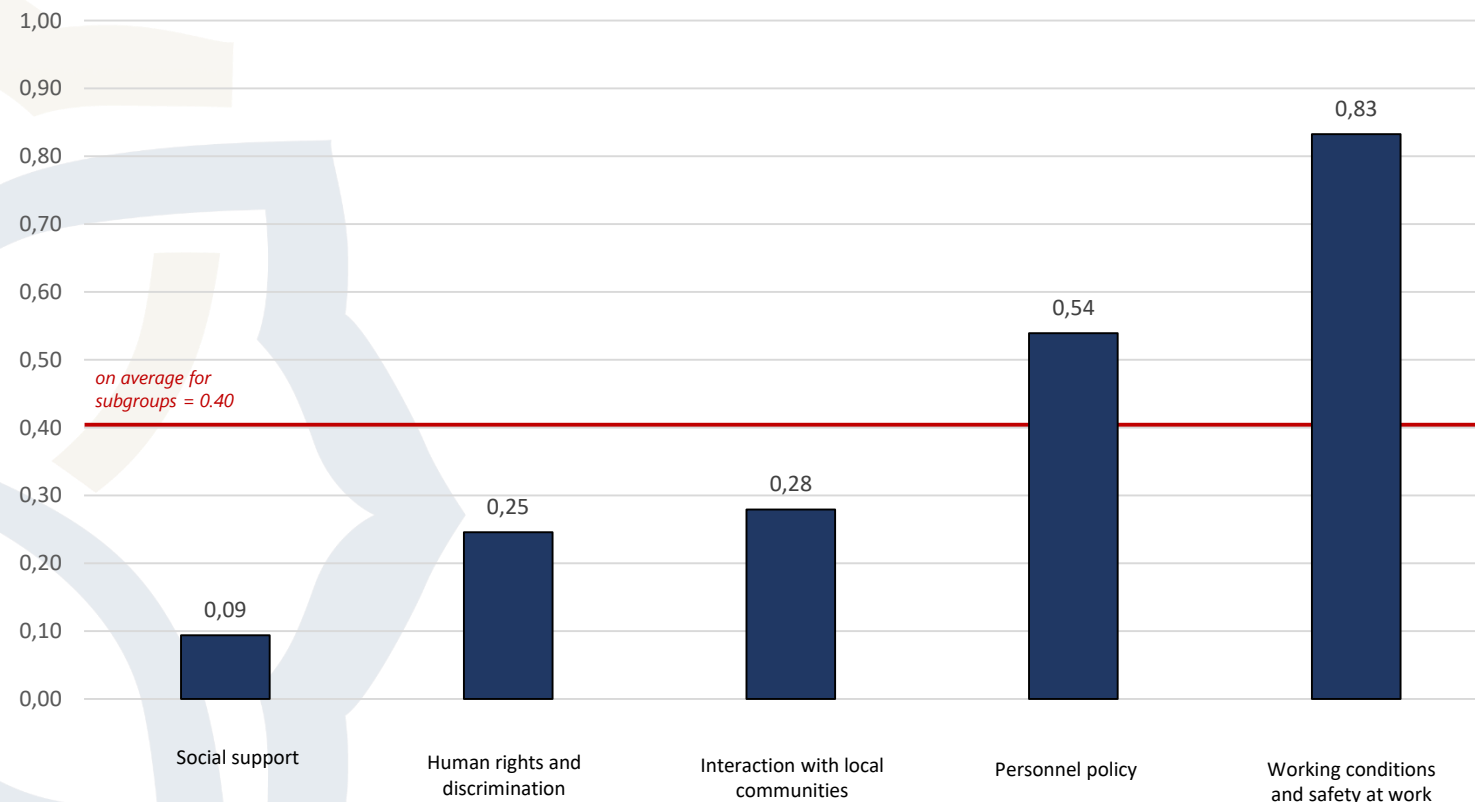
- **Environmental management system:** 26% of the surveyed portfolio companies have a public environmental strategy/policy that contains strategic targets;
- **Water use:** 50% of surveyed companies have all wastewater discharged through treatment facilities and are treated and (or) the percentage of untreated/insufficiently treated wastewater is insignificant and (or) there is information that the activities of the portfolio company do not damage surface natural water sources;
- **Atmospheric pollution:** 13% of surveyed companies show a trend towards a decrease in specific gross emissions of pollutants into the atmosphere over the past three years;
- **Energy efficiency:** 16% of portfolio companies have an energy efficiency program;
- **Biodiversity:** 5% of portfolio companies have a biodiversity conservation program that includes monitoring of indicator species and/or other scientific research/recovery/reintroduction programs;
- **Climate change:** 5% of portfolio companies participate in two or more international initiatives/associations/voluntary standards (e.g. CDP, GRI, UN Sustainable Development Goals, FSC, MSC, ASC, etc.).

Social indicators in the context of thematic subgroups

Index of commitment of portfolio companies to social indicators in the context of thematic subgroups:

- The average for subgroups is 0,40;
- The highest index of commitment is observed in terms of working conditions and safety at work (0,83), followed by personnel policy (0,54), interaction with local communities (0,28) and human rights and discrimination (0,25);
- Portfolio companies pay the least attention to social support (0,09).

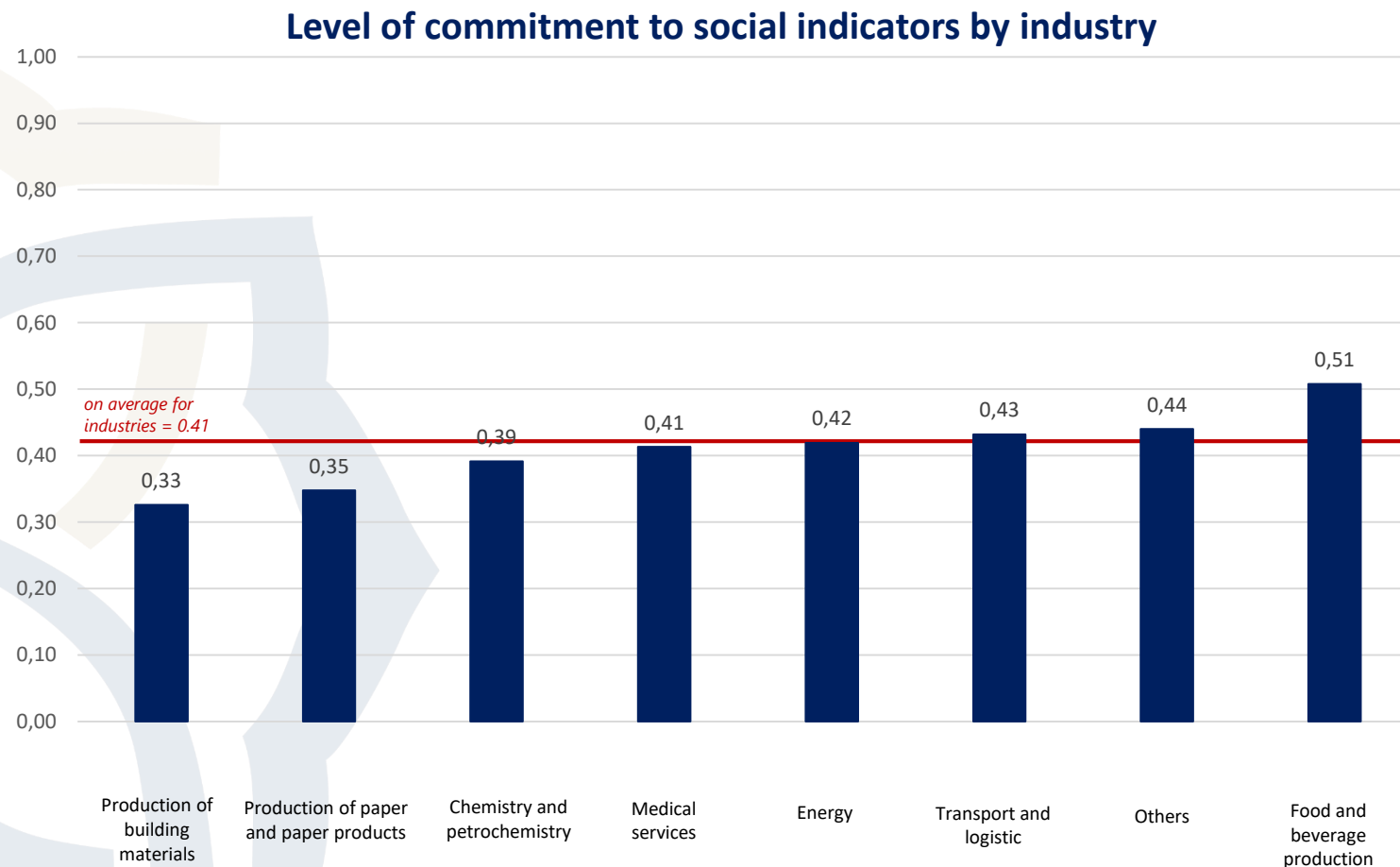
Index of commitment to social indicators in the context of thematic subgroups



Social indicators by industry

Index of commitment of portfolio companies to social indicators by industry:

- The industry average is 0,41;
- The highest commitment index is observed in the food and beverage industry (0,51), followed by other industries (0,44), transport and logistics (0,43) and energy (0,42);
- The lowest commitment index was recorded in the production of building materials (0,33).



2 companies (out of 38) demonstrate **the highest indicators of commitment to** social issues (0,67 and 0,65), while 1 company has the lowest indicator of commitment (0,09);

Working conditions and safety at work:

- 54% of the surveyed portfolio companies conduct regular hazard identification, risk assessment and investigation of workplace incidents;

Personnel policy:

- 20% of the surveyed portfolio companies have training/upskilling/additional education programs for employees and (or) programs to subsidize education at universities, as well as collective agreements that cover the majority of the portfolio company's employees ($\geq 80\%$);

Social support:

- Portfolio companies do not provide corporate kindergarten/nursery services for the children of employees and (or) do not offer monetary compensation to pay for the kindergarten/nursery;
- Portfolio companies do not implement corporate housing programs/do not provide additional payments/benefits on mortgage contributions for employees.

Human rights and discrimination:

- 8% of surveyed portfolio companies have a hotline/anonymous channel for feedback/complaints on issues of corruption, human rights violations and discrimination against employees;
- 6% of the surveyed portfolio companies have a program for the employment of persons with disabilities and a transparent policy for employees with disabilities aimed at reducing discrimination;
- 6% of the surveyed portfolio companies publish in the public domain detailed information on gender balance (ratio of men and women by categories of employees, information on the composition of the board of directors and other indicators) and an explanation of gender dynamics and policies;
- 6% of the surveyed companies have evidence that the company imposes requirements on suppliers/contractors in the field of respect for human rights/ethical business conduct and responsibly treats investment decisions from an ethical point of view.

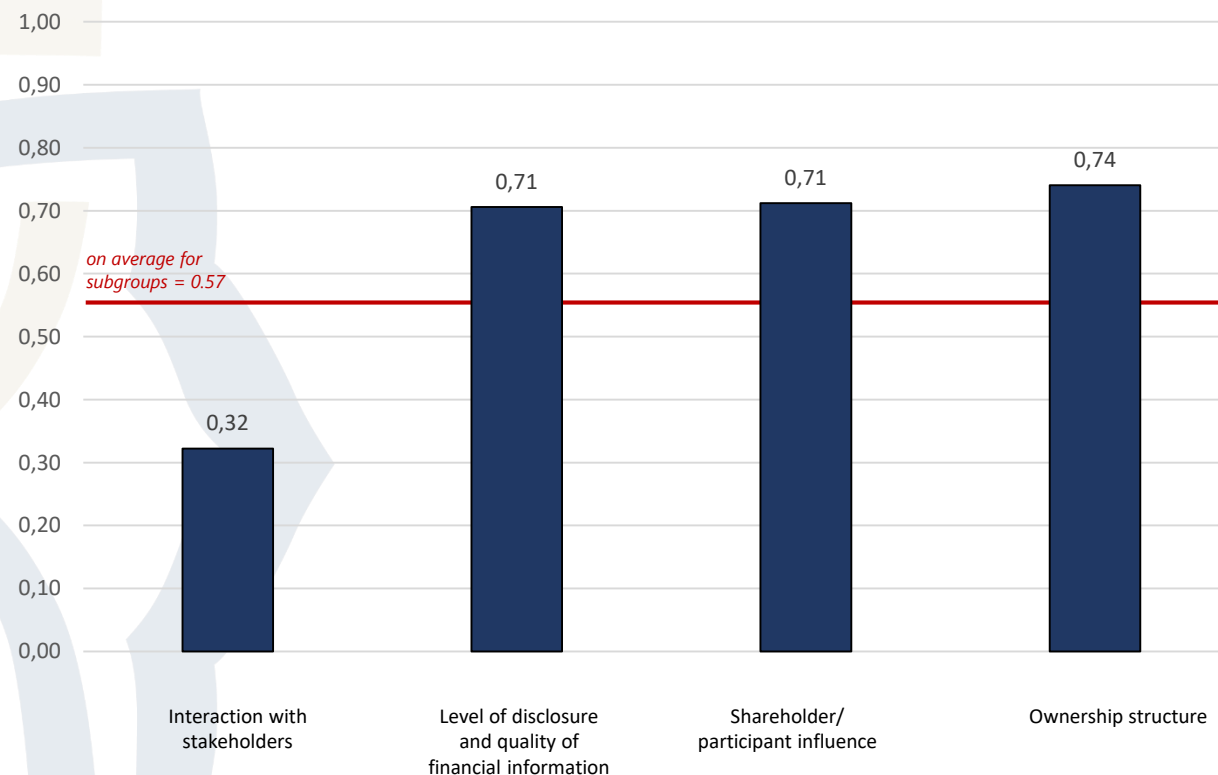
Interaction with local communities:

- 9% of the surveyed portfolio companies have a comprehensive charity program and volunteer movement, as well as publicly available information on charitable spending;
- 9% of the surveyed portfolio companies are implementing a comprehensive program in the field of education/health/social security/infrastructure (construction of schools, hospitals, roads, assistance to the poor, etc.) in the regions where they operate.

Index of commitment of portfolio companies to corporate governance indicators in the context of thematic subgroups:

- The average for subgroups is 0,57;
- The highest commitment index is observed in terms of ownership structure (0,74), followed by the influence of shareholders / participants and the disclosure and quality of financial information (0,71, respectively);
- Portfolio companies pay the least attention to interaction with stakeholders (0,32).

Index of commitment to corporate governance indicators by thematic subgroups

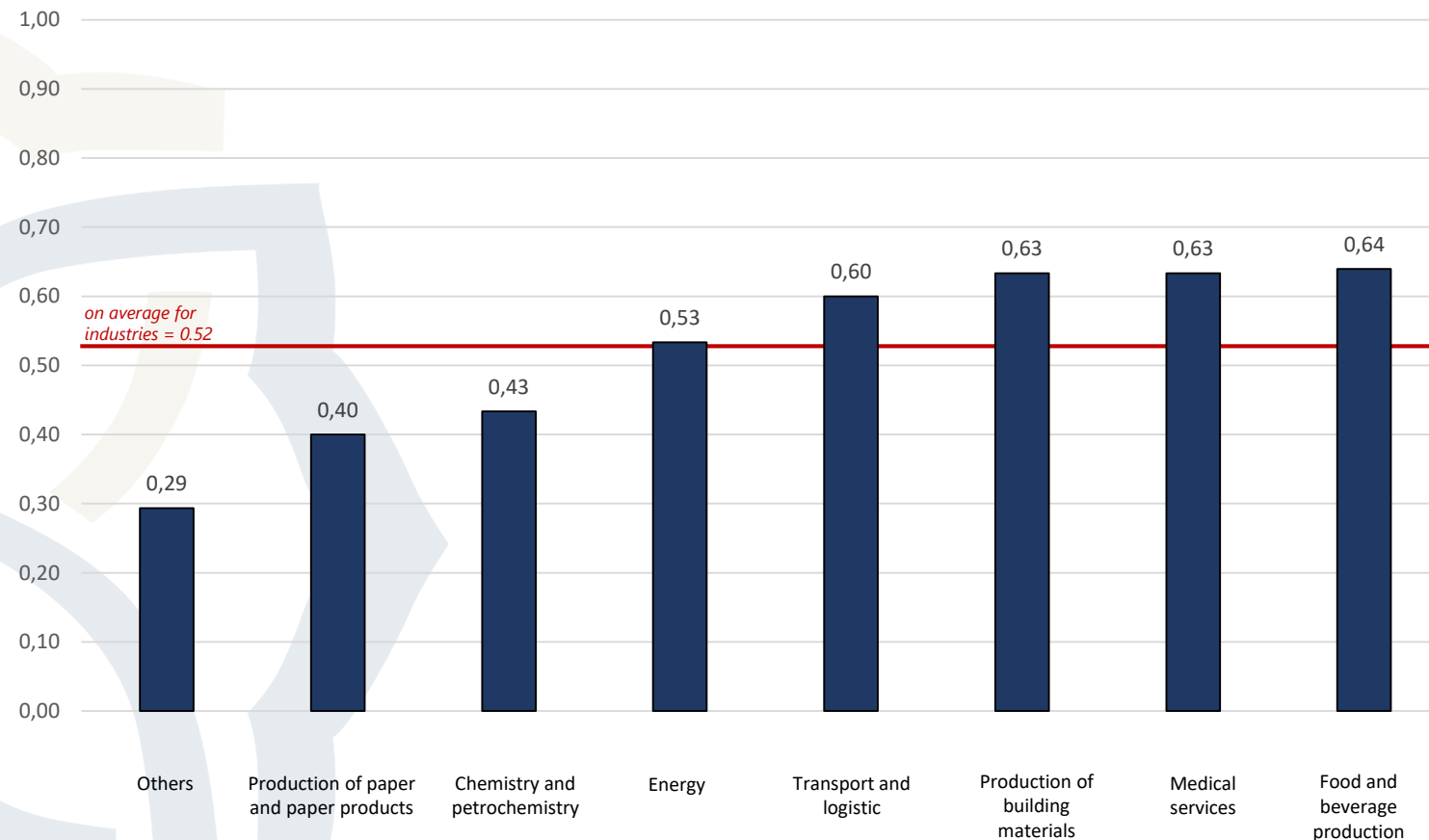


Corporate governance indicators by industry

Index of commitment of portfolio companies to corporate governance indicators by industry:

- The average to the industry is 0,52;
- The highest commitment index is observed in the food and beverage industry (0,64), followed by medical services (0,63), construction materials (0,63) and transport and logistics (0,60);
- The lowest commitment index was recorded in other sectors of the economy (0,29).

Level of commitment to corporate governance indicators



2 companies (out of 38) show **the highest rates of commitment** to corporate governance (0,93 and 0,90), while two companies have the lowest rates of commitment (each – 0,23)

Ownership structure:

- More than 50% of portfolio companies provide information on the ownership structure and beneficial owners, information on the activities of the largest beneficial owner;

Influence of shareholders/participants:

- 91% of the surveyed portfolio companies stated that there were no conflicts between groups of shareholders/participants;

Interaction with stakeholders:

- 28% of the surveyed portfolio companies have a stakeholder management system, as well as identify stakeholder groups and assess the level of influence;

Level of disclosure and quality of financial information:

- For 62% of the surveyed portfolio companies, the content of the disclosed information complies with national and international requirements and best practices.