

31 January 2023

EXTERNAL REVIEW ON POST-ISSUANCE REPORTING OF GREEN BONDS BY SAMRUK-ENERGO

Evaluation parameters for preparing the External Review

Type of financial instrument	Green bonds
Standards of conformity	Green Finance Framework of Samruk-Energy JSC
Bond circulation period	25.11.2021-25.05.2028
Stage	Post-issuance
Application	Confirmation of green bond post-issuance status

Scope

Samruk-Energy JSC engages Green Investment Group LLP to prepare an External Review to confirm the green bond post-issuance in accordance with the green finance framework of Samruk-Energy JSC ("the Company" or "the Issuer").

Liability of the Issuer

The Company shall provide GIG with a list of the following documents for the purpose of preparing the External review:

- The Company's Green Finance Framework
- Information on the procedure for the selection and evaluation of eligible projects
- Project information
- Reporting on the record-keeping and use of proceeds and reporting on environmental impact.

SUMMARY

Opinion on Samruk-Energy JSC's post-issuance compliance with the Green Finance Framework



Based on our review of the documentation provided, we believe that the use of proceeds from the Company's green bonds issued in November 2021 is consistent with the Green Finance Framework adopted by the Samruk-Energy JSC.



During our review of the documentation provided by the Company, we did not identify any deviation from the stated terms of issuance of green bonds by Samruk-Energy JSC in 2021 in accordance with the Green Finance Policy adopted by the Company and any contradiction to the Green Bond and Green Loan Principles.

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31/01/2023



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Information about the Issuer

The Green Finance Framework ("the Framework"), which defines the basic criteria for eligible green projects, was approved by the decision of the Board of Samruk-Energy JSC Minutes No. 31 of 10 November 2021.

On November 25, 2021 Samruk-Energy JSC made a debut offering of green bonds through public subscription on Astana International Exchange in the amount of 18.4 billion tenge with a coupon rate of 11.4% per annum and a circulation period of 6.5 years.

The proceeds of the offering were used to finance eligible green projects in accordance with the International Capital Markets Association (ICMA) Green Bond Principles (GBP).

Samruk-Energy JCS is a holding company, which manages energy assets in the Republic of Kazakhstan, was established on May 10, 2007, to implement a long-term state policy on a retrofit of existing and commissioning of new generating facilities. The sole shareholder of the Company as of August 2018 is the Sovereign Wealth Fund "Samruk-Kazyna" JSC.

The core businesses of the Samruk-Energy JSC group of companies are production of electricity, heat, and hot water using coal, hydrocarbons, and water resources and sale of electricity to the public and industrial enterprises, transportation and distribution of electricity in grid, construction and operation of hydropower plants and thermal power plants, renewable energy facilities, coal mining, as well as rental of property complexes of hydropower plants.

Samruk-Energy JSC group of companies include the largest generating companies, including plants of national importance, such as Ekibastuz SDPP-1 and SDPP-2, hydropower plants in the southern regions of the country - Shardarinsk and Moynak HPP, the largest coal mining enterprise in Kazakhstan Bogatyr Komir LLP, renewable energy generating facilities - wind and solar power plants, as well as as regional distribution network and a sales company.

Its mission is 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.

Vision is an efficient high-tech operating energy company – the leader of Kazakhstan’s power industry.

Achievement of the mission and vision of the company will be ensured through the implementation of three strategic goals, including:

- Ensuring reliable competitive energy supply in the markets of presence;
- Increase of cost of the share capital;
- Sustainable development.

The company is committed to Sustainable Development Goals, such as

- **Goal 3: Good health and well-being**
- **Goal 6: Clean water and sanitation**
- **GOAL 7: LOW-COST AND CLEAN ENERGY**
- **GOAL 9: INDUSTRIALISATION, INNOVATION, INFRASTRUCTURE**
- **GOAL 11: SUSTAINABLE CITIES AND HUMAN SETTLEMENTS**

- **GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION**
- **GOAL 13: COMBAT CLIMATE CHANGE**
- **GOAL 15: CONSERVATION OF TERRESTRIAL ECOSYSTEMS**

The Green Finance Framework provides for the disclosure of information on the use of proceeds from green financial instruments, investment areas, and the environmental impact of activities on an annual basis on the Issuer's official website <http://samruk-energy.kz/ru/>.

The record-keeping process, management and monitoring of the use of proceeds, and the project selection procedure are carried out in accordance with the Green Finance Framework of Samruk-Energy JSC.

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1. Operating procedures

The External Review is an independent assessment and expresses GIG's opinion on the management, administration, allocation of funds from green finance instruments, reporting and disclosure of green finance projects and their compliance with the Issuer's Green Finance Framework and the absence of conflict with the ICMA's Green Bond and Green Loan Principles.

The preparation of an External Review involves the examination of relevant documentation, regulatory documents, reports, and presentations received from the issuer, if available, and other publicly available information that may serve to describe, detail, and confirm compliance processes regarding the implementation of the issuer's Green Finance Instruments Framework. Information used for these purposes is obtained through direct interaction with the issuer and/or from any publicly available sources that GIG considers reliable.

The preparation of the External Review is subject to GIG's ethical standards and independence from the issuer.

Evaluation criteria

The opinion is expressed in the following order:

1. In preparing the External Review, an assessment is made of the compliance of the issuer's business processes with four criteria:

- Use of proceeds,
- The process of project evaluation and selection,
- Management of proceeds,
- Reporting and disclosure.

2. An opinion on the validation of green bond status is expressed based on reports and other documentation provided by the issuer in accordance with the stated terms of the issuer's Green Finance Framework as well as the recommendations of the ICMA's Green Bond and Green Loan Principles.

The final External Review shall be submitted to the issuer, after which it shall be publicly released and made available to interested parties with the issuer's consent.

2. PROJECT DESCRIPTION

The "Modernisation of the Shardara HPP" project has achieved the main objectives of the project:




- Increasing annual power generation to meet the growing demand for electricity in the region.
- Increasing the installed capacity of the plant from 100 MW to 126 MW by increasing the output capacity of each of the four turbines from 25 MW to 31.5 MW
- Increasing the operating efficiency of turbines and generators by reducing losses

- Replacement of obsolete and physically worn-out equipment with new modern equipment, ensuring environmental protection measures and full automation of the power plant, and consequently increasing the reliability and readiness for accident-free operation of the hydropower plant.
- Increase plant efficiency by reducing the direct costs associated with equipment maintenance.

Effect of the "Modernisation of the Shardara HPP" project

- The service life of the hydropower plant has been increased by 45-50 years after the modernization.
- The capacity of the hydropower plant has been increased by 26%, which means an increase of 26 MW of electricity generation, which will be used to cover the electricity deficit in Turkestan oblast and the city of Shymkent.
- The increase in capacity will be obtained without any additional negative environmental impact.
- The safety and reliability of the Shardara HPP will be ensured, and it will be able to uninterruptedly generate electricity for consumers in the southern regions of Kazakhstan; its production and economic efficiency will be improved, and the annual costs of repair and restoration activities at hydroelectric units and emergency stops of the plant will be eliminated.

3. ASSESSMENT OF THE GREEN BOND'S POST-ISSUANCE AND CIRCULATION COMPLIANCE RATES ACCORDING TO THE CRITERIA

Criteria	Status	Commentary/source of information
Use of Proceeds		
100% of raised funds are allocated to implementing and financing/refinancing of Green Projects that bring environmental benefits and are evaluated by the Issuer for compliance with the eligible project categories in line with the GBP in relation to their qualitative and/or quantitative characteristics		Minutes of the in-person meeting of the Working Group on Green Finance of Samruk-Energy JSC #1, dated November 26, 2021
Process for Project Evaluation and Selection		Minutes of the in-person meeting of the Working Group on Green Finance of Samruk-Energy JSC #1, dated November 26, 2021
Disclosure by the issuer of information in the context of its		Issuer's Green Finance Framework and 2022 Reporting

Criteria	Status	Commentary/source of information
goals, policies, strategies and processes related to sustainable development in environmental aspects, including goals to achieve improvements in the ecological environment, as well as the issuer's participation in various activities and initiatives that indicate commitment to the principles of sustainable development and improvements in the ecological environment		
Disclosure by the issuer of the goals of issuing green bonds/projects with directions, terms, indicators of environmental effect		Issuer's 2022 Green Bond Reporting
The Issuer has created a special subdivision, which, among other things, controls the selection and implementation of projects. The division's employees generally understand the tasks assigned to them, while some of them have experience in supporting green projects		Order #224-П dated November 26, 2021, for the establishment of a Working group on green finance
The issuer has a policy for determining environmental risks either in the project documentation or in the policy for determining environmental risks, which discloses qualification criteria for determining environmental risks associated with the implementation of projects		Issuer's annual reporting
Management of Proceeds		
The net proceeds from the issuance of Green Bonds are credited to a sub-account or moved to a different portfolio or otherwise		Issuer's sub-account statement for 2022

Criteria	Status	Commentary/source of information
tracked by the issuer in an appropriate manner		
The separate accounting method for the Green Bonds proceeds is clearly defined in the issuer's documentation	✓	Internal Issuer's report on sub-account accounting for 2022
The issuer, while the Green Bonds are outstanding, monitors the sub-account on an ongoing basis, and there is a procedure in place for excluding projects that become unfit from the portfolio	✓	Internal Issuer's report on sub-account accounting for 2022
The issuer informs investors about the suggested instruments for temporary placement of unused Green Bonds proceeds	✓	Issuer's Green Finance Framework
Clear rules in place for investing temporarily unused Green Bonds proceeds	✓	Green finance policy
Engaging an auditor or another third party to check the method for internal tracking of the intended use of Green Bonds proceeds		No information provided
Reporting		
The issuer provides a detailed report (with a list of projects) and disclosures after issuance in relation to the use of proceeds from the placement of Green Bonds	✓	Samruk-Energy JSC Green Bond Report 2022
Reporting includes the disclosure of information on the nature of investments and the expected environmental impact	✓	Samruk-Energy JSC Green Bond Report 2022
The issuer discloses information on the projects to which funds have been allocated, with a detailed breakdown by area (category), as well as on the environmental effect	✓	Samruk-Energy JSC Green Bond Report 2022

Criteria	Status	Commentary/source of information
and implementation progress of individual projects		
The issuer undertakes to engage independent qualified parties to evaluate its reporting on the implementation of the Green Bond Framework	✓	GIG's External Review

Assumptions and limitations

All rights reserved. No part of this External Review may be reproduced, transmitted or published in any form or by any means without the prior written permission of GIG.

The external review reflects our opinion on the suitability of the use of proceeds derived from green financial instruments to the terms of the issuer's Green Finance Framework and does not contradict the Green Bond and Green Loan Principles.

There is a limitation within the project perimeter and the information provided by the issuer. The External Review is an independent assessment based on information provided by the issuer, does not disclose confidential company information, and is not a guide to any investment decisions.

The External Review is intended for information purposes only, and GIG accepts no liability whatsoever for damage resulting from the use of this External Review and/or the information contained therein. It is permitted to update the External Review after publication, stating the reasons for such an update.

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