

Integrated annual report



KAZAKHSTAN
RAILWAYS

INTEGRATED ANNUAL REPORT OF NATIONAL COMPANY KAZAKHSTAN TEMIR ZHOLY JOINT STOCK COMPANY FOR 2023



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2023

Symbolic Notations Used in the Report

Economic aspect indicators



Data highlighted with this color are the Company's economic indicators.

Social aspect indicators



Data highlighted with this color are the Company's social indicators.

Ecological aspect indicators



Data highlighted with this color are the Company's ecological indicators.

GRI Standard disclosures index



The GRI index indicates the information disclosed in compliance with the GRI (Global Reporting Initiative) Standards.

TCFD Standard disclosures index



The TCFD Index indicates the information disclosed in compliance with the TCFD (Task Force on Climate-Related Financial Disclosures) recommendations.

SASB Standard disclosures index



The SASB Index indicates the information disclosed in compliance with recommendations issued by the Sustainability Accounting Standards Board (SASB).

The Company Development Strategy



Any information disclosed with regards to the implementation of the of the Company's Development Strategy, plans and goals.

Internet links



More details are available on the specified site.

Additional Information



More details are provided in the specified section of the Report.

KAZAKHSTAN RAILWAYS



ABOUT THE REPORT

The goal of this Integrated Annual Report is to provide our stakeholders with the exhaustive and true information about the Company and its activities as to the three sustainable development aspects: **economic**, **social**, and **ecological**. The Report also includes the information of NC KTZ JSC's Development Strategy until 2032.

All the reports are available on the Company's official site:

GRI 2-5



The independent selective data verification report is available on page 306

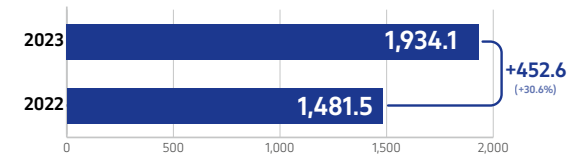


This Report is illustrated with drawings by children of the Company's employees.

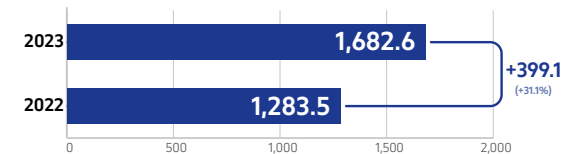
COMPANY IN FIGURES

FINANCIAL PERFORMANCE

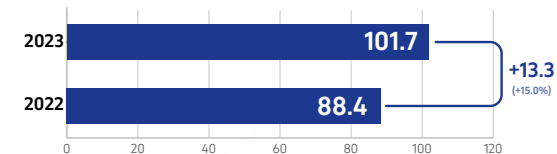
OPERATING INCOME, in billion tenge



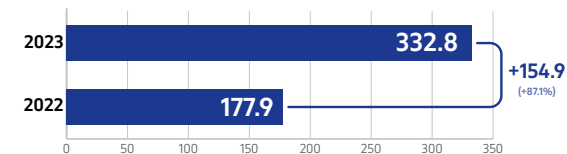
REVENUES FROM FREIGHT TRANSPORTATION, in billion tenge



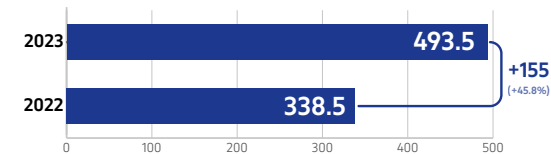
REVENUES FROM PASSENGER TRANSPORTATION, in billion tenge



OPERATING PROFIT, in billion tenge



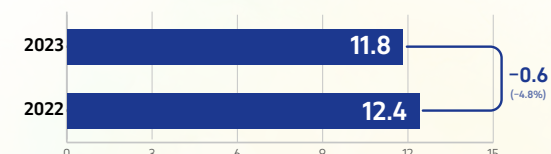
EBITDA, in billion tenge



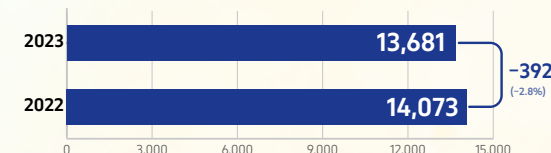
OPERATIONAL PERFORMANCE

PASSENGER TRANSPORTATION

PASSENGER-DISTANCE, in billion pkm

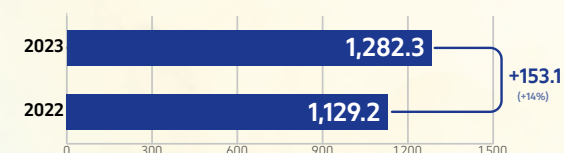


DISPATCHED PASSENGERS, in thousand passengers



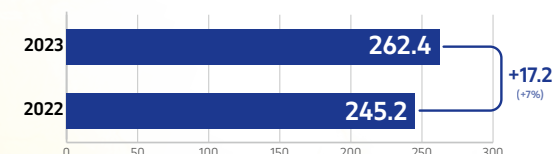
CONTAINERIZED FREIGHT TRANSPORTATION

CONTAINERIZED TRANSIT TRAFFIC, in thousand TEU

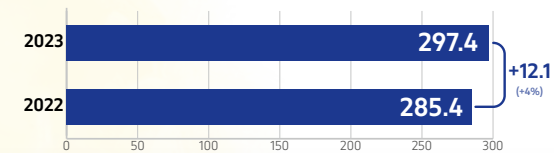


FREIGHT TRANSPORTATION

FREIGHT TURNOVER, in billion tkm

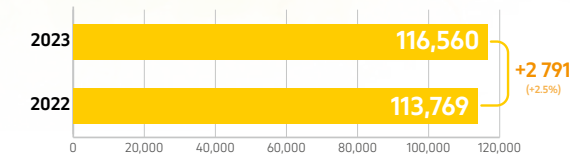


FREIGHTS TRANSPORTED, in million tonnes

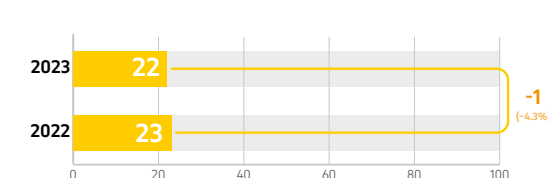


ADDITIONAL INDICATORS

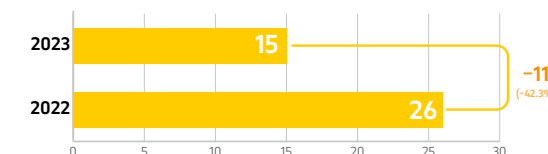
HEADCOUNT, in persons



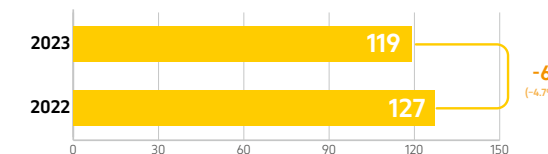
PERCENTAGE OF WOMEN, in %



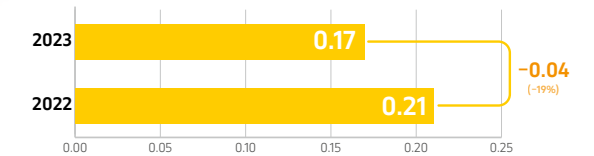
NUMBER OF TRAINING HOURS PER EMPLOYEE



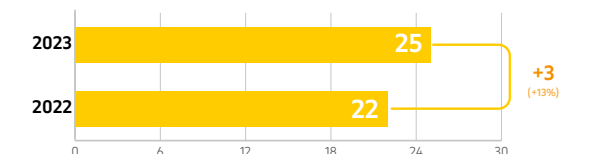
NUMBER OF VIOLATIONS OF THE TRAFFIC SAFETY RULES



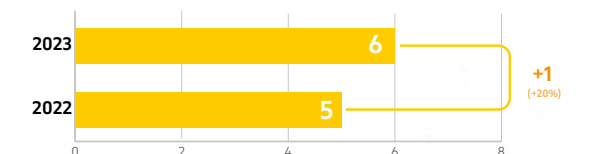
LTIR (per million person-hours)



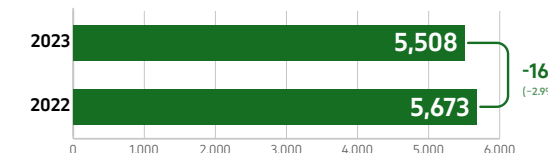
NUMBER OF RECORDED OCCUPATIONAL INJURIES



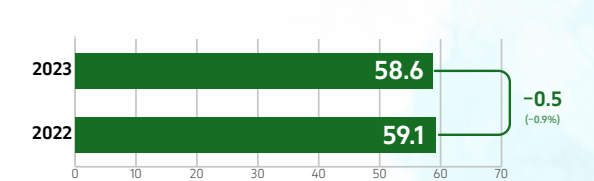
NUMBER OF PERSONS KILLED IN ACCIDENTS



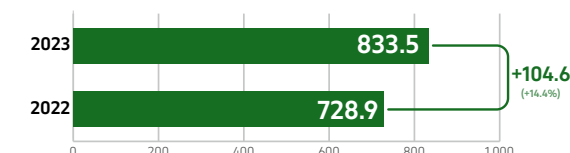
VOLUME OF GREENHOUSE GAS EMISSIONS, in thousand tonnes of CO₂ equivalent (scope 1, 2)



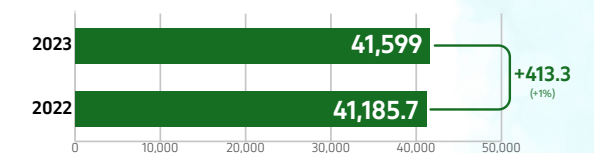
VOLUME OF WASTES, in thousand tonnes



COSTS OF ENVIRONMENTAL ACTIVITIES, in million tenge



CONSUMPTION OF FUEL AND ENERGY RESOURCES, in thousand GJ



ADDRESS BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

GRI 2-22



Dear shareholders, partners, investors and readers of the Annual Report!

On behalf of the Board of Directors of NC KTZ JSC, I would like to thank you for your interest in our Company and for your support throughout the year.

Last year was a year of significant achievements for NC KTZ JSC. Cargo turnover exceeded the level of 2022 and reached a figure of 262.4 billion ton-km, the volume of transit container transportation by rail reached 1,282.3 thousand TEU, and the financial result amounted to 136.8 billion tenge.

To increase the country's transit potential, the Company launched key projects aimed at modernizing the railway infrastructure. Together with neighboring countries, operators on key transit routes were identified, international logistics companies were engaged, and a freight terminal was built in Xi'an (China) jointly with a Chinese company.

To improve the quality of passenger transportation, work has begun on the production of wagons in Kazakhstan using the technology of the Stadler company, the first deliveries of which are expected in 2025. Last year, Deutsche Bahn was engaged in cooperation, within the framework of which it is expected to implement projects on the development of intermodal transportation and HUB systems, as well as the introduction of best practices in service, marketing and sales. At the same time, the main task for 2024 remains to ensure on-time departure and arrival of passenger trains.

We continue to work to improve our corporate governance system. At the end of 2023, S&P Global assigned NC KTZ JSC an ESG rating (assessment of social, corporate and environmental issues) of 54 points, placing KTZ among the 15% of companies with the highest performance in the transportation industry assessed by S&P Global (more than 300 companies worldwide).

In 2023, the Board of Directors of NC KTZ JSC updated the Company's Development Strategy, paying special attention to the efficient transportation of goods in the interests of the national economy, expansion of transit potential, digitalization and implementation of ESG principles.

The Company makes every effort to maintain social stability and financial well-being of our employees. In 2023, the average monthly salary of production personnel will increase by 30% compared to the previous period.

Train safety and occupational health and safety remain a priority for our Company. These issues are scrutinized at meetings of the Safety and Environmental Protection Committee of Board of Directors of NC KTZ JSC. At the end of the reporting year, the number of traffic safety violations of the NC KTZ JSC Group decreased by 4.7% by the level of 2022. However, the 13% increase in production recordable injury cases signals the need for a comprehensive approach to ensuring occupational safety. The Company is committed to making every effort to create a safe working environment for its employees, using a wide range of preventive measures and training programs.

In conclusion, I would like to express my gratitude to all employees of NC KTZ JSC for their invaluable contribution to the development of the Company. It is thanks to your personal contribution that we are achieving significant success and confidently moving towards our goals. Your work is the foundation of our common prosperity.

I would also like to thank all our stakeholders for successful joint activities. We appreciate your support and trust that you give to our Company and look forward to continued cooperation and partnership in the future.

Sincerely,

Chairman of the Board of Directors of NC KTZ JSC

AIDAR RYSKULOV

ADDRESS BY THE CHAIRMAN OF THE MANAGING BOARD

GRI 2-22



Dear readers of the Annual Report!

It gives me great pleasure to present to you the Company's results for 2023.

Transportation is showing high growth and has reached an all-time high over the last three years. Tariff cargo turnover in 2023 increased by 7.0% against 2022 and amounted to 262.4 bln t-km. Container transit increased by 14% to 1,282.3 thousand TEU. As a result, the Company's operating income increased by 30.6% year-on-year to 1,934.1 billion tenge in 2022, with net income totaling 136.8 billion tenge.

Last year, the Company continued to implement large-scale projects to develop railway infrastructure: construction of new railway lines (bypassing Almaty station, Darbaza-Maktaaral and Bakhty-Ayagoz) was launched. The construction of the Dostyk-Moyinty railroad section is on schedule.

As of today, we can confidently say that the issue of locomotive fleet deficit has been resolved. Thus, 255 locomotives have been purchased over the past three years, including 113 locomotives in 2023. This made it possible to reduce the average wear and tear on locomotives from 68% in 2020 to 52% in 2023.

One of the important events in 2023 was the completion of the construction of the Dry Port cargo terminal in Xi'an (China) in cooperation with a Chinese company, which has successfully started operations. This step opens up vast prospects for our exporters, allowing them to deliver their goods directly and in a short time to international markets.

To improve the competitiveness and reliability of our transit corridors, last year the Company, in cooperation with neighboring countries and leading logistics companies PSA International (Singapore) and AD Ports Group (UAE), identified joint operators on key TMTM and North-South routes.

NC KTZ JSC started to implement digitalization projects in cooperation with such world leaders in the field of digitalization as Huawei, Wabtec and PSA. A joint digital hub was opened with Huawei. Pilot projects are being implemented with Wabtec (Kinetix, PTC 2.0, Trip Optimizer), and the DTC Digital Corridor program was launched at TMTM with PSA.

We realize that our employees are our main resource. Therefore, we invest heavily in improving their financial position, working conditions and social package. In 2023, the average monthly salary of production personnel grew by 30% year-on-year to 427,367 tenge.

Our commitment to the principles of sustainable development was confirmed when S&P Global awarded the Company a high ESG rating of 54 points in the Corporate Sustainability Assessment on December 22, 2023. Based on the results of the rating, KTZ was among the 15% of companies with the highest performance in the industry in the S&P Global rating.

Overall, the key objectives set for the Company for 2023 have been achieved. Detailed information can be found on the pages of the report.

Sincerely,

Chairman of the Management Board of NC KTZ JSC

NURLAN SAURANBAYEV

ABOUT THE COMPANY

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ABOUT THE COMPANY

GRI 2-1, 201-4

National Company Kazakhstan Temir Zholy Joint Stock Company (NC KTZ JSC or the "Company") is a logistics and transportation holding, operator of the backbone railway network in the Republic of Kazakhstan, as well as the National Freight and Passenger Rail Carrier.



THE GOVERNMENT
OF THE REPUBLIC
OF KAZAKHSTAN

Sovereign Wealth Fund Samruk-Kazyna JSC (the Fund) is the Sole Shareholder of **NC KTZ JSC**, the Government of the Republic of Kazakhstan is the founder and Sole Shareholder of the Fund.

**NATIONAL COMPANY
KAZAKHSTAN TEMIR ZHOLY
JOINT STOCK COMPANY**

The Group of NC KTZ JSC's companies is the Country's largest owner of railroad engines, freight and passenger cars. NC KTZ JSC is one of the largest employers in Kazakhstan.

RESOURCES AND ASSETS OF THE COMPANY



RAILROAD ENGINES

1.7 THOUSAND



FREIGHT CARS

42 THOUSAND



PASSENGER CARS

2.3 THOUSAND



EMPLOYEES

116.6 THOUSAND

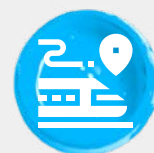
LENGTH OF KAZAKHSTAN'S RAILWAYS

MAIN TRACK MILEAGE



21 THOUSAND KM

MAINTAINED TRACK MILEAGE



16 THOUSAND KM

NC KTZ JSC GEOGRAPHIC FOOTPRINT

NC KTZ JSC ensures the economic interactions with **17 regions** of the Republic of Kazakhstan and 3 cities of republican status, as well as through **16 division points** with the five neighboring countries: **China, Russia, Uzbekistan, Kyrgyzstan, and Turkmenistan.**

Kazakhstan has the 3rd long railways in the CIS and Baltic countries. The track gauge is **1,520 mm**.



Countries	Entities	Countries	Entities	Countries	Entities
People's Republic of China	"China-Kazakhstan Lianyungang International Logistic Company" Ltd. (KTZ Express JSC – 49%)	Russian Federation	TransEurasia CJSC (Kedentransservice JSC – 10%)	Republic of Turkey	"KTZ Express Hong Kong" subsidiary (KTZ Express JSC – 100%)
	"Xinjiang KTZ International Logistics Co. LTD" foreign-owned company (KTZ Express JSC – 100%)		"United Transport and Logistics Company Eurasian Rail Alliance" JSC (NC KTZ JSC – 33.33%)		
	"KTZ Express Hong Kong" Limited Liability Company (KTZ Express JSC – 100%)				
	"YuXinOu (Chongjing) Logistics Co. Ltd" JV (KTZ Express JSC – 16.3%)				
	"China-Kazakhstan Trade and Logistics Company (Xian)" Ltd. (Kedentransservice JSC – 49%)				
				Republic of Hungary	"Xinjiang KTZ International Logistics Co. LTD subsidiary (KTZ Express JSC – 100%)

There are a representative office of NC KTZ JSC in the People's Republic of China (Urumqi) and the regional foreign services of NC KTZ JSC in the Russian Federation (Moscow), the Islamic Republic of Iran (Tehran), in the Central Asian and Caucasian Regions (Tashkent and Baku), and in the Republic of Turkey (Istanbul).

NC KTZ JSC TODAY:



Kazakhstan's systemically important transportation company



Transports **strategic and socially beneficial cargoes** (coal, iron ore, oil products, grains, etc.), which are required to meet the society's basic needs



Ensures **65%** of the freight turnover and **15%** of the passenger traffic in the Country



Ensures the high-grade foundation for the business environment growth and acts as a **the Country's economy driver**



The **Top 3** attractive employers rating in 2023¹ in the "Transport" category

HISTORY OF THE COMPANY

GRI 2-6

According to Decree #129 of the Government of the Republic of Kazakhstan dated January 31, 1997, "Kazakhstan Temir Zholy" Republican State Enterprise was established through the merger of the following republican state enterprises:

- Almaty Railway Administration,
- Tselinny Railway Administration,
- West Kazakhstan Railway Administration.

1997

NC KTZ CJSC was reorganized into NC KTZ JSC and the Program for Restructurization of Railway Transport in the RoK for 2004–2006 was adopted. The Program was aimed at the promotion of competition in the sector and attraction of private investments. In pursuance of the said Program, Locomotive JSC was established on the basis of the locomotive facilities, whereas the entire inventory fleet of cars was split out as an independent enterprise – Kaztemirtrans JSC.

2005

The Central Government Budget began to allot subsidies to cover passenger carriers' losses.

2004

According to Decree #310 of the Government of the Republic of Kazakhstan dated March 15, 2002, "National Company Kazakhstan Temir Zholy" Closed Joint Stock Company was created through the merger of "Kazakhstan Temir Zholy" Republican State Enterprise and its state subsidiaries.

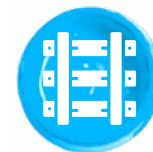
2002

A freight carrier, KTZ Freight Transportation JSC (reorganized into KTZ Freight Transportation LLP in 2020), was created in the result of the separation of transportation activities from the infrastructural ones.

2016

¹ According to the Most Attractive Employer survey conducted in Kazakhstan by the staffing company Ancor.

BUSINESS LINES OF THE COMPANY



Backbone railway network services



Passenger transportation by railways



Freight transportation by railways



Transport and logistics services

BUSINESS MODEL



PARTNERS

- Suppliers of goods and services
- Railway administrations
- Transport and logistics companies



CORE ACTIVITIES

- Backbone railway network services
- Freight transportation
- Passenger transportation



VALUE PROPOSALS

Providing safe, reliable freight and passenger transportation services, in accordance with established requirements.



RESOURCES

- Backbone railway network
- Locomotives
- Freight cars
- Passenger cars
- Qualified personnel



CONSUMER SEGMENTS

- Private passenger railway companies
- Passengers
- Private companies with their own fleet of freight cars
- Consignors



KEY STAKEHOLDERS

- Customers
- Shareholder
- Board of Directors
- Employees
- Trade unions
- Governmental bodies
- Investors and creditors
- Media
- Community
- Partners



COST STRUCTURE

- Servicing and maintenance of the backbone railway network
- Repair and servicing of locomotives
- Repair and servicing of freight and passenger cars
- Costs of energy resources
- Labor costs



REVENUE FLOWS

- Income from passenger transportation
- Income from freight transportation
- Income from freight forwarding and operation of freight cars

MILESTONES OF THE YEAR

JANUARY



On January 17, a consignment of textile machinery was delivered via the Trans-Caspian International Transport Route (TITR) from Urumqi, China, to the Turkish seaport of Mersin in record time, by railways and marine transport.

On January 20, twenty 20-foot containers with red lentils were shipped from Kokshetau-1 station to the Mersin station, Turkey. The container train ran through the Trans-Caspian International Transport Route (TITR); railways and marine transport were engaged. The export of domestic agricultural products was organized by the KTZ Express JSC subsidiary, Xinjiang KTZ International Logistics Co. Ltd.

FEBRUARY



On February 10, the NC KTZ JSC management held a meeting with representatives of Abu Dhabi Ports Group to discuss the cooperation in logistics.

On February 27 to March 3, a meeting of representatives of railways and foreign trade institutions of the Socialist Republic of Vietnam, Republic of Kazakhstan, People's Republic of China, Democratic People's Republic of Korea, Mongolia, the Russian Federation, and the Republic of Uzbekistan was held to agree upon the volumes of exports, imports and transit cargoes to be transported by railways in 2023 and measures required to be taken to ensure such transportation.

MARCH



On March 1, during an official visit to China, the NC KTZ JSC management met representatives of the Xian administration led by mayor of the city, Mr. Li Mingyuan. As a result of the meeting, the Agreement was signed, according to which the Chinese party shall provide a land plot to build a terminal within the inland port of Xian.

On March 1, the Loan Agreement was signed in Paris, France, between NC KTZ JSC, KTZ Freight Transportation LLP, KTZ-Passenger Locomotives LLP, and a banking syndicate consisting of Société Générale and Natixis. The loan will be used to acquire freight and passenger electric locomotives from the local manufacturer, Electrovoz Kurastyru Zauyty LLP.

On March 1, the first demonstrational container train ran through the TITR corridor from Jiaozhou, China, to the port of Koper, Slovenia. The delivery was arranged according to the multimodal transportation principle: by the marine and railway transport. The train consisted of containers loaded with electric cars. The train ran via the Altynkol station and Aktau seaport, Kazakhstan, the seaport of Alyat, Byoyuk-Kyasik, Azerbaijan, Gardbani, the seaport of Poti, Georgia, Istanbul, Turkey and further to Slovenia. The distance of more than 13 thousand km was covered in 45 days. The transportation across Kazakhstan was organized by KTZ Express JSC.

On March 14, KTZ Express organized an accelerated delivery of goods purchased over the Internet, from the PRC. A regular transit shuttle train with commodities purchased over the Internet will run along the route from Urumqi (PRC) via the Alashankou – Dostyk border point to Russia, as well as to Uzbekistan and Tajikistan. The dispatch was organized by KTZ Express in partnership with Atasu Logistics LLP.

On March 17, a meeting was held in Urumqi between the NC KTZ JSC managers and Secretary of the CPC Xinjiang Uygur Autonomous Region (XUAR) Committee, Mr. Ma Xingrui. The parties discussed the interactions in the transportation: the construction of the third Bakhty-Tachen railway border point, the modernization of the Dostyk-Moiynty section, and prospects for the development of international transport corridors.

On 24 March, KTZ Express JSC and Slavtrans-Service JSC signed the strategic cooperation agreement for development of containerized freight transportation and attraction of extra cargo volumes. The agreement will encourage the development of the multimodal expedite transportation of agricultural goods to the markets of the Eurasian Economic Union countries, China, Caspian and CIS countries; as well as will contribute to the strengthening of the North – South corridor.

On March 29, KTZ Express JSC and China Xinjiang Electronic Port Co., Ltd signed the Memorandum of Cooperation in the context of the 2nd Friendly Dialogue of Cross-Border Cooperation between the Republic of Kazakhstan and the Xinjiang Uygur Autonomous Region, China. The goal of the Memorandum is to ensure the pilot operation of the integrated service platform of China Xinjiang Electronic Port Co., Ltd and Xinjiang Digital Port to transfer data required for the transboundary railway customs clearance and to improve servicing of traffic participants in Kazakhstan and China.

APRIL



On April 14, NC KTZ JSC and the China's largest port operator, Shandong Port Group (SPG) signed the Memorandum of Cooperation. The document provides for the cooperation in the development of transport and logistics services, seaport and terminal services, as well as in the development of marine transport operations, including the marine echelon in the Caspian and Black Seas.

On April 17, the commercial seaports of Aktau and Qingdao Port (the latter is affiliated with the Shangdong Port Group (SPG)), signed the cooperation agreement during a SPG delegation's visit to Kazakhstan. The parties agreed to cooperate closely in sharing experience and information and potential collaboration on a number of aspects: personnel training, optimization of operation and logistics processes.

On April 26, the Medical Train project was launched to deliver free medical aid to persons living in remote regions of the Country. A mediator and a lawyer rendered their consulting services as well. Approximately 75 thousand of villagers were covered.

On April 27, KTZ Express JSC in liaison with RZD Logistika JSC organized the dispatch of the first refrigerated container train through a direct railroad route Moscow – Xian, China.

MAY



On May 18, during his state visit to the People's Republic of China, President of Kazakhstan Kassym-Jomart Tokayev participated in the online ceremonial launch of the construction of Kazakhstan's logistics center at the inland port of Xian.

On May 22, NC KTZ JSC and one of the world's largest operators of container port terminals, PSA International (PSA), signed the Joint Venture Agreement. The efforts in partnership with the transnational holding are aimed to achieve one of the critical tasks set by the Head of the State, to development the Country's transit and transport potential.

On May 22, NC KTZ JSC and Huawei Kazakhstan signed Agreement of Intent. Pursuant to the Agreement, it is planned to implement the projects aimed at digitalization of the NC KTZ JSC infrastructure using cloud solutions, Big Data, Internet of Things and artificial intelligence. The parties intend to create the joint Innovation Center to study and develop the telecommunication technologies for the transportation industry.

JUNE



On June 1, the first rails of the second track were laid at the Dostyk – Moiynty section, at the Sarykum – Buirek trackspan.

On June 7, The Digital Development Strategy of NC KTZ JSC was presented during the Huawei Middle East & Central Asia Tech Carnival 2023 forum in Almaty.

On June 9, the development of the TITR was discussed at the International Astana Forum.

On June 15, CEOs of NC KTZ JSC, Kedentransservice JSC and General Director of the Chinese company Xi'an Free Trade Port Construction and Operation Co., LTD Yuan Xiaojun discussed matters related to the implementation of the joint logistics project for the construction of a freight terminal within the Xian inland port.

On June 20, NC KTZ JSC and Rhenus SE, Germany, signed the Memorandum of Understanding. The parties intend to cooperate with the view of increasing the freight traffic along the Trans-Caspian International Transport Route.

On June 20, the Tugan Yelge Sayakhat charitable children's train set out on its first trip from the Nurly Zhol railroad station in the capital city. Over the three summer seasons, 600 children aged 10 to 15 visited the iconic locations in Kazakhstan and spent the unforgettable school holidays in the excursion train.

On June 20, the Travel with Interchange service was launched for the international trains.

On June 23, during an official visit of Head of the Government of the RoK, A. Smailov to Georgia, NC KTZ JSC and Georgia Railway JSC signed the trilateral Agreement on the basic principles of establishment and operation of the joint venture to develop the TITR. On June 22, the document was signed with Azerbaijan Railways CJSC in Baku.

AUGUST



On August 4, NC KTZ JSC participated in the second Industrial Safety Forum held by the Fund.

On August 6, on a day preceding the Day of Transport Workers, NC KTZ JSC gifted a new square located at the Triumphal Arch monument in Astana, to citizens and guests of the capital city.

On August 21, the Agreement of Understanding and Exchange of the Transport and Logistics Data was signed with the Vietnamese corporation Sovico Group.

On August 31, NC KTZ JSC conducted the "Get the Children Ready for School!" campaign. The aid under the campaign was provided to 1,900 children.

SEPTEMBER



On September 4, the Cooperation Agreement was signed with the PRC's largest port operator, Shandong Port Group Co., Ltd., with regards to investments in and construction of seaports, smart construction, equipment upgrading, international logistics and international supply chain services.

On September 6, 1,300 tonnes of Kazakhstani wheat were dispatched from the Octyabr station (Tainynsha Region) to Xian, PRC. The joint venture between Kedentransservice JSC and the Xian international inland port, China-Kazakhstan Trade and Logistics Company Ltd. acted as the organizer of the new route container train.

On September 11, the first consignment of modern passenger cars with reserved seats and sleepers manufactured by ZIKSTO plant, Kazakhstan, was delivered to the capital city. They will be included in the trains running along the Karagandy – Zhezkazgan, Atyrau – Mangistau, and Atyrau — Aktobe routes.

On September 18, in the context of an official visit of President Kassym-Jomart Tokayev to the USA, NC KTZ JSC signed the Master Cooperation Agreement with Wabtec and the Mandate Agreement with Citibank. Wabtec is going to manufacture locomotives at the Kazakhstani plant using hydrogen technologies, and their component parts, as well as to create an engineering center and will assist in the technology transfer. The transaction will be effected with the cooperation of CitiBank and the US export credit agency (US Exim Bank) at a reduced interest rate.

On September 21, a meeting of the NC KTZ JSC management and management of Eurasian Development Bank (EDB) was held in Astana. The parties discussed financing of the major development projects of NC KTZ JSC, including those related to the construction of the Ayagoz — Bakhty railway line and a new border point at the Kazakhstani-Chinese border. The new infrastructure is supposed to allow increasing the freight turnover by 20 million tonnes per year.

On September 29, NC KTZ JSC and DB Engineering and Consulting signed the Cooperation Agreement. The document was signed in Berlin during Kazakhstani President Kassym-Jomart Tokayev's visit to Germany. The strategic partners plan to implement the projects for intermodal transportation, development of HUB systems, introduction of the best marketing, service and sales practices, which will contribute to improvement of the quality of services rendered to the Country's population.

OCTOBER



On October 4, the International Memoranda of Understanding between KTZ Express JSC and Rail Cargo Austria AG, as well as the Cooperation Agreement with DB Cargo Eurasia were signed in Astana during the New Silk Way International Transport and Logistics Business Forum.

On October 17, during an official visit of President of Kazakhstan Kassym-Jomart Tokayev to China, NC KTZ JSC signed the Master Cooperation Agreement with CRRC Corporation Limited, China. The document provides for the acquisition of 200 shunting and main-line locomotives, set up of rolling stock service centers in Kazakhstan and creation of the engineering center.

On October 17, the Cooperation Agreement was signed with the Chinese port of Lianyungang for the increase in the transboundary traffic and creation of an integral logistics network.

On October 26, in Tbilisi, NC KTZ JSC, Georgia Railway JSC, and Azerbaijan Railways CJSC signed the agreement for establishment of a joint venture on a parity basis. The document was signed at the venue of the Silk Road forum held in Tbilisi. The three countries' railwaymen teamed up to develop the multimodal service at the TITR.

On October 27, the implementation of the project for construction of the logistics terminal and creation of a modern platform of transport and logistics services and e-commerce was commenced in Almaty. The project is being implemented by NC KTZ JSC in liaison with the inland port of Xian. The new terminal will be created based on the freight terminal of the NC KTZ JSC's branch organization, Kedentransservice JSC.

On October 31, the cooperation between NC KTZ JSC and the People's Government of Xian, PRC, was discussed during a meeting. The Memorandum of Strategic Cooperation was signed between KTZ Express JSC and Xian Free Trade Port Construction and Operation Co. Ltd.

NOVEMBER

On November 1, NC KTZ JSC entered the Top 3 attractive employers in 2023.

On November 10, NC KTZ JSC held the fifth Industrial Safety Forum. The event was held under the slogan: "Discipline. Security. Safety." The fifth milestone forum became a momentous event and a major health and safety expert platform.

On November 14, NC KTZ JSC started building a railway line in Almaty Oblast bypassing the Almaty station. The infrastructure project is being implemented under instructions of President Kassym-Jomart Tokayev and is critical for the development of the Country's transit and transport potential. Prime Minister of the RoK A. Smailov attended the groundbreaking ceremony.

DECEMBER

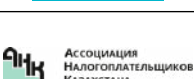


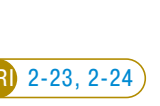
On December 2, the Agreement was signed with the UAE's port, industrial and logistic operator, AD Ports Group, for the establishment of a joint venture with the view of development of the North – South route, extension of the port infrastructure at the Caspian Sea, and creation of trading hubs.

On December 21, the construction of the new Bakhty – Ayagoz railway line 272 km long was commenced in Abay Oblast. The operations were officially started by Prime Minister of the RoK A. Smailov in a live link-up mode. The project is to be implemented in pursuance of President Kassym-Jomart Tokayev's instruction to improve Kazakhstan's transit and transport potential. In the course of the construction of the new line, it is planned to open the third border point Bakhty – Chuguchak at the Chinese border.

PARTICIPATION IN INTERNATIONAL INSTITUTIONS AND ASSOCIATIONS AND COMPLIANCE WITH INTERNATIONAL PRINCIPLES

GRI 2-23, 2-28

	From 1992 Council on Railway Transport of the CIS Member states (CRTCMC)	Moscow, Russian Federation www.sovetgt.org
	From 1993 Organization for Railways Cooperation (OSJD) (participation of the RoK)	Warsaw, Republic of Poland www.osjd.org
	From 1993 Intergovernmental Commission Transport Corridor Europe-Caucasus-Asia (IGC TRACECA) (participation of the RoK)	Baku, Azerbaijan www.traceca-org.org
	From 1994 United Nations Economic Commission for Europe (UN ECE) (participation of the RoK)	Geneva, Switzerland www.unece.org
	From 1998 International Coordinating Council on Trans-Eurasian Transportation (CCTT)	Bern, Swiss Confederation www.icctt.com
	From 2001 Shanghai Cooperation Organization (SCO) (participation of the RoK)	Beijing, People's Republic of China www.sectesco.org
	From 2001 Association of National Freight Forwarders of Kazakhstan (ANFFK)	Almaty, Republic of Kazakhstan www.kffanek.kz
	From 2004 International Union of Railways (IUR)	Paris, French Republic www.uic.org
	From 2006 United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) (participation of the RoK)	Bangkok, Kingdom of Thailand www.unescap.org
	From 2008 Economic Cooperation Organization (ECO) (participation of the RoK)	Teheran, Islamic Republic of Iran www.eco.int
	From 2009 Organization of Turkic States (OTS) (participation of the RoK)	Istanbul, Republic of Turkey turkicstates.org
	From 2009 "Kazakhstan Taxpayers Association" ALE	Almaty, Republic of Kazakhstan www.ank.kz
	From 2010 "Union of Machine Builders of Kazakhstan" ALE	Astana, Republic of Kazakhstan www.smkz.kz

	From 2010 International Railway Sports Association (USIC)	Prague, Czech Republic www.usic-sports.org
	From 2012 UN Global Compact	New York, United States of America www.unglobalcompact.org
	From 2013 Union of Kazakhstan Transport Workers KAZLOGISTICS ALE	Astana, Republic of Kazakhstan www.kazlogistics.kz
	From 2015 KAZLOGISTICS Corporate Fund	Astana, Republic of Kazakhstan www.kazlogistics.kz
	From 2014 "Union of Industries of Railway Equipment" Non-Profit Partnership	Moscow, Russian Federation www.opzt.ru
	From 2014 Atameken National Chamber of Entrepreneurs of the RoK	Astana, Republic of Kazakhstan www.atameken.kz
	From 2015 Eurasian Economic Union (EAEU) (participation of the RoK)	Moscow, Russian Federation www.eaeunion.org
	From 2017 "Trans-Caspian International Transport Route International Association" ALE (TITR)	Astana, Republic of Kazakhstan www.middlecorridor.com
	From 2019 International movement "Vision Zero" of the International Social Security Association (ISSA) for promotion of the zero accident concept	visionzero.global/ru
	From 2022 National ESG Club	Astana, Republic of Kazakhstan

GRI 2-23, 2-24

The political commitments of NC KTZ JSC include compliance with the laws of the Republic of Kazakhstan, as well as implementation of the strategic national programs and projects aimed to develop the Country's transport infrastructure and to ensure its safety.

In addition, NC KTZ JSC takes an active part in the activities of the international institutions and associations with the view of integrating into the global transport system, creating and developing an environment that is favorable for the operation of railway vehicles, improving the international legal basis for the freight and passenger transportation being a part of international traffic, offering a dialogue with railway transportation service consumers, etc.

To ensure the high quality of the services and safety of the railway traffic, NC KTZ JSC has been adhering to the international standards and guidelines pertaining

to freight and passenger transportation, including its commitments arising from the following international treaties:

- Agreement of International Passengers Transport by Rail (OSJD Committee, Warsaw), which sets forth the procedure for transportation of passengers, package freights and cargo-luggage as a part of the international railway traffic.
- Agreement on International Goods Transport by Rail (OSJD Committee, Warsaw), which sets forth the uniform legal framework for an agreement on freight transportation through a direct international railway route and direct international railway-and-ferry route.
- Eurasian Economic Union Treaty, which ensures freedom of movement of the goods, services, funds and labor, as well as conducting a coordinated/agreed transport policy within the EAEU.

STRATEGIC REPORT

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Aisa Symbat, 14 years old



Abduahit Simbat, 12 years old

DEVELOPMENT STRATEGY



In 2023, NC KTZ JSC revised its Development Strategy, whereas paying special attention to the efficient freight transportation for the benefit of the national economy, extension of the transit potential, digitalization and introduction of the ESG principles.



MISSION

Being a systemically important transportation company in Kazakhstan, meet the needs of the national economy and community by transporting freights and passengers and contribute to the development of the Country's transit potential by providing competitive transport and logistics services.



VISION

We are the leading company providing transport services, which are based on the principles of economic efficiency, safety, social and environmental responsibility. We use the best management practices, innovative technologies and digital solutions to provide our customers with high-grade services.

THE MISSION AND VISION OF THE COMPANY ARE TO BE ACHIEVED THROUGH THE IMPLEMENTATION OF THE SIX STRATEGIC GOALS BY 2032:



To improve the efficiency of rail transportation



To digitalize



To develop transit transportation



To introduce the ESG principles



To improve customer satisfaction



To ensure rail traffic safety

GOAL 1 – TO IMPROVE THE EFFICIENCY OF RAIL TRANSPORTATION

The improvement of efficiency of the Company's operations shall be ensured through the implementation of a number of initiatives, including improvement of the operational efficiency of the infrastructure and rolling stock, improvement of the tariff regulation, and development of the Project Analytical Center.



For greater details, see section ["Goal 1. To improve the efficiency of rail transportation"](#)

GOAL 2 – TO DEVELOP TRANSIT TRANSPORTATION

A steady trade volume between Europe and Asia, as well as the growing demand for rail transportation stress the importance of the development of transit traffic via Kazakhstan.

The goal shall be achieved through the development of the infrastructure, creation of operators, in liaison with the neighboring countries' railway administrators,

at the key transit routes, engagement of logistics companies of an international level, and through the digitalization of the corridors.



For greater details, see section ["Goal 2. Transit transportation"](#)

GOAL 3 – TO IMPROVE CUSTOMER SATISFACTION

The Company aimed at continuous improvement of customers' satisfaction through an active interaction with them, persistent collection of feedbacks and expeditious adoption of measures to improve the quality of the services rendered.

As to passenger transportation, it is planned to renew the fleet of cars, to improve the service available at stations and in trains, to train the personnel, to optimize the time-schedules and routes, to introduce digital technologies and to take other measures. In addition,

the e-ticket sales system will be improved as well in order to increase the share of online sales.

As to the freight transportation, the main efforts will be aimed to reduce and simplify any necessary procedures related to the receipt of transport and logistics services and to improve transparency of the operations.



For greater details, see section ["Goal 3. To improve customer satisfaction"](#)

GOAL 4 – TO DIGITALIZE

The development and utilization of digital technologies will be ensured to improve the efficiency of the Company's operations through the modernization of the IT system of the Company, the introduction of the One-Stop Service Center (OSSC) for customers,

introduction of platforms to improve efficiency of the transport process management, etc.



For greater details, see section ["Goal 4. To digitalize"](#)

GOAL 5 – TO INTRODUCE THE ESG PRINCIPLES

NC KTZ JSC determined the introduction of the ESG principles as one of the fundamental directions of its Development Strategy. Such introduction involves the implementation of the three strategic initiatives:

- Improvement of social stability and development of talent pool.
- Ecological sustainability.
- Improvement of corporate governance.

To achieve the goals, it is planned to implement measures aimed at creation of a favorable working environment, development of talent pool, introduction of the integral incentive system, and achievement of gender equality.

The Company recognizes the significance of its impact on the environment, therefore the fight against climate change becomes one of our top priorities. It is planned

to make the transition to low-carbon technologies and energy, as well as to introduce measures aimed to improve resource efficiency and emission management in order to efficiently cope with the impact on the environment.

In the context of its strategic goal, the Company will continue to improve its corporate governance approaches and principles while focusing on the best global practices and recommendations of external experts.

In addition, special attention will be paid to the greater transparency initiatives.



For greater details, see section ["Goal 5. Introduction ESG principles"](#)

GOAL 6 – TO ENSURE RAIL TRAFFIC SAFETY

Ensuring rail traffic safety and labor safety shall be an integral part of the Company's operations.

The Company will make every reasonable effort to ensure the required level of safety of

the transportation process and to achieve the zero accident parameters.



For greater details, see section ["Goal 6. To ensure rail traffic safety"](#)

NC KTZ JSC'S KEY ACHIEVEMENTS IN THE IMPLEMENTATION OF STRATEGIC GOALS IN 2023



TO IMPROVE THE EFFICIENCY OF RAIL TRANSPORTATION

The volume of the freight turnover was 262.4 billion t-km, or 7% higher than the actual data for the previous period

Net profit was 136.8 billion tenge, or 392.1% higher than the actual data for the previous period



TO DEVELOP TRANSIT TRANSPORTATION

The volume of containerized freight transportation amounted to 1,282 thousand TEU, or was 13.5% higher than the actual data for the previous period



TO IMPROVE CUSTOMER SATISFACTION

The volume of domestic producers' transport operations in export traffic was 85 655 thousand tonnes, or 9% higher than in the previous year



TO INTRODUCE THE ESG PRINCIPLES

S&P Global assigned the ESG score equal to 54 of 100



TO ENSURE RAIL TRAFFIC SAFETY

The rail traffic safety level was 0.62, or 11.4% lower than the actual one in the previous period



THE SYSTEM OF KEY PERFORMANCE INDICATORS

The achievement of the goals set by the Development Strategy shall be measured through the compliance with the strategic key performance indicators.

The goal of the Company's system of key performance indicators is to break down its Development Strategy and Business Plan into specific performance indicators and to cascade them to all the management levels of the Company.

The key performance indicators (KPI), whether corporate or functional ones, play the key role in the motivation of the Company's key personnel aimed at consistent achievement of the strategic goals. The impact of the implementation of the KPI targeted at the key personnel's performance have a direct effect on the size of their remuneration.

The corporate KPI are to be the same for the Chairman and members of the Managing Board, whereas the functional KPI shall be established differentially for each key officer.

The key values of the 2023 corporate KPI, for which the targets were established, as follows:

- EBITDA margin;
- Traffic safety;
- Industrial safety level;
- Social stability rating;
- ESG score;
- Financial rehabilitation;
- Carbon footprint;
- Implementation of the investment projects, including priority ones.



For greater details, see section ["Remunerations of the Company's officers"](#)

STRATEGIC KPI

KPI name	Meas. unit	Actual data for 2022 ²	2023 target ³	2032 target ³	Actual data for 2023 ⁴	Variance in actual/target for 2023, %	Variance in 2023 actual data / 2022 actual data, %
Goal 1. To improve the efficiency of rail transportation							
Goal 4. To digitalize							
ROACE	%	4.5	6.76	>8.31	7.0	3.6	55.6
EBITDA margin	%	25.6	24.3	>32.1	25.5	4.9	-0.3
Goal 2. To develop transit transportation							
Volume transit containerized freight transportation	thousand TEU	1 129	1 250	>2000	1 282	2.6	13.5
	million tonnes	23.2	25.1	>30	27.3	8.8	17.7
Goal 3. To improve customer satisfaction							
Level of customer satisfaction	%	68.2	69	75	69	0	1.2
Goal 5. To introduce the ESG principles							
ESG score	scores	different method	59*	68*	54	-	-
Level of social stability	ratio	65	66	75	66	0	1.5
Carbon footprint	%	-	-2.5	>3.5	-5.1	104	-
Goal 6. To ensure rail traffic safety							
Level of traffic safety	ratio	0.7	1.04	0.7	0.62	-40.4	-11.4
Lost Time Injury Rate (controlled) -LTIR	ratio	-	0.17	0.12	0.17	0	-

*The target value is established subject to the ESG score assigned in 2022 under the Moody's ESG Solutions methodology. The actual value of the ESG score for 2023 is the ESG score according to the rating agency S&P Global's methodology.

² Approved by Resolution No 4 of the NC KTZ JSC Board of Directors dated April 27, 2023

³ According to the NC KTZ JSC Development Strategy until 2032

⁴ Approved by Resolution No 4 of the Board of Directors of NC KTZ JSC dated April 25, 2024



Further details regarding the implementation of the NC KTZ JSC Development Strategy until 2032 Are available on pages of the Report with the symbol.

According to the 2023 results, all the target KPI values were achieved. However, it is impossible to measure the achievement of the target KPI value for the "ESG score" due to the difference in the rating agencies' methodologies.

THE COMPANY'S GOALS AND OBJECTIVES FOR 2024

The Company's management system at the end of 2023 has demonstrated its suitability, adequacy and effectiveness. This fact was also confirmed by an external audit of the Company's management system for compliance with the requirements of international standards for management systems ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 50001:2018.

As part of the functioning of the management system, activities were carried out to allocate the appropriate resources necessary to achieve the set goals, as well as analyze information on opportunities to improve and enhance the Company's activities.

In 2024, the Company plans to address the following matters:

- to raise the net freight turnover up to 295.4 billion t-km (9.5% versus 2023);

- to ensure the high rate of construction of:
 - the railway line bypassing the Almaty station;
 - the second railway track at the Dostyk – Moiynly section;
 - the Darbaza – Maktaaral railway line;
- to start manufacturing of passenger cars based on the Stadler technology;
- to implement the project for the multimodal hub system in passenger transportation in partnership with DB;
- to implement the "Smart Railway" project with the view of digitalization of the railway transportation process in partnership with Huawei, Wabtec, and PSA.

Also, in 2024, activities will continue to improve operations and allocate appropriate resources to achieve the goals.

GOAL 1. TO IMPROVE THE EFFICIENCY OF RAIL TRANSPORTATION

TARIFF REGULATION

Based on results of the meeting held on July 5, 2022 to discuss the development of the transit and transport potential of the Republic of Kazakhstan in the new geopolitical circumstances, President K.-J. Tokayev instructed NC KTZ JSC to develop measures to reduce the debt burden, including by improving the tariff policy.

NC KTZ JSC together with the Ministries of National Economy and Industry and Infrastructure Development of the RoK elaborated the short-term and long-term measures aimed to change the tariff policy with the view of reducing the debt burden and agreed them upon with the Government of the RoK.

As the short-term measures, amendments have been made to the laws concerning natural monopolies (the Law of the RoK "On Natural Monopolies", Tariff Design Rules #90 dated November 19, 2019 and Pricing Rules Applicable to the Socially Significant Markets #36 dated February 1, 2017), which provide for the procedure

and mechanism to take into account salary statistics from the region's relevant industry in the cost of the current tariff.

In the result of the implementation of the said legislative provisions, the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the RoK:

- from April 27, 2023, approved the raising of the tariffs of the backbone railway network (BRN) services for 2023–2025. The tariffs of the BRN were raised by 28.4% for 2023 (except for socially significant food commodities).
- from November 6, 2023, the 11.4% increase in the tariff of the locomotive traction services was agreed.

As part of the implementation of the long-term measures, NC KTZ JSC in liaison with the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the RoK continues its efforts to increase the earning capacity and to reduce the existing debt burdens of NC KTZ JSC.

On changes and amendments to certain railway transport legal acts of the Republic of Kazakhstan

In 2023, the following regulatory legal acts were adopted to establish the temporary balancing fee to be used to support passenger transportation, without time limit:

- 1) Law of the Republic of Kazakhstan "On changes and amendments to certain legal acts of the Republic of Kazakhstan concerning the administrative reform in the Republic of Kazakhstan" dated April 19, 2023;
- 2) Law of the Republic of Kazakhstan "On changes and amendments to the Code of the Republic of Kazakhstan "On taxes and other obligatory payments to the budget" (Tax Code) and the Law of the Republic of Kazakhstan "On enacting of the Code of the Republic of Kazakhstan "On taxes and other obligatory payments to the budget" (Tax Code)" dated December 12, 2023;
- 3) Order #83 of the Minister of National Economy of the Republic of Kazakhstan "On changes to Order #11 of the acting Minister of National Economy of the Republic of Kazakhstan "On approval of Rules of Calculation and Payment

of the Temporary Balancing Fees" dated January 26, 2023" dated May 26, 2023.

Considering propositions made by NC KTZ JSC, Decree #107 of the Government of the Republic of Kazakhstan dated February 10, 2023 made amendments to the Provision on the Aktau Seaport Special Economic Zone approved by Decree #624 of the Government of the Republic of Kazakhstan dated October 6, 2017, as regards to the inclusion of Port Kuryk LLP and Aktau Sea Commercial Port JSC in the Aktau Seaport Special Economic Zone.

In addition, the Rules of Calculation and Payment of the Temporary Balancing Fees (Order #11 of the Minister of National Economy of the RoK dated 26.01.2023) were approved; the Rules set forth the procedure for calculation and payment of the temporary balancing fees by the National Freight Carrier, which fees shall be transferred to:

- 1) the locomotive traction operator in passenger traffic;
- 2) the National Infrastructure Operator.

DEBT LOAD

As of December 31, 2023, the Company's consolidated debt was 2.9 trillion tenge at nominal value or 2.2 trillion tenge at book value. The percentage of the debt in hard currencies was 30.8% by the end of 2023.

The Debt/EBITDA ratio decreased from 5.28 in 2022 to 4.52 according to the 2023 results due to the rise in the EBITDA.

In 2023, the Company made repayments of its borrowings according to schedule by the due dates and in full, including:

- Eurobonds for the amount of 250 million Swiss francs (quarter 4 of 2023);
- loans issued to KTZ-Passenger Locomotives LLP and KTZ Express JSC by the European Bank for Reconstruction and Development in the amount of 8.1 billion tenge.

At the same time, the Company signed the following concessional financing agreements:

- for the amount of 173,709 billion tenge from the National Fund of the RoK (second tranche) with the view of construction of the second tracks of the Dostyk – Moiynly section;
- for the amount of 478 million Swiss francs from Citibank and Santander against guarantee of the Multilateral Investment Guarantee Agency (a subdivision of the World Bank);
- for the amount of 627 million Euros from Societe Generale and Natixis with the view of acquisition of 105 Alstom electric locomotives;

- for the amount of 162.6 billion tenge from the Government Budget with the view of renewing the fleet of Stadler passenger cars;
- for the amount of 98.7 billion tenge from Industrial Development Fund JSC to acquire 3000 freight semi-railcars;
- for the amount of 73 billion tenge from Industrial Development Fund JSC to acquire 100 passenger TVZ cars.

The Company also received a 17.7 billion RUB loan from the Eurasian Development Bank for the purchase of 50 diesel locomotives in 2023.

According to the 2023 results, the Group of NC KTZ JSC companies received subsidies in the amount of 47.646 billion tenge from the National budget:

- in the amount of 24.9 billion tenge to subsidize the passenger transportation costs incurred by Passenger Transportation JSC;
- in the amount of 1.3 billion tenge to subsidize the interest rate for the loan for acquisition of cars by Passenger Transportation JSC;
- in the amount of 11.9 billion tenge to subsidize the passenger locomotive traction costs incurred by Passenger Locomotives LLP;
- in the amount of 4.5 billion tenge to subsidize the interest rate for the loan for acquisition of semi-railcars and rail fitting platforms by Kaztemirtrans JSC;
- in the amount of 5 billion tenge to subsidize the interest rate for the loan for acquisition of semi-railcars and rail fitting platforms by KTZ Express JSC.

MARKET REVIEW

KAZAKHSTAN'S ECONOMY IN 2023

At the end of 2023, Kazakhstan's GDP grew by 5.1% relative to the level of 2022 (in 2022 – by 3.2%). 2022 (in 2022 – by 3.2%), positive dynamics was observed in the following sectors of the economy:

- construction – 13.3%;
- wholesale and retail trade – 11.3%;
- transportation and warehousing – 7.1%;
- information and communications – 7.1%;
- industry – 4.2%;
- manufacturing industry – 3.4%.

Decrease in growth rates occurred in agriculture, forestry and fisheries – by 7.7%.

Foreign trade turnover of Kazakhstan in 2023 compared to 2022 increased by 3.2%, including exports decreased by 7% less, imports increased by 20.1%.

Inflation in the Republic of Kazakhstan for 2023 amounted to 9.8% (2022 –20.3%).

FREIGHT TRANSPORTATION MARKET OVERVIEW

In 2023, according to the statistical data of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, the transport of the Republic of Kazakhstan transported 980.7 million tons of cargo, which is 4.4% more than the level of 2022.

Cargo turnover from all modes of transport in 2023 will amount to 501,340.9 million t-km, which is 3.1% higher than in 2022.

Rail transport remains the main player in freight transportation, accounting for 65.2% of the country's total freight turnover. Rail freight turnover grew by 4.8% in 2023 to 326,811.7 million ton-km. 2023 and amounted to 326,811.7 million ton-km.

Pipeline transportation also remains significant, with a share of 28.7%. Cargo turnover of this mode

of transport remained virtually unchanged, with a slight decrease of 0.2% to 143,715.9 mln t-km.

Road and urban electric transport have a small share in total freight turnover (6.0%), and showed a growth of 1.7%, reaching 29,841.2 million t-km in 2023.

Air and water transport have small shares in the total cargo turnover (less than 1%). Air transport decreased its cargo turnover by 1.3% and water transport significantly decreased by 42.0%.

Maritime transport, although having a small share, is marked by a significant growth of 26.0% in freight turnover, reaching 859.0 million t-km in 2023.



FREIGHT TURNOVER OF KAZAKHSTAN IN THE PERIOD FROM 2021 TO 2023 BY TYPES OF TRANSPORT, MLN T-KM⁵

Type of transportation	Freight turnover, mln t-km				Share in total freight turnover, %	
	2021	2022	2023	Changes 2023/2022, %	2022	2023
All transportation	597 196,2	486 072,7	501 340,9	3,1	100,0	100
Pipeline transportation	139 012,6	143 969,6	143 715,9	-0,2	29,6	28,7
Air transportation	81,7	54,4	53,7	-1,3	0,0	0,0
Water transportation	66,4	102,6	59,5	-42,0	0,0	0,0
Railroad transportation	299 170,8	311 927,0	326 811,7	4,8	64,2	65,2
Automobile and urban electric transport	158 311,9	29 337,4	29 841,2	1,7	6,0	6,0
Maritime transportation	552,8	681,9	859,0	26,0	0,1	0,2

Note: Data for 2022 are adjusted to reflect the change in methodological approach of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan.

PASSENGER TRANSPORTATION MARKET OVERVIEW

According to the information of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the RoK, the passenger-distance during the reporting period was 72,753.7 million pkm, or 10.3% high versus 2022 (65,970.0 million pkm in 2022).

1,579.9 million passengers were transported, i.e. 8.3% more than in 2022 (1,458.4 million passengers in 2022).

The major share of 42.3% is accounted for by transportation by motor and municipal electric transport.

In the meanwhile, a substantial increase in the passenger traffic was observed in transportation by air. According to the 2023 results, it grew by 28.8%. The share of the air transport passenger traffic was 35.6% or 5.1% higher than in 2022.

The passenger traffic by railway transport reduced by 1.5% versus 2022; its share in the total passenger traffic was 22%.

PASSENGER-DISTANCE IN KAZAKHSTAN IN FROM 2021 TO 2023, WITH A BREAKDOWN BY MODES OF TRANSPORTATION, IN MILLION PKM⁶

	Passenger-distance, in million pkm			Share in total passenger-distance, %		
	2021	2022	2023	Variance 2023/2022, in %	2022	2023
All modes of transport	106 813.1	65 970.0	72 753.7	10.3	100	100
Motor and municipal electric transport	79 709.3	29 494.7	30 739.8	4.2	44.7	42.3
Air transport	14 815.7	20 109.3	25 898.5	28.8	30.5	35.6
Railway transport	12 286.1	16 363.0	16 113.0	-1.5	24.8	22.1
Waterborne transport	1.4	2.4	2.2	-8.3	0.0	0.0
Marine transport	0.6	0.7	0.2	-71.4	0.0	0.0

Note: The 2022 data have been adjusted subject to the change in the methodological approach adopted by the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the RoK.

⁵ Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the RoK

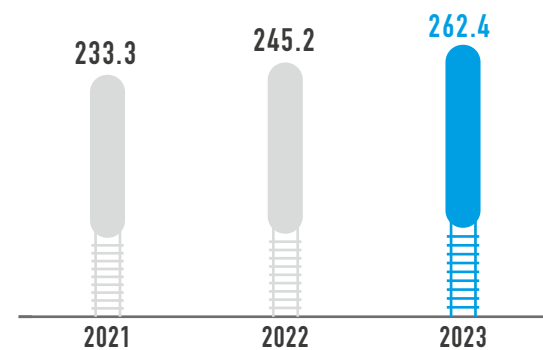
⁶ Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the RoK.

OPERATING RESULTS GRI 2-6

FREIGHT TRANSPORTATION

In 2023, the Company's freight rate/turnover index was 262.4 billion t-km, or 7.0% higher than in 2022 (245.2 billion t-km in 2022). The growth was attributable to the rise in the freight turnover in all types of the traffic.

FREIGHT TURNOVER IN 2021 TO 2023, IN BILLION T-KM

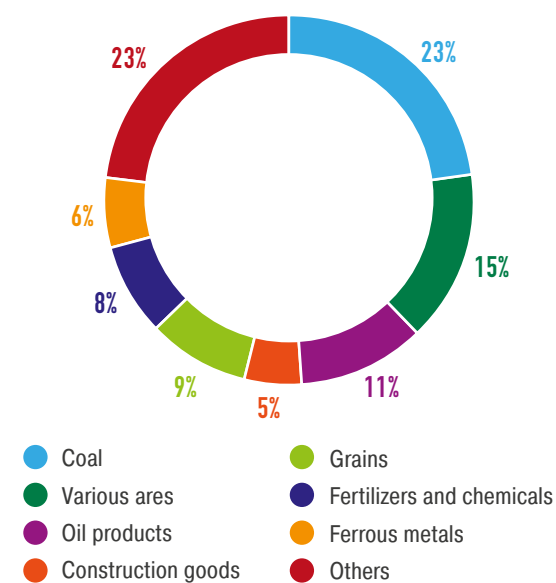


As to the structure of the modes of transport, the freight turnover was as follows:

- the inland traffic grew by 1.1% due to the 1.7% growth in the average haul for such freights as iron ore, oil derivatives, grains, nonferrous metal ores, non-ferrous metals, cement, and fluxing limestone;
- the export freight turnover grew by 6.5% due to the 9.0% growth in the average haul. The growth was caused by an increase in the transportation of iron ore, crude oil, grains, fertilizers, chemicals, fertilizers, nonferrous metal ores, and cement;
- the import freight turnover rose by 13.9% due to the 11.1% increase in the volume of freights transported. The volume of the entire freight nomenclature, except for coal, construction aggregates, ferrous scrap metals and nonferrous metal ores, increased;
- the transit volume rose by 16.5% due to the 18.0% growth in the transportation volume. The transportation of the following freights grew: oil from Russia to Uzbekistan; oil derivatives from Russia to the CA countries; grains from Russia to Kyrgyzstan; chemicals from China to Uzbekistan and Russia, from Russia to China; fertilizers from Belarus to China, from Russia to the CA countries and China; non-ferrous metals from Russia to China (copper) and Uzbekistan (aluminum), ferrous metals from Russia and China to the CA countries; as well as other cargoes: wood from Belarus to China and CA countries, machinery and equipment from China to Russia, Belarus and CA countries, vegetables and fruit from Uzbekistan to China.

In 2023, the structure and share of the key goods in the freight turnover, which are proposed for transportation by railways, were as follows:

SHARE OF THE KEY GOODS IN THE COMPANY'S FREIGHT TURNOVER IN 2023, IN %



The freight turnover of the following goods grew in 2023 versus 2022:

- chemicals and fertilizers – by 21.7%;
- oil derivatives – by 19.8%;
- grains – by 17.9%;
- ferrous metals – by 11.7%.



GOAL 2. TO DEVELOP TRANSIT TRANSPORTATION GRI 2-6

TRANSIT TRANSPORTATION

According to the 2023 results, the volume of transit transportation via Kazakhstan proved to be record-hitting 27.3 million tonnes, or (+18% versus 2022), including 1,282.3 thousand TEU (+14% versus 2022) transported within the promising containerized freight transportation segment.

The primary areas for the increase in the transit transportation include:

- the continued growth in transportation of oil derivatives and crude oil from Russia to CA and Afghanistan;
- the increase in the volumes of grains transported from Russia to Kyrgyzstan;
- changing the logistics of chemicals transportation from China to Russia and the CA countries; and
- a considerable increase in the transportation of containerized potassium fertilizers from Belarus to China.

To increase the freight traffic along the Trans-Caspian International Transport Route (the "TITR"), much is being done to improve the logistics services both within and outside the Republic of Kazakhstan.

In October 2023, during the "Tbilisi Silk Road Forum" Forum in Tbilisi, the railway administrations of Kazakhstan, Azerbaijan and Georgia signed the constitutive documents for incorporation of the TITR joint venture with the Astana International Financial Center. The joint venture will allow rendering the services according to the one stop-shop principle, guaranteeing the compliance with the delivery deadlines and costs, as well as pursuing a coordinated policy to develop the multimodal service.

The joint venture, private company KPMC Ltd. has been created at the Astana International Financial Center in liaison with the Singaporean company PSA Eagle Pte. Ltd, in order to attract additional cargo volumes to the TITR and to develop the digital corridor.

The eastern direction of the North – South international transport corridor is also considered by consignors as an alternative route to transport their products to the Iranian, Indian and the Persian Gulf countries' markets.

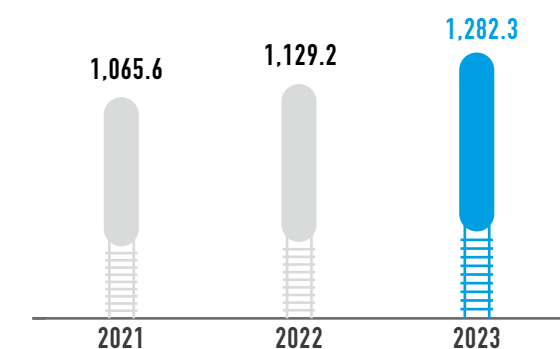
A technical audit of the division points and the adjacent railway infrastructure of Kazakhstan, Russia and Turkmenistan was conducted together with RZD OJSC and Turkmen Railways in order to find out any goosenecks and technological barriers. Based on the audit findings, the joint Activity Plan was approved to improve efficiency

of the transnational division points (dated March 31, 2023).

Efforts are also being made to create a joint venture with Abu Dhabi Ports Group with the view of expansion of the cargo base through the North – South corridor and granting an additional access to the external markets. The joint venture agreement was signed in December 2023 during the 2023 United Nations Climate Change Conference (COP28).

The creation of a joint venture between RZD Logistika JSC, KTZ Express JSC and Transport and Logistics Center of Turkmenistan OJSC is being negotiated. The joint venture will act as a single logistics operator within the eastern branch of the North – South international transport corridor along track gage 1520. The current negotiations are devoted to the elaboration of the organizational documents and determination of the terms and conditions of the creation of the joint venture.

CONTAINERIZED TRANSIT TRAFFIC IN 2021 TO 2023, IN THOUSAND TEU



The growth in the containerized transit traffic is attributable to the increase in the transportation volume along the China-Russia-China, China-Belarus-China, China – Central Asian countries – China routes.

According to the 2023 results, the containerized freight transportation along the China-Europe-China route dropped by 45% versus 2022, to 229 thousand TEU.

This reduction was substituted with potassium fertilizers transported from Belarus to China (grew 2.5 times versus 2022) and containerized transportation along the China-Russia-China route (grew by 65% versus 2022).

China – Russia – China – 494.6 thousand TEU (+65% versus 2022);

China–Europe–China – 402.3 thousand TEU (-18% versus 2022);

China – Central Asian countries – China – 250.5 thousand TEU (+22% versus 2022);

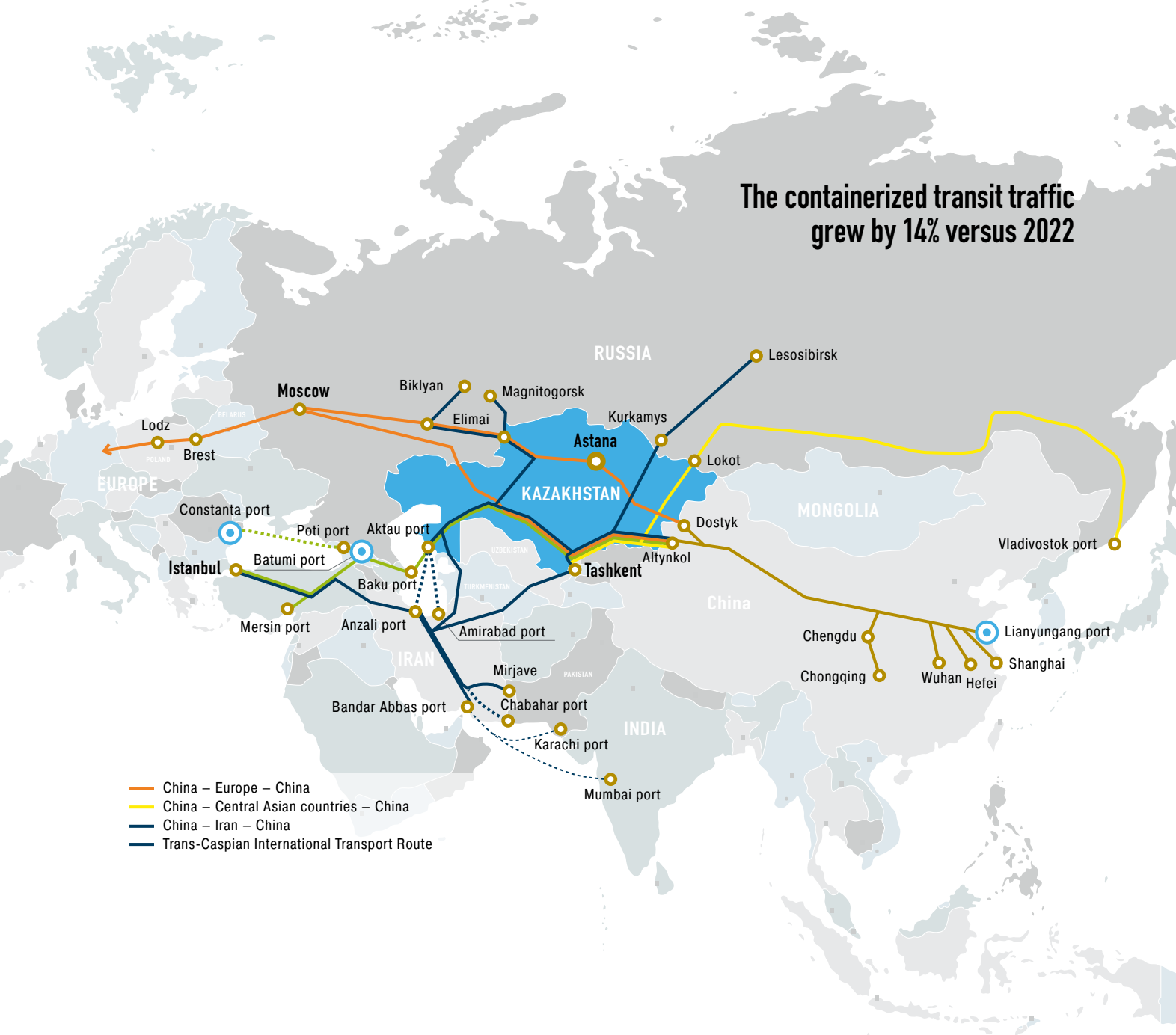
Far East – Central Asian countries – 77.4 thousand TEU (+10% versus 2022);

The Trans-Caspian International Transport Route (TITR) – 2.6 thousand TEU (-77% versus 2022).

To develop its transit traffic, the Company:

- makes efforts to increase the transit freight traffic flow through the Trans-Caspian International Transport Route and the North – South corridor to India and the Persian Gulf countries via Iran and the Iranian seaport of Bandar Abbas;
- seeks to minimize the administrative barriers;
- has been implementing the scheduled infrastructure projects in order to increase capacity;
- has worked out the Program to increase capacity of the existing railway infrastructure until 2030.

KEY TRANSIT ROUTES

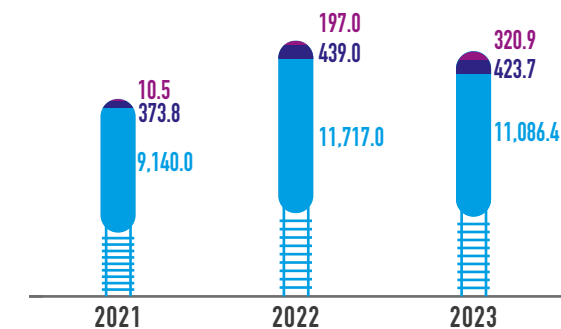


PASSENGER TRANSPORTATION

GRI 2-6

In 2023, the Company's **passenger-distance** fell by 4.2% versus 2022 to 11,831 million pkm (12,353 million pkm in 2022).

PASSENGER-DISTANCE, IN MILLION PKM

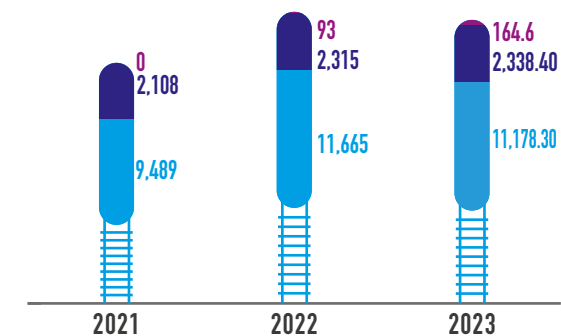


- trains composed by ourselves
- "Suburban Transportation" subsidiary
- trains composed by the others' railway administrations

The number of passengers dispatched by Passenger Transportation JSC in 2023 was 13,681 thousand persons (14,073 thousand passengers in 2022), including:

- by trains composed by Passenger Transportation JSC – 11,178 thousand passengers;
- by "Suburban Transportation" subsidiary – 2,338 thousand passengers;
- by trains composed by the others' railway administrations – 165 thousand passengers.

NUMBER OF PASSENGERS DISPATCHED, IN THOUSAND PERSONS

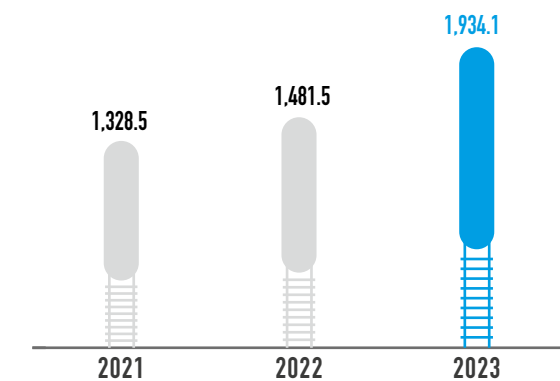


- trains composed by ourselves
- "Suburban Transportation" JSC
- trains composed by the others' railway administrations

FINANCIAL PERFORMANCE

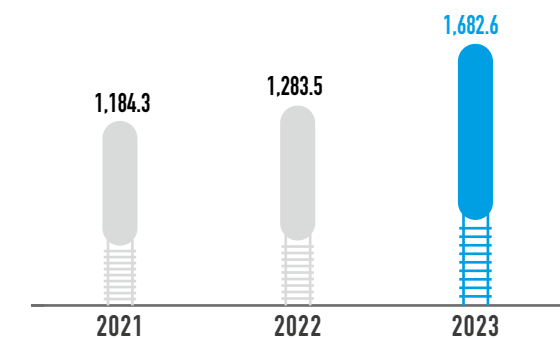
The operating income for 2023 made up 1,934.1 billion tenge, or 30.6% higher than the actual level in 2022. The increase was caused by the growth in revenues from freight transportation (because of the 7.0% increase in the freight transportation volume and the change in the structure of the freight turnover) and passenger transportation by 15.0% (due to the 16.7% rise in the revenue rate on average for the inland traffic).

OPERATING INCOME, IN BILLION TENGE



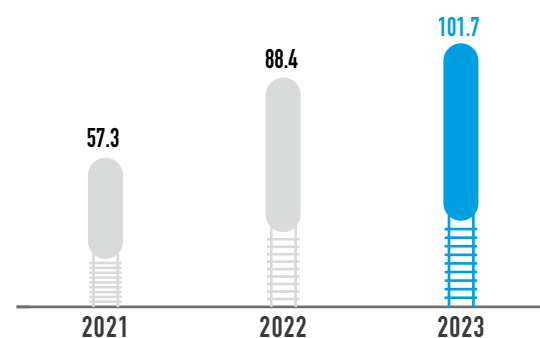
Revenues from freight transportation grew by 31.1% versus the actual volume in 2022, mostly due to the 7.0% increase in the traffic volume and the change in the structure of the freight turnover; fluctuation of the exchange rates (Swiss franc) applicable to measurement of revenues from the transit traffic; an adjustment made upon closure of the hedging transaction to the proceeds denominated in Swiss francs, in 2022, etc.

REVENUES FROM FREIGHT TRANSPORTATION, IN BILLION TENGE



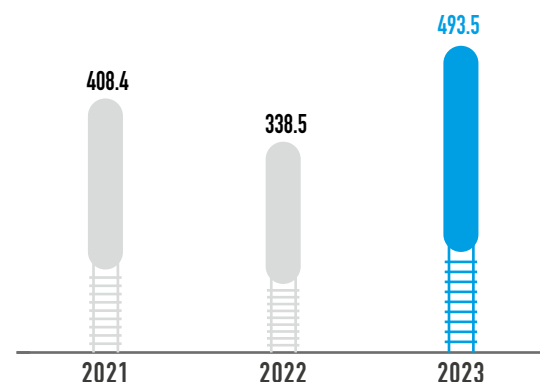
In 2023, revenues from passenger transportation amounted to 101.7 billion tenge, i.e. were 15.0% higher than the actual data for the same period of 2022 due to the 16.7% growth in the income tariff rate on average for the inland traffic.

REVENUES FROM PASSENGER TRANSPORTATION, IN BILLION TENGE



EBITDA for 2023 was 493.5 billion tenge, or 45.8% higher than the actual level in 2022.

EBITDA, IN BILLION TENGE



MD&A REVIEW

Strategic KPI

The **Debt/EBITDA ratio** was 4.52, i.e. was 17.1% better than the approved target (5.45), due to the fact that the EBITDA grew by 45.8%.

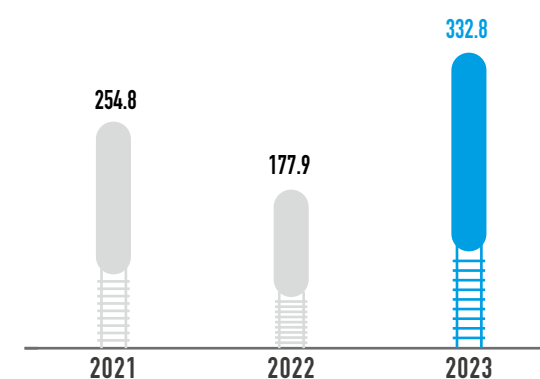
Analytical KPI

Net income⁷ for 2023 is the profit in the amount of 133,508 million tenge, or 10,439 million tenge higher than the approved target (123,068 million tenge of profits) mostly because of:

- the 189,948 million tenge growth in revenues from freight transportation due to the rise in revenues gained from import and transit traffics, since the freight traffic volumes grew by 0.2% on the whole (including by 28.1% in the export traffic and 11.9% in the transit traffic), the change in the structure of the freight turnover, growth in revenues from the change in the average level of the tariff increase, growth in revenues from activities

In 2023, operating profit amounted to 332.8 billion tenge, i.e. was 87.1% higher than the actual level in 2022.

OPERATING PROFIT, IN BILLION TENGE



Net income attributable to the Shareholder was 133,508 million tenge in 2023, i.e. 98,620 million tenge higher than the actual level for the same period of 2022, mostly due to the rise in the operating profit by 154,978 million tenge resulting from the 7.0% increase in the freight turnover, growth in the tariffs of the BRN and locomotive traction (LT) services, the adjustment made upon closure of the hedging transaction to the proceeds denominated in Swiss francs (in the amount of 54,442 million tenge in 2022), and the growth in the other macroeconomic indicators.

related to the operation of the fleet of freight cars, extra charges and revenues from forwarding services rendered;

- the 10,475 million tenge growth in revenues from penalties collected due to the actual recognition thereof according to the 2023 results;
- the 7,010 million tenge savings in general and administrative expenses (except for administrative expenses and taxes) in the result of saving measures taken;
- the 6,324 million tenge growth in inventory sales proceeds due to the sale of freight cars;
- the 6,226 million tenge growth in nonoperating income (balance) mostly due to the 11,345 million tenge increase in asset sales proceeds;
- the recovery of provisions for asset impairment for the amount of 4,220 million tenge related to investments in associates and jointly controlled entities, as well as costs reclassification pursuant to the IFRS judgment;
- the 4,084 million tenge decrease in the CIT costs due to the change in the taxation basis.

Furthermore, the factors having an adverse impact on the indicator as follows:

- the 126,124 million tenge growth in price at cost mostly due to the 0.2% increase in the volume of freight transported, including: expenses related to the payroll fund by 82,019 million tenge due to the 15% rise in the salaries paid to employees from March 01, 2023; fuel by 37,073 million tenge (due to the rise in the price by 24.8%); electric power by 7,491 million tenge (due to the rise in the price by 14.2%); payment for works and services by 6,425 million tenge (mostly due to the change in the price and scope of the rolling stock maintenance services), and other expenses by 1,368 million tenge mostly due to the actuarial calculations, penalties, and expenses related to the sale of inventories, etc.;
- the 62,736 million tenge increase in financing costs due to short-term loans received additionally in 2023 to replenish the working capital, growth in the banks' interest rates on long-term loans and changes in loan liabilities;
- the actual recognition of the foreign exchange losses in the amount of 14,124 million tenge, which resulted from the fluctuations of the foreign currencies' exchange rates;

- the 5,949 million tenge growth in administrative expenses and taxes was attributable to the 15% increase in salaries of the employees of the operating personnel categories from March 01, 2023 and the actual recognition of VAT, which had not been taken as an offset;
- the 5,201 million tenge decrease in revenues from passenger transportation due to the 6.4% reduction in the passenger traffic volume;
- the 2,282 million tenge decrease in the share in profits of entities measured using the equity method, due to the reduction in the financial result of the joint venture UTLK ERA JSC;
- the 616 million tenge growth in the non-controlling interest (minority interest) due to the improved financial result of the branch organizations having minority shareholders;
- the 551 million tenge reduction in subsidies to be used to cover passenger transportation-related losses due to the actual amount of subsidies allotted by the Ministry of Industry and Infrastructure Development of the RoK;
- the 265 million tenge decrease in revenues from auxiliary services rendered to third party entities due to the reduction in the scope of services provided.

Impact factors	Variance, in million tenge
Net income, in million tenge	10,439
including:	
Positive factors:	
– growth in revenues from freight transportation	189,948
– penalties collected	10,475
– saving in G&AE (except for administrative expenses and taxes)	7,010
– increase in inventory sales proceeds	6,324
– increase in nonoperating income (balance)	6,226
– reduction in asset impairment costs	4,220
– reduction in CIT expenses	4,084
Negative factors:	
– increase in the price at cost	(126,124)
– increase in financing costs	(62,736)
– increase in foreign exchange loss (net)	(14,124)
– increase in administrative expenses and taxes	(5,949)
– reduction in revenues from passenger transportation	(5,201)
– reduction in the share in profits of entities measured using the equity method	(2,282)
– increase in the non-controlling interest	(616)
– reduction in subsidies	(551)
– reduction in revenues from auxiliary services rendered to third party entities	(265)

⁷ Net income attributable to Shareholder

ROACE for 2023 was 6.97%, or 0.21 percentage points higher than the target value (6.76%) due to the 19,776 million tenge increase in NOPAT because of the growth in the net income before the deduction of the non-controlling interest by 11,056 million tenge. The main reasons for the increase in the net income before the deduction of non-controlling interest were as follows:

- the 189,948 million tenge growth in the revenues from freight transportation, which was caused by the increase in the proceeds gained from import and transit traffics because of the growth in the freight traffic volumes on the whole by 0.2% (including export traffic by 28.1% and transit traffic by 11.9%), the change in the structure of the freight turnover, growth in the revenues from the change in the average level of the tariff increase, rise in the revenues from activities related to the operation of the fleet of freight cars, additional charges and proceeds from the forwarding services rendered;
- the 10,475 million tenge growth in the proceeds from collected penalties due to the actual recognition thereof according to the 2023 results;
- the 7,010 million tenge savings in general and administrative expenses (except for administrative expenses and taxes) due to the saving measures taken;
- the 6,324 million tenge increase in the inventory sales proceeds due to the sales of the freight cars;

- the 6,226 million tenge increase in the nonoperating income (net) mostly due to the growth in the asset sales proceeds by 11 345 million tenge;
- the recovery of the provisions for asset impairment for the amount of 4,220 million tenge;
- the 4,084 million tenge reduction in CIT expenses due to the change in the taxation basis.

In addition, the growth in expenses incurred in the form of bank fees (including CIT) by 8,720 million tenge had a positive effect on NOPAT, which was caused by the rise in the banks' interest rates on the long-term loans and the change in the loan liabilities, as well as the increase in the loan portfolio due to the short-term loans received additionally with the view of replenishing the working capital.

A negative impact on the ROACE indicator is caused by a change in the average value of the capital employed by 178,067 million tenge, which is associated with an increase in equity as of 12/31/2023 to 357,779 million tenge due to changes in net income based on the results of operations for 2023 and retained earnings in the form of other deposits (adjustment of loans received from the Sole Shareholder for below market rates, up to fair value) as of 12/31/2023. Furthermore, the average value of creditors' equity decreased by 61,455 million tenge due to the fluctuation of the exchange rate and the change in the loan portfolio occurred in 2023.

Impact factors	Variance, in million tenge
ROACE, in %	0.21%
including:	
Growth in NOPAT	19,776
including:	
Net income (loss) before deduction of non-controlling interest	11,056
Interest expenses (including CIT)	8,720
Growth in ACE (mean value)	178,067
including:	
Changes in CE as of the beginning of 2023	59,809
including: equity	188,371
borrowers' liabilities	128,562
Changes in CE as of the end of 2023	296,324
including: equity (increase)	357,779
borrowers' liabilities (decrease)	61,455

FCF was negative in 2023, in the amount of 301,218 million tenge, or 133,894 million tenge below the target value (- 167,324 million tenge) due to the growth in expenses related to maintenance of the current activities by 123,164 million tenge (excluding VAT) because of the necessity to renew the rolling stock (locomotives, freight and passenger cars) and to repair the backbone railway network.

In addition, the 10,240 million tenge reduction in cash flows from operating activities had a negative impact on this indicator.

The negative value of **FCF** was attributable to the lack of funds gained from operating activities and dividends of the jointly controlled entities, which were required to finance the implementation of the investment program in order to maintain the current activities of NC KTZ JSC, the growth rate of which exceeded one of cash inflows from operating activities.

Therefore, NC KTZ JSC had to raise borrowed funds to cover the deficit.

Impact factors	Variance, in million tenge
FCF, in million tenge	(133,894)
including:	
Decrease in cash flows from operating activities	(10,240)
including:	
Decrease in cash inflows	(186,742)
Decrease in cash outflows (including VAT on PKV)	176,502
Increase in expenses related to maintenance of the current activities (PKV, excluding VAT)	(123,164)
Decrease in dividends of the JV and associates	(490)



Batyrova Aida, 8 years old

STRUCTURE OF THE ASSETS GRI 2-6

The creation of an optimal business model and target structure of the Company's assets is defined by the Development Strategy of the Company as the strategic initiative to improve the Company's operating efficiency.

In total, in 2019 to 2023, thirty entities were withdrawn from the perimeter of NC KTZ JSC.

The NC KTZ JSC Group consists of 42 entities.

THE COMPANY'S CORPORATE PORTFOLIO IS REPRESENTED BY THE FOLLOWING FIVE UNITS:

No.	Business-line	Names of the second-tier entities	Participatory interest ⁹
1	Backbone railway network	a subsidiary of NC KTZ JSC – Directorate of Backbone Railway Network	–
2	Freight transportation unit	KTZ-Freight Transportation LLP	100%
		Kaztemirtrans JSC	100%
3	Passenger transportation unit	Passenger Transportation JSC	100%
		KTZ-Passenger Locomotives LLP	100%
4	Transport and logistics unit	KTZ Express JSC	100%
		Kedentransservice JSC	100%
		"United Transport and Logistics Company – Eurasian Rail Alliance" JSC (UTLC-ERA)	33.33%
		Port Kuryk LLP	100%
		Private company Middle Corridor Multimodal Ltd	33.33%
		NC Aktau Sea Commercial Port JSC	held in trust
5	Core and auxiliary unit	Transtelecom JSC	25%
		Militarized Railway Guard LLP	100%
		Temirzholsu JSC	100%
		Dosjan Temir Zholy JSC	46.016%



More details on the Company's key business units are available in section [Key business units of the Company](#).



Serik Sanzhar, 4 years old

8 Structure of the NC KTZ JSC Group as of 01.01.2024 (tiers 1, 2).

KEY BUSINESS UNITS OF THE COMPANY GRI 2-6

KTZ – FREIGHT TRANSPORTATION LLP

KTZ-Freight Transportation LLP is the largest freight carrier and locomotive traction operator in the Republic of Kazakhstan.

According to Decree of the Government of the Republic of Kazakhstan dated September 29, 2017, the National Freight Carrier status was assigned to KTZ – Freight Transportation JSC⁹.

BUSINESS UNIT OVERVIEW



YEAR OF ESTABLISHMENT

2016



NC KTZ JSC'S PARTICIPATORY INTEREST

100 %

RESOURCES

HEADCOUNT



43.3

THOUSAND PERSONS



1.6

THOUSAND LOCOMOTIVES

INFRASTRUCTURE



17

CAR-REPAIR SHEDS



30

LOCOMOTIVE DEPOTS



831

STATION

REGIONAL SUBSIDIARIES



11

REGIONAL SUBSIDIARIES



3

REPRESENTATIVE OFFICES - IN CHINA, IRAN, AND RUSSIA

9 Reorganized into KTZ-Freight Transportation LLP in 2020.

BUSINESS ACTIVITIES

CONSUMER SEGMENTS:



- consignors;
- consignees;
- freight forwarders;
- railway owners;
- participants of the transportation process.



VALUE OFFER:



- an uninterrupted and proper support of the economy and community's needs for freight transportation by railways while ensuring safety of train traffic and safekeeping of the goods and package freights;
- setup of the single operator's functions, subject to the use of multimodal transportations, interactions with the rolling stock operators and owners, as well as granting access to the backbone railway network;
- development of the trunk and terminal infrastructure of the transport corridors.

KEY ACTIVITIES:



- freight transportation by railways;
- transportation of socially significant goods by railways;
- provision of locomotive traction services;
- provision of engine crew services;
- preparation of the traction rolling stock and multiple-unit rolling stock for the access to the backbone network;
- service provision by shunters, freight clerks and gaugers;
- preparation of freight cars for loading.

KEY PERFORMANCE INDICATORS

Particulars	2021	2022	2023	Variance 2022/2021, in %	Variance 2023/2022, in %
Proceeds, in billion tenge	1,178.9	1,332.6	1,655.8	13.0	24.3
Operating profit, in billion tenge	50.7	26.1	-1.8	-48.5	-106.9
EBITDA, in billion tenge	68.8	44.8	22.5	-34.9	-49.8
Freight rate/turnover index, in billion tkm	225.6	232.5	248.8	3.1	7.0
Freights transported, in million tonnes	267.7	259.8	270.6	-3.0	4.2
Headcount, in persons, including:	44,894	44,944	43,315	0.1	-3.6
Percentage of women, in %	26	26	26	0	0
Administrative and managerial staff, in persons	1,666	1,494	1,356	-10.3	-9.2
Operating personnel, in persons	43,228	43,450	41,959	0.5	-3.4
Social stability index, in %	69	61	65	-11.6	6.6
Volume of wastes, in thousand tonnes	9.1	8.7	8.3	-4.4	-4.6

In 2023, the freight turnover of KTZ-Freight Transportation LLP was 248.8 billion t-km, or 7.0% higher than in 2022. The growth was attributable to the increase in the freight turnover in the export, import and transit traffics.

For the reporting period, proceeds of KTZ-Freight Transportation LLP grew by 24.3% versus 2022. This was attributable to the rise in the freight turnover,

fluctuations in the exchange rate used to calculate revenues from transit traffic and for mutual settlements between the railway administrations, as well as the change in the transportation patterns.

In 2023, EBITDA and operating income reduced versus 2022 due to the growth in expenses caused by the rise in employees' salaries, increase in the prices of diesel fuel, electric power, etc.

PASSENGER TRANSPORTATION JSC

Passenger Transportation JSC performs transportations of passengers, postal items, package freights, and cargo-luggage within the interdistrict, interregional and international traffics.

According to the Decree of the Government of the Republic of Kazakhstan dated December 25, 2004, the status of the National Passenger, Package Freight, Cargo-Luggage and Postal Items Carrier was assigned to Passenger Transportation JSC.

BUSINESS UNIT OVERVIEW



YEAR OF ESTABLISHMENT

1998



NC KTZ JSC'S PARTICIPATORY INTEREST

100 %

RESOURCES

HEADCOUNT



10.6

THOUSAND PERSONS

ROLLING STOCK



2.2

THOUSAND PASSENGER CARS

REGIONAL SUBSIDIARIES



WESTERN, NORTHERN, SOUTHERN, EXPRESS, PASSENGER TRANSPORTATION JSC - "SUBURBAN TRANSPORTATION"

BUSINESS ACTIVITIES

CONSUMER SEGMENTS:



- passengers;
- consignors of package freights and cargo-luggage;
- entities the transportation services are provided to.

VALUE OFFER:



Provision of the high-quality and safe passenger, package freight, cargo-luggage and postal items transportation services within the international, interregional, interdistrict, domestic and suburban railway traffic.

KEY ACTIVITIES:



- passenger transportations by railways;
- transportation of package freights, cargo-luggages, and postal items.

KEY PERFORMANCE INDICATORS

Particulars	2021	2022	2023	Variance 2022/2021, in %	Variance 2023/2022, in %
Proceeds, in billion tenge	91.6	122.5	137.5	33.7	12.2
Operating profit, in billion tenge	-6.1	2.3	-4.8	137.7	-308.7
EBITDA, in billion tenge	4.1	14.4	6.5	251.2	-54.9
Passenger-distance, in billion pkm	9.5	12.4	11.8	30.5	-4.2
Passengers dispatched, in million passengers	11.6	14.1	13.7	21.6	-2.8
Headcount, in persons, including:	10,766	10,642	10,504	-1.2	-1.2
Percentage of women, in %	33	32	33	-3.0	3.1
Administrative and managerial staff, in persons	634	617	590	-2.7	-4.4
Operating personnel, in persons	10,132	10,025	9,914	-1.1	-1.1
Social stability index, in %	65	58	61	-10.8	5.2
Hazardous substance emissions, in tonnes	795	546.1	450.6	-31.3	-17.5
Volume of wastes, in thousand tonnes	10.2	9.9	9.2	-2.9	-7.1

According to the 2023 results, proceeds of Passenger Transportation JSC amounted to 137.5 billion tenge, or 12.2% higher than the actual value in 2022.

The 7.2 billion tenge decrease in its operating income versus 2022 and the 7.9 billion tenge reduction in EBITDA were attributable to:

- the salaries increases of 5% in January 1 and 15% in March 1, 2023;
- the delivery of 62 Talgo cars in the 3rd quarter of 2022 and the adjustment of the cost of the services according to provisions of the contract;
- the 54% rise in the prices of diesel fuel;
- the rise in the prices of spare parts of the cars, goods, works, and services.



Marat Kausar, 7 years old

KTZ EXPRESS JSC

KTZ Express JSC provides a complete range of transport and logistics services within traffics of any kind, by integrating the different modes of transportation (railways, marine and motor ones), using the port infrastructure, as well as a network of warehouses and terminals. It performs transportations of consolidated loads on an LCL basis, transportations of cargoes in the arranged shuttle trains, as well as transportation of the temperature sensitive goods.

BUSINESS UNIT OVERVIEW



YEAR OF ESTABLISHMENT

2013



NC KTZ JSC'S PARTICIPATORY INTEREST

100 %

RESOURCES

HEADCOUNT



963
PERSONS

ROLLING STOCK



4.5
THOUSAND CONTAINERS
20 AND 45 FOOT



6.8
THOUSAND RAIL FITTING
PLATFORMS

REGIONAL SUBSIDIARIES



4
REGIONAL
SUBSIDIARIES



2
REPRESENTATIVE
OFFICES IN THE FOREIGN
COUNTRIES - MOSCOW
(RUSSIA) AND BERLIN
(GERMANY)

BUSINESS ACTIVITIES

CONSUMER SEGMENTS:



- freight forwarders;
- consignors.

VALUE OFFER:



Provision of comprehensive services to customers, including additional ones, such as customs clearance, transshipment, and services through the "Single Point of Contact."

KEY ACTIVITIES:



- provision of transport and freight forwarding services;
- logistics;
- transportation of over-dimensional, heavy-weight and hazardous cargoes;
- management of the items of the transport and logistic infrastructure;
- information support for the freight transportation;
- custom clearance, insurance, issuance of guarantees against risks of any kind; organization, escorting, guarding and certification of cargoes.

KEY PERFORMANCE INDICATORS

Particulars	2021	2022	2023	Variance 2022/2021, in %	Variance 2023/2022, in %
Proceeds, in billion tenge	32.9	38.2	60.3	16.1	57.9
Operating profit, in billion tenge	19.3	15.9	44.7	-17.6	181.1
EBITDA, in billion tenge	24.2	22.9	42.6	-5.4	86.0
Forwarding of containerized freight transportation, in thousand TEU	329.7	378.0	752.9	14.6	99.2
Forwarding of transportation by railways, in thousand tonnes	3,372	1,433.0	1,875	-57.5	30.8
Headcount, in persons, including:	559	740	963	32.4	30.1
Percentage of women, in %	42	41	35	-2.4	-14.6
Administrative and managerial staff, in persons	181	210	212	16.0	0.95
Operating personnel, in persons	378	530	751	40.2	41.7
Social stability index, in %	87	85	74	-2.3	-12.9
Volume of wastes, in tonnes	401.58	366.66	377.2	-8.7	2.9
Emissions into the air by stationary pollution sources, in tonnes	16.57	14.29	8.1	-13.8	-43.3

In 2023, proceeds of KTZ Express JSC amounted to 60,322 million tenge, or 57.9% higher than in 2022. The growth was caused by the overfulfillment of revenues from forwarding services related to containerized freight transportation.

The increase in the volume of forwarding services related to containerized freight transportation by 99% versus 2022 was due to the growth in the traffic along the PRC-RF-PRC route (Moscow hub) and ensured return load

along the PRC-EU-PRC route (Belintertrans Germany GmbH transported the "potassium" cargoes from Belarus to the PRC).

In 2023, the volume of forwarding services related to the rail transportation amounted to 1,875 thousand tonnes, or 31% higher than in 2022. The growth was attributable to the increased volumes of transit traffic of ferrous metals and oil derivatives transported in cars from Russia to Central Asia.

KAZTEMIRTRANS JSC

Kaztemirtrans JSC is the largest operator of the Country's freight car fleet, provides freight cars for use, and rents out special rolling stock, as well as provides scrap metal storage and sale services.

The majority of cargoes transported in Kaztemirtrans JSC's cars are mostly bulk cargoes, such as coal, grains, flour and mill stock, ores, mineral fertilizers, and cement.

BUSINESS UNIT OVERVIEW



YEAR OF ESTABLISHMENT

2003



NC KTZ JSC'S PARTICIPATORY INTEREST

100%

RESOURCES

HEADCOUNT



1.3

THOUSAND PERSONS

ROLLING STOCK



37.7

THOUSAND FREIGHT CARS

REGIONAL SUBSIDIARIES



10

REGIONAL SUBSIDIARIES

INFRASTRUCTURE



SARYOZEK PRODUCTION BASE

BUSINESS ACTIVITIES

CONSUMER SEGMENTS:



the core segment – owners of bulk cargoes (coal, grains, flour and mill stock, ores, mineral fertilizers, and cement.

VALUE OFFER:



Provision of high-quality freight transportation services.

KEY ACTIVITIES:



- provision of freight car operating services;
- leasing/renting out of the rolling stock;
- scrap metal storage and sale;
- renting out and management of own real estates.

KEY PERFORMANCE INDICATORS

Particulars	2021	2022	2023	Variance 2022/2021, in %	Variance 2023/2022, in %
Proceeds, billion tenge	105.7	135.1	184.8	27.8	36.8
Operating profit, in billion tenge	7.9	24.3	66.0	207.6	171.6
EBITDA, in billion tenge	32.0	44.6	91.7	39.4	105.7
Freights transported, in million tonnes	82.8	82.8	48.6	0	-41.3
Headcount, in persons, including:	1,138	1,023	1,338	-10.1	30.8
Percentage of women, in %	43	45	60	4.7	33.3
Administrative and managerial staff, in persons	342	328	315	-4.1	-4.0
Operating personnel, in persons	796	695	1,023	-12.7	47.2
Social stability index, in %	80	79	77	-1.3	-2.5

According to the 2023 results, proceeds of Kaztemirtrans JSC amounted to 184.8 billion tenge, or 36.8% higher than in 2022. The growth in the proceeds was attributable to the increase in revenues from operating services and rent.

The operating profit was 66.0 billion tenge, or 171.6% higher than in 2022. The improved operating performance was primarily attributable to the operating services and renting out the freight cars.



Zhanbolat Meyrlen, 8 years old

KEDENTRANSSERVICE JSC

Kedentransservice JSC is the leading logistics terminal operator in the Republic of Kazakhstan. The company possesses assets and freight terminal processing competences, as well as provides services related to transshipment of the goods imported from the PRC, at the frontier stations of Dostyk and Altynkol.

BUSINESS UNIT OVERVIEW



YEAR OF ESTABLISHMENT

1997



NC KTZ JSC'S PARTICIPATORY INTEREST

100%

RESOURCES

HEADCOUNT



1.7

THOUSAND PERSONS

REGIONAL SUBSIDIARIES



11

REGIONAL SUBSIDIARIES

BUSINESS ACTIVITIES

CONSUMER SEGMENTS:



- consignors;
- consignees;
- freight forwarders.

VALUE OFFER:



Provision of high-quality freight terminal processing services, performance of transshipments at the frontier stations of Dostyk and Altynkol, and performance of containerized freight transportations along various routes.

KEY ACTIVITIES:



- transshipment services (at Dostyk and Altynkol stations);
- terminal services;
- containerized freight transportation service.

KEY PERFORMANCE INDICATORS

Particulars	2021	2022	2023	Variance 2022/2021, in %	Variance 2023/2022, in %
Proceeds, in billion tenge	37.3	43.2	45.3	15.8	4.9
Operating profit, in billion tenge	6.8	15.2	10.9	123.5	-28.2
EBITDA, in billion tenge	12.7	20.1	15.1	58.3	-24.9
Rolling stock operation, in thousand TEU	243	277.7	225	14.3	-19.0
Headcount, in persons, including:	1,755	1,716	1,725	-2.2	0.5
Percentage of women, in %	20	21	19	5.0	-9.5
Administrative and managerial staff, in persons	553	503	505	-9.0	0.4
Operating personnel, in persons	1,202	1,212	1,220	0.8	0.7
Social stability index, in %	84	77	67	-8.3	-13.0
Volume of wastes, in thousand tonnes	3.8	3.8	3.8	0	0

In 2023, the volume of operating services dropped by 19% versus 2022 because of the inoperative fleet consisting of 1,585 pieces. On 2023, proceeds grew by 4.9% versus 2022 due to the efficient utilization of logistic processes.

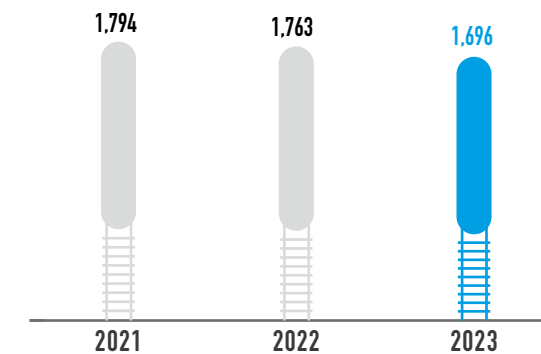
The -25% deviation of EBITDA versus the 2022 level was mostly caused by the transfer of the fleet of cars and redistribution of functions between the branch organizations.



Zhangeldi Farabi, 7 years old

IMPROVEMENT OF OPERATING EFFICIENCY

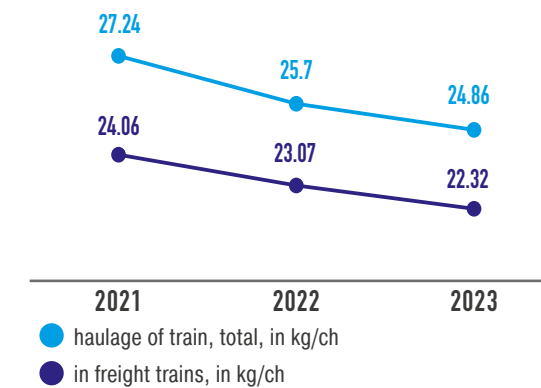
AVERAGE DAILY PERFORMANCE OF THE LOCOMOTIVE, IN THOUSAND T-KM, GROSS



In 2023, the average daily performance of the locomotive fell versus the 2022 level because of the reduction in:

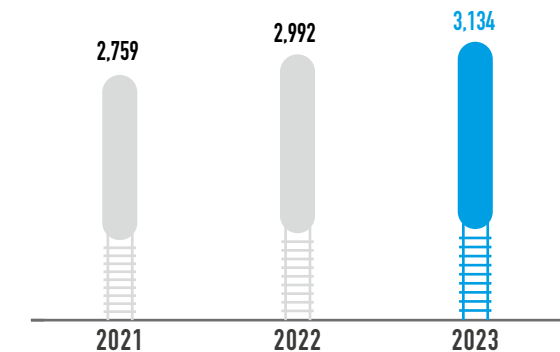
- the locomotive's average daily kilometrage by 4.1% because of the 7.0% increase in the freight turnover, the lack of spare capacity of the infrastructure, and increased delays of the trains en route (by 1.8 times);
- the hauled weight by 0.5%, including due to the 12% growth in the number of light-weight container trains.

THE DYNAMICS OF CHANGES IN SPECIFIC FUEL CONSUMPTION BY HAULAGE OF TRAINS, IN KG/CH



In 2023, the total specific consumption by the haulage of trains dropped by 3.3% versus 2022. The decrease was caused by the following reasons: the 0.9% reduction in the operating speed, the 22.8% increase in the average weight of the train within the economic traffic, the 2.2% reduction in the fuel consumption per operation hour within the shunting traffic, and the decrease in the lone locomotive traffic by 2.5%.

OPERATIONAL EFFICIENCY, EQUATED, IN THOUSAND TKM/PERSON



In 2023, the increase in operational efficiency was attributable to the growth in the freight turnover and passenger-distance values.



INVESTMENT ACTIVITIES

Investment activities of NC KTZ JSC are aimed at the implementation of a number of measures to ensure the smooth operation of the railway transport, to improve the quality and safety of the transportation services.

In 2023, investments in the amount of 687.1 billion tenge were made in the development of the railway infrastructure and renewal of the rolling stock.

Thanks to these investments, the following major measures were implemented:

- works related to the construction of the second tracks were continued within the Dostyk-Moiynty section;
- works aimed at the accomplishment of the Kuryk Seaport construction were continued;
- the Company commenced the construction of the railway line bypassing the Almaty station's railway hub and the construction of the Bakhty-Ayagoz, Darbaza – State Boundary with Uzbekistan railway lines;
- works related to the modernization and repair of the superstructure at 557 km of the railways were completed;
- 113 locomotives were purchased and 63 ones underwent overall repair;
- 635 freight cars were purchased and 5,541 ones underwent overall repair;
- 102 passenger cars were purchased and 25 ones underwent overall repair;
- measures were implemented to renew and rehabilitate the railway infrastructure, to develop transport logistics and improve the level of traffic safety.

AMOUNT OF INVESTMENTS IN EXTERNAL SOCIAL PROGRAMS IN THE REPORTING YEAR, MLN TENGE GRI 203-1

	Amount, mln tenge
Construction of ferry complex in Kuryk port	2,674
Construction of second tracks on the Dostyk-Moiynty section	82,514
Construction of bypass railway line bypassing Almaty st.	4
Development of the Astana railway junction, including construction of a railway station complex	393
Acquisition of fitting platforms	9,683
Total	95,268

In 2023, during the implementation of the above commercial investment projects, the following results were achieved, which had a positive impact on communities and the economy: increased capacity, increased transport potential,

development of cross-border trade and economic relations and socio-economic development of the regions, development of transport infrastructure and passenger service level.



PLANS FOR 2024 AND MID-TERM PLANS

According to the NC KTZ JSC Development Plan for 2024–2028, the following measures are set forth:

- the construction of the second tracks within the Dostyk – Moiynnty railway section;
- the construction of the railway line bypassing the Almaty station's railway hub;
- the construction of the Darbaza – State Boundary with Uzbekistan railway line;
- the acquisition of 193 rail fitting platforms.

In addition, it is planned to implement measures aimed at maintaining the current operations in a trouble-free way and improvement of the level of traffic safety, including:

- the overall repair of the superstructure – 2,834 km (570 km in 2024);
- alternative types of track repair operations – 2,945 km (342 km in 2024);
- acquisition of 315 locomotives (125 ones in 2024);
- overall repair of 130 locomotives (29 ones in 2024);
- acquisition of 2,725 freight cars (1,500 ones in 2024);
- overall repair of 19,002 freight cars (3,175 ones in 2024: including OR (overall repair) of 2,391 freight cars and RS (roundhouse servicing) of 784 freight cars);
- acquisition of 470 passenger cars (100 ones in 2024);
- overall repair of 15 passenger cars in 2024;
- projects aimed at the renewal and rehabilitation of the railway infrastructure, development of transport logistics and improvement of the level of traffic safety.

INFRASTRUCTURE PROJECTS OF THE COMPANY

In pursuance of the “Strong regions are the driver of the Country's development” National Project and Concept for the Development of Transport and Logistics Potential of the RoK until 2030, in November 2022 the construction of the second tracks within the Dostyk – Moiynnty railway section was commenced. The goal of the project is to increase the sections' capacity and to develop the Country's transit potential.

The construction of the second line 836 km long will allow to increase the section's capacity by 5 times (from 12 pairs of freight cars to 60 pairs per day). This will help achieve the critical objective – to ensure the seamless export of the local goods and will give an opportunity to transport Kazakhstani exporters' goods in this direction.

The following infrastructure construction projects were launched in 2023:

1. “Construction of the Almaty rail bypass line.”

The implementation of the project will ensure a load relief for the Almaty hub by 30%, increase the speed of transit container trains by 24 hours on average, redirect the transit freight traffic to the new shortest route, as well as will develop the passenger commutation services within the Almaty agglomeration.

2. “Construction of the Darbaza – Maktaaral railway line.”

The goal of the project is to development the Country's transport potential by opening a new checkpoint at the state frontier between Kazakhstan and Uzbekistan.

The construction involves the extension of the infrastructure capabilities at the Saryagash station and Tashkent hub, redistribution of the freight traffic and the section's load relief in the direction to and via the Central Asian countries.

The estimated freight transportation volume will be 10 million tonnes by 2030.

3. “Construction of the Bakhty third railway border point at the Kazakhstani-Chinese border with an access to the existing Semey – Aktogay railway section.”

The goal of this project is to increase the Country's transit and transport potential through the opening of the third border point at the Chinese border.

GOAL 3. TO IMPROVE CUSTOMER SATISFACTION

The level of satisfaction of the Company's customers with the quality of freight, passenger transportation, transport and logistic services is one of the strategic goals of the Company.

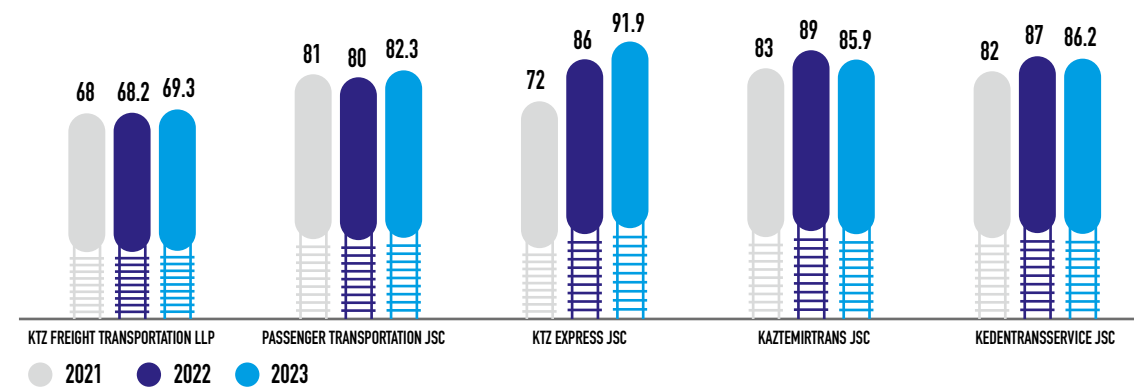
CUSTOMER SATISFACTION

The periodic assessment of customer satisfaction allows the Company to find out strengths and weaknesses in the interrelations with its customers and to make decisions on a timely basis with regards to the further steps to be made

by the Company's branch organizations in order to improve customers' satisfaction and loyalty.

Customers are polled using questionnaires published on the corporate web-sites of the Company's branch organizations.

LEVEL OF CUSTOMER SATISFACTION IN 2021 TO 2023, IN %



The decrease in customers' satisfaction with Kaztemirtrans JSC and Kedentransservice JSC was caused by the reduction, wear and tear of the operating rolling stock fleet.

WITH RESPECT TO PASSENGER TRANSPORTATION

In 2023, Passenger Transportation JSC implemented a number of initiatives aimed to improve its tariffs' affordability and to reinforce its image:

Marketing campaigns

In pursuance of the loyalty program, the new "Altyn," "Kumis," "Zhastar" fee-based discount cards were introduced, which cards grant the 25% discount for trips. In 2023, 344 cards were sold. So, the relevant proceeds amounted to 3.4 million tenge.

The positive effect of the loyalty program proved to be the passengers' choice of cars of a higher class, such as Talgo train and such cars as "Grand" and "Business."

In addition, the list of routes covered by the Zhastar discount car was extended by 20 commuter trains.

In the early 2023, the Satti Sarsenbi marketing campaign was arranged to grant discounts on Wednesdays from 15 February to March 15. The campaign attracted over 31 thousand passengers, and thus increased the passenger traffic by 31% versus the same period of 2022.

From September 18 to December 7, the 20% to 40% discounts were available for certain groups of the trains with a low occupancy (Astana-Kostanai/Zhezkazgan/Arkalyk), which resulted in an increase of the passenger traffic by 30% versus the same period of the previous year.

In March 2023, thematic cars having an ethnic charm were launched on the occasion of Nauryz. In addition, in September 2023 the efforts were made in liaison with NC Kazakh Tourism JSC to decorate the Talgo train in the ethnic style in order to promote and develop the tourism potential of Turkestan Oblast.

Tariff setting policy

From January 1, 2023, upon consultation with the authorized body (Ministry of Transport of the Republic of Kazakhstan) and pursuant to Agreements for long-term subsidizing of transport company's expenses related to socially significant routes, the work was done to raise the tariff by 7%.

During the period from 01.07.2022 to 31.05.2023, the dynamic tariff regulation (DTR) system was applicable to the trains running along the socially significant routes. The system provided for discounts and markups in the amount of up to -25%/+25% depending on the period during which the travel documents (tickets) were purchased and the demand for transportation.

In the result of a flexible tariff policy followed in 2023, proceeds from commercial trains rose by 12% versus the target value set for 2023.

E-ticket sales system

In 2023, Passenger Transportation JSC continued the work to improve the e-tickets sales system by introducing the following improvements:

- the payment of the passenger train delay compensation (the penalty in the amount of 3% per full hour of the delay) was automated;
- special rate tickets are now issued to persons with special needs using their individual identification numbers (IIN), thanks to the integration of the e-ticket sales system with the data base of the Ministry of Labor and Social Security of the Republic of Kazakhstan;
- the end-to-end ticket sales have been introduced, i.e. when there is no direct route, the customer is allowed to connect by train. If there are no free seats in the train, the customer is granted an opportunity to book seats in agreed trains;

- the possibility to return the travel documents (tickets) has been implemented via the web-site bilet.railways.kz, irrespective of the place where they have been purchased or the payment method.

By the end of 2023, the share of online ticket sales rose up to 77% versus 72% as of the end of 2022.

Renewal of the rolling stock fleet

In 2023, 94 new passenger cars were delivered to Passenger Transportation JSC from the plant of ZIKSTO JSC and 8 new cars from Tashkent Plant for the Construction and Repair of Passenger Cars JSC. These cars were partially introduced in the trains running along the following routes: Pavlodar-Almaty, Aktobe-Atyrau, Mangistau-Atyrau, Kyzylorda-Semey, and Almaty-Oskemen.

The renewal of the rolling stock fleet allowed improving the quality of the passenger transportation services, as well as ensured the improvement of travel experience for our passengers.

Improving the service

The scheduled trips of the 2 trains of the "firm" category were arranged in 2023.

The Company presented over 3.5 thousand gifts to passengers on the International Women's Day, Child Protection Day and New Year as part of the image improvement initiatives. In addition, passengers in the cars and at the terminal station were congratulated on the eve of the New Year; restaurant cars/bars and lunch-counter cars were decorated, including 4 cars were fitted with festive external decorations.



WITH RESPECT TO FREIGHT TRANSPORTATION

KTZ-FREIGHT TRANSPORTATION LLP

KTZ-Freight Transportation LLP organizes regular meetings with consignors/consignees, freight forwarders and representatives of the government bodies, as well as publishes the updated information on its corporate web-site. KTZ Freight Transportation LLP oversees the compliance with obligations on the timely delivery of coal to thermal power plants and population, and holds meetings of its operational headquarters in partnership with coal companies.

KAZTEMIRTRANS JSC

For the convenience of the customers, there are Personal Accounts where each customer may submit an online application for calculation of a rate, freight transportation, track the cars' locations, sign the offer agreement, as well as send requests to Kaztemirtrans JSC.

In 2023, the following work was accomplished:

- logical monitoring of application of expired contracts, which were signed between Kaztemirtrans JSC and the customer earlier, was added to the Automated Management System for Contractual and Commercial Work (AMS CCW);
- the algorithm for the transfer of applications (form GU-11) to the STZ-Complex operational information system, was revised;
- the transportation tariff calculation was automated via the electronic trading platform in STZ-Complex;
- the execution of supplementary agreements to the contract, documents with nonresidents of the RoK, and the delivery of reconciliation statements were implemented; additional fields were added with the view of entering the requisite specifics of a car in "Transportation orders" in the customer's Personal Account.

WITH RESPECT TO THE TRANSPORT AND LOGISTICS SERVICES

KTZ EXPRESS JSC

To improve the quality of the services, the following measures were taken:

- the arrangement of the integrated logistics services – the first and the last mile;
- the arrangement of transportation of e-commerce goods and vehicles;
- extension of the agent network in the cities of Zhengzhou, Chengdu, Xian, lu, Chongqing, and Budapest;

- the cooperation with the global logistics companies was established, including creation of the joint venture KPMC Ltd. with PSA International Pte Ltd and execution of the joint venture agreement with AD Ports Group;
- the organization of the feeder service from Poti/Batumi (Georgia) to Istanbul (Turkey)/Constanta (Romania), in partnership with MSC and Maersk to ensure the export from Kazakhstan and transit from the PRC to Turkey and Europe, etc.



GOAL 4. TO DIGITALIZE

Digitalization is a strategic direction in the development of NC KTZ JSC and is aimed at increasing efficiency and optimizing processes through the introduction of modern IT solutions.

Key tasks accomplished in 2023:

- **Digital Trade Corridor:** DTC Digital Corridor program with PSA on TITR was launched, due to which the Kazakhstan section of this transit corridor was removed from the "gray zone" for external shippers. 10.12.2023 Pilot in industrial environment on declaration of cargoes transported by rail with automatic registration and auto-issuance of transit declaration for through transit to third countries on the route Altyntkol – Saryagash was conducted.
- Within the Pilot 109 transit declarations were processed, the customs transit procedure was successfully completed for all 109 declarations. In the course of the Pilot in the industrial environment the interaction between the ACS DKR, DTC Tez Customs and ASTANA-1 software was established and realized.

Due to the success of the Pilot in this direction, on 27.12.2023 the Pilot on the exchange of electronic documents in the transit of goods transported by rail along the transportation routes Dostyk – Brest-Severnoy was launched.

IT Architecture: Version 3.0 of the IT architecture was developed, which is the basis for further development of the IT infrastructure.

- **Single Digital Window Project:** A memorandum of cooperation was concluded between KTZE

and the RSE on PCW "Digital Government Support Center". A draft roadmap for successful implementation of the project was developed.

- **Network and server modernization:** initiated procedures to upgrade the data network and server infrastructure between 2023 and 2027, which will improve the reliability and performance of the systems.
- **Railroad Automation:** Work is underway on projects for the automation and digital transformation of railway automation and telecommunications systems in cooperation with companies such as Wabtec and HUAWEI;
- **Interval train service:** A key strategic partnership agreement was signed between KTZ and Westinghouse Air Brake Technologies Corporation. A pilot site has been identified for the start of cooperation. Between 10 and 13 December 2023, a study visit of the working group to the Kandyagash-Nickeltau section was organized. A joint working group was also set up to develop the terms of reference.
- **SAP HCM S/4 HANA.** The replication of the SAP HCM S/4 HANA system was successfully completed in the companies included in the project perimeter: NC KTZ JSC, KTZ Freight Transportation LLP, Passenger Transportation JSC, Kaztemirtrans JSC.



Nikita Shishkin, 9 years old

SUSTAINABLE DEVELOPMENT REPORT

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Berikov Dilmukhamed, 10 years old

GOAL 5. TO INTRODUCE THE ESG PRINCIPLES

SUSTAINABLE DEVELOPMENT MANAGEMENT

Being aware of its key role in maintaining the sustainable economic growth, our Company does not only take an active part in the transport and logistics industry, but also acts as a socially responsible business. We strive towards the sustainable development in each region within our footprint, by contributing to the social welfare and protection of the environment. One of the directions of our Development Strategy until 2032 is integration of the ESG principles. This involves the implementation of the three key directions:

- Strengthening of social stability and human capital development;
- Ensuring the ecological sustainability;
- Improvement of the corporate governance mechanisms.

The Sustainable Development Policy of NC KTZ JSC¹⁰ is the Company's fundamental document on the improvement of the sustainable development management system of the Company.

The Policy sets forth the sustainable development goals and principles, establishes the mechanism to achieve the goals and to introduce the sustainable development principles, and to create an efficient system to manage the interactions with the stakeholders.

Understanding and recognizing the potential implications of the decisions made today, NC KTZ JSC is guided by the sustainable development principles, which ensure the economic growth, social well-being, and environmental safety.

THE SUSTAINABLE DEVELOPMENT PRINCIPLES OF NC KTZ JSC ARE AS FOLLOWS:



openness



accountability



transparency



ethical conduct



respect



lawfulness



respect for human rights



intolerance of corruption



inadmissibility of a conflict of interest



personal example

In its operations, NC KTZ JSC seeks to:

- ensure the growth of the national economy by developing the transit and export potentials of Kazakhstan;
- improve the living conditions of Kazakhstan's population by creating new jobs, reducing the transport costs, improving the mobility of population and implementing the charitable initiatives.

- create the most favorable living and working conditions for its employees by providing them with the full recruitment package and opportunities for training and improvement of their job skills;
- ensure the traffic safety and labor protection;
- minimize the adverse impact on the environment by introducing novel technologies and state-of-art rolling stock.

¹⁰ Approved by Resolution of the Board of Directors of NC KTZ JSC dated May 24, 2021 (minutes #8).

STRUCTURE OF SUSTAINABLE DEVELOPMENT MANAGEMENT

GRI 2-9, 2-12, 2-13



BOARD OF DIRECTORS

- ensuring the strategic management of the Company's operations related to the sustainable development;
- approval of the sustainable development report



COMMITTEES OF THE BOARD OF DIRECTORS



STRATEGY AND FINANCE COMMITTEE

consideration of and control for the implementation of the Development Strategy, Development Plan of KTZ NC JSC, giving the recommendations on the investment strategy and financial stability of KTZ NC JSC



AUDITING COMMITTEE

monitoring of the development of the Corporate Governance System, quality and reliability of the financial statements, risk management system, internal controls, and external audit



APPOINTMENTS AND EMOLUMENTS COMMITTEE

consideration of matters pertaining to the HR Policy, appointments, assessment and emoluments, corporate social responsibility



SAFETY AND ENVIRONMENT COMMITTEE

consideration of matters concerning health, safety and environment, traffic safety, sustainable development, and innovative development



INTERNAL CONTROLS AND DISPUTE SETTLEMENT



INTERNAL AUDIT SERVICE



CORPORATE OMBUDSPERSON



MANAGING BOARD

- implementation and introduction of the sustainable development principles,
- monitoring of sustainable development activities

MANAGING DIRECTOR FOR STRATEGY

control for:

- the preparation of the Integrated Annual Report;
- fulfillment of the sustainable development KPIs;
- obtaining of the ESG rating.

STRUCTURAL SUBDIVISIONS

- working out the sustainable development initiatives and measures, their implementation

EMPLOYEES

introduction of the sustainable development principles and measures, achievement of the sustainable development goals through the personal conduct and compliance with the relevant policies and standards

GRI 2-12, 2-16, 403-4

The sustainable development matters are the responsibility of all the hierarchical levels of the Company, from the Board of Directors to each individual employee.

The Board of Directors plays the key role in the establishment of the strategic development of the Company's operations in the context of sustainable development, by determining the main strategic goals and benchmarks, as well as promotes their introduction in the Company's general Development Strategy.

The Committees of the Board of Directors are supposed to ensure a deeper and more detailed addressing of the sustainable development matters prior to a meeting of the Board of Directors.

The annual sustainable development performance evaluation is to be carried out as the mechanism to monitor the Company's sustainable development matters. The evaluation shows the Company's operating results through the three sustainable development aspects: the economic, environmental and social ones. The findings shall be submitted to the Safety and Environment Committee, which will prepare proposals and tasks to improve these indicators. Besides, at the level of the Company's executive body, the responsibilities and roles are clearly allocated, including with regards to the sustainable development matters to be addressed. This system is arranged as follows:

the Chairman of the Managing Board shall provide overall direction as to the activities of NC KTZ JSC related to:

- the improvement of the risk management system, internal controls and business continuity management of NC KTZ JSC;
- the formulation of NC KTZ JSC's HR Policy concept and strategy, etc.

The Managing Director for Strategy shall have overall charge of NC KTZ JSC's activities in the following areas:

- the elaboration, monitoring and coordination of the works aimed at the implementation of the Development Strategy of NC KTZ JSC;
- the coordination of matters related to the introduction and implementation of the sustainable development principles at NC KTZ JSC, etc.

The Deputy Chairman of the Managing Board shall administer the operations NC KTZ JSC in the following areas:

- the improvement of the health and safety, fire, industrial and traffic safety management systems, as well as the ecology and energy management systems within the NC KTZ JSC Group;
- control for the compliance with traffic safety, health and safety, fire, ecological and industrial safety requirements within the NC KTZ JSC Group;
- the elaboration and implementation of the low-carbon development program;
- the elaboration, introduction, and updating of the comprehensive energy saving and energy efficiency programs within NC KTZ JSC and monitoring of their implementation, etc.

The Chief of Staff shall administer the operations of NC KTZ JSC in the following areas:

- the elaboration of the NC KTZ JSC Group's HR Policy concepts;
- the improvement of the labor compensation, incentives, work standardization and employee performance evaluation system within the NC KTZ JSC Group;
- the development and introduction of the unified corporate culture within the NC KTZ JSC Group;
- the elaboration and implementation of the NC KTZ JSC Group's Labor Force Restructuring Policy;
- the formulation and implementation of the social policy within the NC KTZ JSC Group;
- shall ensure social stability within the NC KTZ JSC Group, etc.

COMMITMENT TO THE UN GLOBAL COMPACT PRINCIPLES AND SUSTAINABLE DEVELOPMENT GOALS

From 2012, NC KTZ JSC is a party to the UN Global Compact, the major international social responsibility initiative, which unites over 15 thousand companies from more than 160 countries.

This Report is our Communication on Progress made under the UN Global Compact. The Company declares about its unwavering support of the UN Global Compact and reaffirms NC KTZ JSC's readiness to be governed in its operations by the ten principles of the UN Global

Compact as to the respect for human rights, labor relationship, environmental protection and corruption combating, and emphasizes our efforts aimed at the integration of these essential principles into all aspects of the Company's operations.

Human rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.
	Principle 2	The business community shall make sure that they are not complicit in human rights abuses.
Labor	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
	Principle 4	The business community shall ensure the elimination of all forms of forced and compulsory labor.
	Principle 5	The business community shall ensure the effective abolition of child labor.
	Principle 6	The business community shall ensure the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7	The business community shall support a precautionary approach to environmental challenges.
	Principle 8	The business community shall undertake initiatives to promote greater environmental responsibility.
	Principle 9	Businesses shall encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	Principle 10	Businesses shall work against corruption in all its forms, including extortion and bribery.

CONTRIBUTION TO THE ACHIEVEMENT OF THE UN SUSTAINABLE DEVELOPMENT GOALS

NC KTZ JSC adheres to all the United Nations (UN) Sustainable Development Goals approved by the UN under the "Transforming Our World: The 2030 Agenda" Program.

By comparing the Company's performance to the UN SDG, we have signed out the 6 goals we should focus on and promote their achievement.

The SDG in the achievement of which we can contribute substantially to:



The sustainable development Key Performance Indicators (KPI) help us assess the achievement the above goals.

The Company's Communication on Progress is available on the UN Global Compact official web-site:



THE SUSTAINABLE DEVELOPMENT GOALS ACHIEVED BY NC KTZ JSC IN 2021 TO 2023

UN SDG	SDG achievement by NC KTZ JSC			
3 GOOD HEALTH AND WELL-BEING 	Lost Time Injury Rate (controlled), LTIR			
	2021	2022	2023	
	-	-	Target	Factual
			0.17	0.17
5 GENDER EQUALITY 	Proportion of women in leadership roles, in %			
	2021	2022	2023	
	21	24	Target	Factual
			25	24
8 DECENT WORK AND ECONOMIC GROWTH 	Level of social stability, in %			
	2021	2022	2023	
	72	65	Target	Factual
			66	66
	Engagement rate of the administrative staff, in %			
	2021	2022	2023	
	81	82	Target	Factual
			83	53
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	Traffic safety rate, in incidents/million train-kilometers			
	2021	2022	2023	
	0.81	0.7	Target	Factual
			1.04	0.62
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	Diesel fuel specific consumption by hauling operations, in %			
	2021	2022	2023	
	-	-	Target	Factual
			24.42	24.8
13 CLIMATE ACTION 	Carbon footprint, in %			
	2021	2022	2023	
	-	-	Target	Factual
			-2.5	-5.1

The diesel fuel specific consumption target level was exceeded due to the following factors:

- the increase in the operated fleet of diesel-electric locomotives within the freight traffic;
- the reduction in the service speed-to-operating speed ratio;
- the increase in the dead kilometrage of the cars within the freight traffic by 1.4%;
- the 11% increase in fuel consumption per operation hour within the shunting traffic.

ESG SCORE

Kazakhstan Temir Zholy National Company JSC ESG Score

S&P Global ESG Score

54/100

Data Availability:

High

 Ticker: N/A
 Industry: TRA Transportation and
 Transportation Infrastructure

 Location: Republic
 of Kazakhstan

Methodology Year: 2023

Updated annually or in response to major developments

On December 22, 2023, the independent rating agency S&P Global assigned NC KTZ JSC the ESG score equal to 54 of 100 according to the Global Corporate Sustainability Assessment.

As to the ESG components, NC KTZ JSC was assigned the following scores: environmental – 61, social – 59, corporate governance – 40.

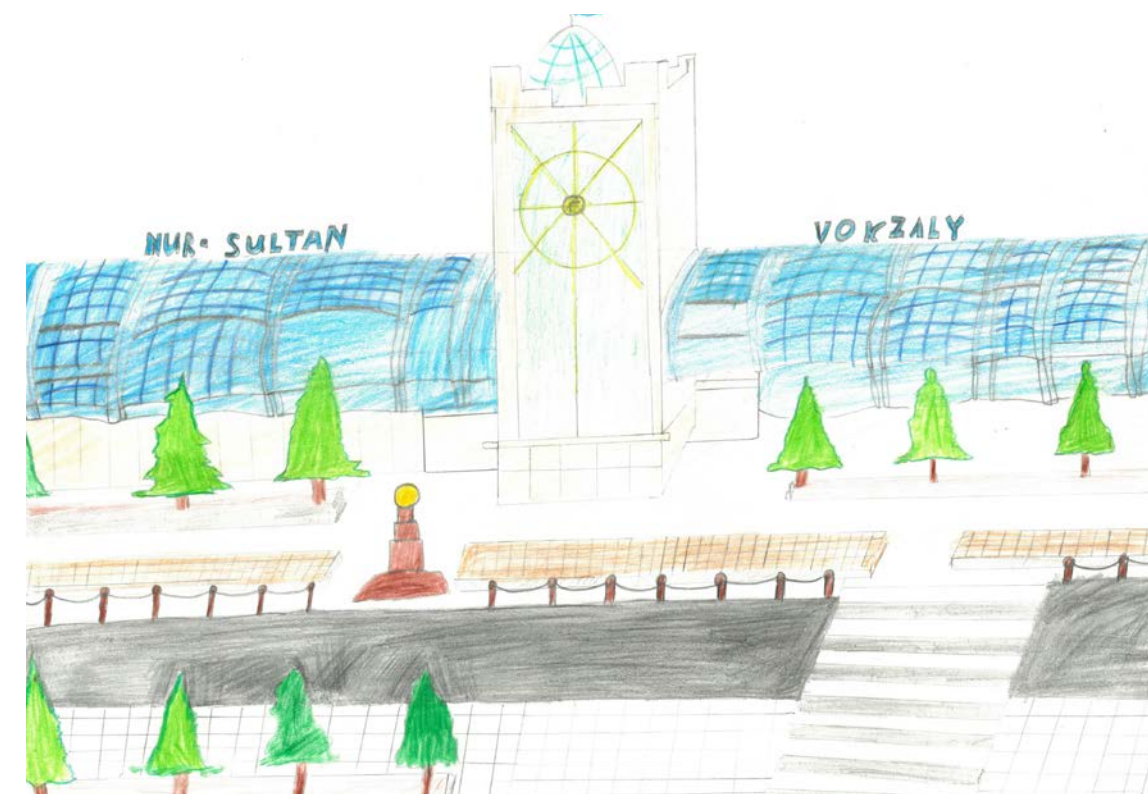
The average score for the "Transport and transport infrastructure" sector was 26. NC KTZ JSC became one of the 15% of the sector's companies with the best performance according to the S&P Global Corporate Sustainability Assessment score.

The assigned score is a reflection of the efforts being made by the Company in

the implementation of the ESG principles and proves its drive for the high environmental, social responsibility and corporate governance standards.

The rating results are available on S&P Global's website.

For reference only: The S&P Global ESG Score is a relative assessment to measure the Company's performance in the management of ESG-risks, opportunities and impacts if compared to the analogues thereof applicable to the same sectoral classification.



Makhambet Begimsulu, 7 years old

ECONOMIC IMPACT

GRI 3-3, 201-1

NC KTZ JSC plays the key role in the shoring up of Kazakhstan's national economy, by promoting the development of the regions and social welfare. The Company provides the crucial transport services to various sectors of the economy and plays the central role in connecting the different regions and localities of the Country, whereas contributing to their mutual integration and development. The weighty contributions made by our Company to the economic and social development include the following aspects:

- freight transportation, including raw materials and finished goods from enterprises operating in different industries, including oil and gas, coal, metallurgical and agricultural ones. This promotes the economic growth and an increase in the exports;

- passenger transportation, which ensures communications between different regions of Kazakhstan and promotes the development of tourism and leisure industry;
- creation and retainment of jobs, which are significant for social stability and welfare of the population;
- contributions to the national budget by payment of taxes, i.e. reinforcing the Country's financial system;
- ensuring a decent level of salaries for its employees, their professional and personal development;
- implementation of investment projects and investments of other kinds aimed to expand the business and improve its performance.

CREATED AND ALLOCATED DIRECT ECONOMIC VALUE

CREATED AND ALLOCATED DIRECT ECONOMIC VALUE IN THE REPORTING YEAR, BILLION TENGE

GRI 201-1

	2023
1. Created and allocated direct economic value	
Total revenues	1,985
2. Allocated economic value	
Operating expenses	722
Salaries and employee benefits	691
Payments to capital providers	164
Investing in communities	96
Taxes other than income tax	36
Corporate income tax	6
Other expenses	11
Total costs	1,725
3. Unallocated economic value	260



FINANCIAL ASSISTANCE RECEIVED FROM THE STATE

Lease agreements with Industrial Development Fund JSC

In November 2020, KTZ Express JSC signed the agreement for leasing of 2,000 flat wagons of the total amount of 47,391 million tenge (subject to the supplementary agreement dated September 29, 2023) and at the interest rate of 15% p.a., including 10% p.a. to be subsidized by the State. The grace period for the repayment of the principal debt is 2 years. KTZ Express JSC acts as the lessee.

Pursuant to this agreement, in 2023, KTZ Express JSC received 393 flat wagons and recognized the assets as right of use in the amount of 9,683 million tenge for 32 years and the lease liability in the amount of 4,759 million tenge for 15 years.

In December 2022, in pursuance of the "Passenger Cars Procurement" investment project, Passenger Transportation JSC signed the lease agreement with regards to 11 passenger cars for the total amount of 7,427 million tenge and the interest rate of 1.5% p.a. The grace period for the repayment of the principal debt is 6 years. Passenger Transportation JSC acts as the lessee. In 2023, pursuant to this agreement, Passenger Transportation JSC received 6 passenger cars and recognized the assets as right of use for

the amount of 4,043 million tenge for 28 years and the lease liability in the amount of 2,581 million tenge for 20 years.

In September 2023, Passenger Transportation JSC signed the agreement for leasing of 100 passenger cars for the total amount of 65,796 million tenge at the interest rate of 13.15% p.a., including 10% p.a. to be subsidized by the State. The grace period for the repayment of the principal debt is 5 years. Passenger Transportation JSC acts as the lessee. In 2023, pursuant to this agreement, Passenger Transportation JSC received 38 passenger cars and recognized the assets as the right of use in the amount of 24,402 million tenge for 40 years and the lease liability in the amount of 10,832 million tenge for 15 years.

In July 2023, Kaztemirtrans JSC signed the agreement for leasing of 3,000 semi-railcars for the total amount of 88,125 million tenge at the interest rate of 13.15% p.a., including 6% p.a. to be subsidized by the State. The grace period for the repayment of the principal debt is 2 years. Kaztemirtrans JSC acts as the lessee. In 2023, pursuant to this agreement, Kaztemirtrans JSC received 242 semi-railcars and recognized the assets as the right of use in the amount of 7,109 million tenge for 22 years and the lease liability in the amount of 5,040 million tenge for 14 years.

TOTAL MONETARY VALUE OF FINANCIAL ASSISTANCE RECEIVED BY THE ORGANIZATION FROM ANY GOVERNMENT DURING THE REPORTING PERIOD, MLN TENGE

GRI 201-4

Category	2023
Subsidies	47,646
Investment grants, research and development grants and other relevant types of grants ¹¹	180
Other financial benefits received or receivable from any government for any transaction	173,709
TOTAL	221,535

¹¹ Grant provided to KTZ by the Eurasian Development Bank to develop a feasibility study for the construction of the new Bakhty – Ayagoz railway line.

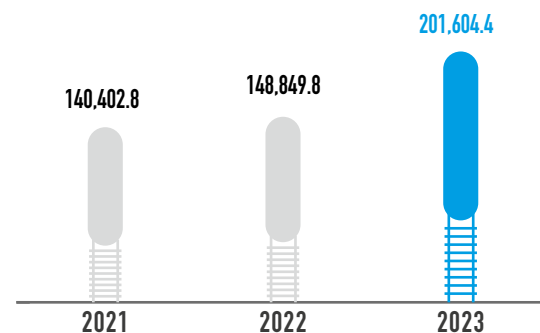


For more information on financial assistance received or to be received from any government for any transaction, see "Debt Load" [«Dept Load»](#).

TAX PAYMENTS

NC KTZ JSC is one of the major taxpayers in the Country. The amount of taxes and other obligatory payments transferred to the budget of the Republic of Kazakhstan by NC KTZ JSC and its branch organizations during the reporting year was 201,604.4 million tenge (148,849.8 million tenge in 2022).

TAXES PAID BY NC KTZ JSC IN 2021 TO 2023, IN MILLION TENGE



INDIRECT ECONOMIC IMPACTS

The Company causes indirect economic impacts on the economic space and sectoral structure. This manifests through the performance of freight transportation promoting the operating activities and growth of the sectors dependent on the transportation services, including the industrial and commercial segments of the market. The access granted to the efficient and fast transportation solutions has a direct effect on the improvement of the population's living standards.

The development of the transport infrastructure also facilitates the creation of new jobs and improvement of economic development at the local level.

Affordability and reliability of the railway transport give the exporting companies new opportunities to expand the markets and raise their profitability. The Company's significant influence on the economy goes beyond its own operations through the procurements and its employees' expenses, which encourage the creation of additional jobs by its contractors, generation of revenues and the increase in taxes paid to the budget.

It is also important to emphasize the Company's indirect impact on social well-being of its employees' families by providing them with secure employment, a decent level of their salaries and social safety nets.



Zhunisbek Zhannat, 8 years old

NUMBER OF FAMILY MEMBERS OF NC KTZ JSC'S EMPLOYEES IN 2023, IN PERSONS

Regions	family members, persons	Including minor children, in persons
TOTAL	282,488	160,797
Astana	24,540	12,724
Almaty	17,294	7,503
Shymkent	6,511	4,005
Akmola Oblast	15,703	10,222
Aktyubinsk Oblast	33,719	17,397
Almaty Oblast	8,761	6,176
Karagandy Oblast	21,063	13,220
Zhambyl Oblast	22,415	13,833
West Kazakhstan Oblast	2,700	1,771
East Kazakhstan Oblast	6,035	3,402
North Kazakhstan Oblast	2,573	1,245
Atyrau Oblast	10,574	5,920
Pavlodar Oblast	16,033	7,802
Kyzylorda Oblast	20,063	11,124
Turkestan Oblast	15,771	9,185
Mangistau Oblast	17,679	9,963
Kostanai Oblast	14,447	7,536
Abay Oblast	8,456	5,859
Zhetysu Oblast	15,182	9,344
Ulytau Oblast	2,969	2,566

Projects for the Society: Contributions in 2023

GRI 203-2

In 2023, in pursuance of the projects allowing to make a contribution to the society, the park of railwaymen was built in Astana in liaison with UTLK ERA JSC.

The park is located in the heart of the capital city, 300 broad-leaved trees and over 3,000 bushes and flowers have been planted there. There are a playground, the work-out, as well as rest areas for the citizens in the park.

The Company also contributed to the implementation of the social projects of the Samruk-Kazyna Trust Fun, the "Medical train" and the "Balasa Bolashak" (children's train).

In addition, the Company has been actively promoting the culture of corporate volunteering activities.

In 2021, Passenger Transportation JSC introduced the train with "Women's cars" to improve the passenger service. In 2023, this service was used by 161,760 persons.

In addition, for persons of any disability group, as well as children with special needs are granted the following travel privileges:

- along the socially important routes – the discount is 50% of the cost of the travel document (ticket);
- along the commercial routes – seats in special compartments, including for the accompanying person at the 50% discount.

In 2023, the objective to issue privileged travel documents (tickets) was implemented through the Company's ticket-issuing offices and web-site www.bilet.railways.kz for persons with special needs, using their personal identification documents and IINs.

In 2023, 531,754 tickets were issued to persons of the "Disabled persons" category.

Furthermore, the Company grants the following discounts:

1. Along the socially important routes – 25% under the "Altyn" and "Kumis" discount cards;
2. Along the commercial Talgo routes:
 - 25% under the "Altyn" and "Zhastar" discount cards;
 - 10%, 15%, 20% under "Sayakhatshy" discount cards.

According to the Rules, a travel privilege is available at all the trains for children: children under 7 – for free; aged 7 to 15 – the 50% discount.



For greater details, see section ["Charitable Activities and Sponsorship."](#)

PROCUREMENT PRACTICES

GRI 3-3, 2-6, 204-1

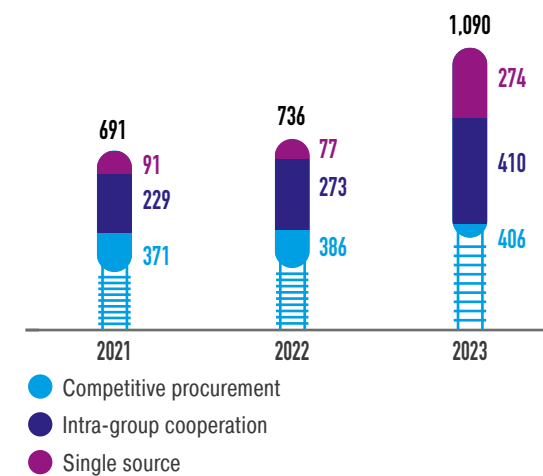
NC KTZ JSC recognizes that it is critical to ensure the timely procurement of the required resources and materials in order to secure the normal operations of the railway routes and to ensure safety of passengers and cargoes. The Company places special emphasis on a responsible approach to the procurements in order to meet efficiently the Company's needs, to optimize the interaction with its suppliers and to manage its procurement processes, whereas ensuring the high quality and safety of its services. In the course of its procurement activities, the Company is governed by the Law of the Republic of Kazakhstan "On procurements by certain entities from the quasi-public sector" and the Procurement Procedure of the Fund's and entities fifty or more percent of voting shares/participatory interests in which are beneficially or upon trust held by the Fund, whether directly or indirectly, as approved according to the resolution of the Fund's Board of Directors.

All the information relevant to NC KTZ JSC's procurements is published on the Company's corporate web-site <http://www.railways.kz>, as well as on the specialized procurement portal <http://www.zakup.sk.kz> and is available to any prospective suppliers. Thanks to the introduction of the e-procurement system, effectiveness and transparency of the procurement process have substantially improved. The system allows to control the procurement process in a more accurate

way and to improve the interaction with the prospective suppliers.

The value of the agreements signed between NC KTZ JSC and its suppliers in 2023 amounted to 1 trillion 090 billion tenge, including competitive procurements (37%), intra-group cooperation (38%), and single source procurements (25%).

PROCUREMENTS BY NC KTZ JSC IN 2021 TO 2023, WITH A BREAKDOWN BY PROCUREMENT METHODS, IN BILLION TENGE



Aldangarov Alikhan, 10 years old

PROCUREMENTS BY NC KTZ JSC IN 2020 TO 2023, WITH A BREAKDOWN BY REGIONS, IN MILLION TENGE

	2021	2022	2023
Grand total, in million tenge	691,267	736,153	1,090,503
Republic of Kazakhstan	670,882	730,401	940,916
Astana	534,089	541,118	718,789
Almaty	44,014	40,177	51,193
Shymkent	6,977	17,309	15,807
Akmola Oblast	3,945	58,560	11,869
Aktubinsk Oblast	4,130	5,183	7,571
Almaty Oblast	8,555	7,282	4,572
Atyrau Oblast	1,644	2,351	1,983
East Kazakhstan Oblast	5,313	3,956	2,492
Zhambyl Oblast	6,039	9,223	8,830
West Kazakhstan Oblast	451	852	20,071
Karagandy Oblast	20,879	15,533	20,507
Kostanai Oblast	2,481	3,750	4,409
Kyzylorda Oblast	1,064	2,455	3,561
Mangistau Oblast	11,639	3,719	5,459
Pavlodar Oblast	15,034	12,709	12,372
North Kazakhstan Oblast	855	1,475	40,673
Turkestan Oblast	3,773	4,577	5,672
Abay Oblast	–	130	4,304
Zhetysu Oblast	–	34	718
Ulytau Oblast	–	8	62
Nonresidents	20,385	5,752	149,587

RATIO OF PURCHASES FROM LOCAL SUPPLIERS IN THE REPORTING YEAR GRI 204-1

	Unit of measurement	2023
Number of suppliers, total	unit	3,988
Total amount of purchases	billion tenge	1,090
Number of local suppliers ¹² , total	unit	3,948
Amount of purchases from local	billion tenge	941
%, by number	unit	99.0%
%, by amount	billion tenge	86.3%

¹² residents of the Republic of Kazakhstan carrying out entrepreneurial activities on the territory of the Republic of Kazakhstan.

DOMESTIC VALUE DEVELOPMENT

GRI 3-3

The Company seeks to enhance the development of local businesses through the cooperation with domestic suppliers and contractors. This facilitates the growth of the domestic economy and creates a favorable economic and social environment for the regional population. In pursuance of this policy, NC KTZ JSC takes a number of measures:

- annually establishes the "domestic value share in goods, works and services purchased" motivational target for the management team of NC KTZ JSC, as well for the branch organizations of NC KTZ JSC;
- signs long-term agreements with the domestic goods producers;
- motivates the new product launching by creating new productions, as well as expanding the range of products manufactured by the existing enterprises, and ensures the provision of competitive domestic products;
- sets priorities – procures from commodity producers and the organization of disabled persons engaged in entrepreneurial activities, for which a number of other preferences are provided: exemption from bid securities, compliance with an agreement, advance refund, payments due within 5 business days, advance payments to be made in the amount of at least 30% of the contract value, a relative price cut to be applied when considering the bids, an advantage if the prices are equal,

etc., as well as procurements from software developers and electronics producers;

- when purchasing building and assembling works, for which the design and construction documents are available, requires that the concerned contractor should compulsorily acquire the goods from the commodity producers.

In 2023, the domestic value share in the procurements was as follows: 54% in the goods, 93% in the works and services. These values decreased versus 2022 by 15% and 3%, respectively. The main factors that caused the decrease in the goods were as follows:

- the purchase of the diesel-electric locomotives and diesel fuel made in the Russian Federation, with the zero domestic value share, according to the Decrees of the Government of the Republic of Kazakhstan;
- the purchase of the diesel-electric locomotives, electric locomotives and passenger cars of domestic manufacture with a low domestic value share.

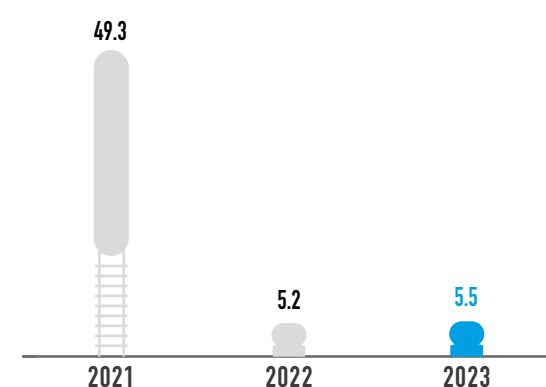
In addition, the 3% decrease in the works and services was attributable to the increase in the scope of the works related to maintenance/ servicing of the rolling stock, overhaul repair, roundhouse servicing of the freight cars and overhaul repair of the railway tracks, with a low domestic value share.

DOMESTIC VALUE SHARE IN THE GOODS, WORKS AND SERVICES PURCHASED IN 2021 TO 2023, IN %

Particulars	2021	2022	2023	Variance 2022/2021, in %	Variance 2023/2022, in %
Goods	65	69	54	4	-15
Works and services	92	96	93	4	-3

Within the context of the local business support, 16 offtake agreements were signed in 2023 for the total amount of 5.5 billion tenge.

OFFTAKE AGREEMENTS IN 2021 TO 2023, IN BILLION TENGE



CATEGORY-BASED PROCUREMENT

The procurement category management enables the Company to improve efficiency of its procurement activities thanks to the more in-depth cost analysis and category-related external environment, as well as to determine the optimal approaches to the procurement.

In 2023, the volume of category-based procurement exceeded 128 billion tenge. The actual benefits from the implementation of

the 15 Procurement Category Strategies exceeded 3.7 billion tenge.

These Strategies were also supposed to enhance the development of domestic suppliers, to improve the quality of goods, works, services, to optimize the procurement procedures, as well as to improve reliability and timeliness of the procurement.

ANTI-CORRUPTION

GRI 3-3

Corruption in a railway company can take many forms, including bribery, graft, abuse of authority and other illegal activities. Its consequences can be serious and affect various aspects of people's lives and the country's economy.

In particular, corruption can lead to a deterioration in the quality of services, violation of laws and safety standards, which in turn can lead to accidents and incidents. In addition, corruption can lead to increased costs for passengers and cargo owners, as corrupt schemes can increase ticket prices and fares, as well as damage the country's economy by discouraging investment and economic growth.

The Company's priority task is to counteract corruption, which represents a serious barrier to the Company's sustainable development – it reduces economic growth, distorts competition, undermines investor confidence, as it is associated with serious legal and reputational risks.

NC KTZ JSC has approved an Anti-Corruption Policy, which sets out the requirements of the anti-corruption legislation of the Republic of Kazakhstan and the obligations to comply with it, as well as a set of measures to prevent and combat corruption in the Company.

In order to assist the Company's Board of Directors in building and effectively operating a compliance control system, the NC KTZ JSC Group has a Compliance Service.

The main tasks of the Compliance Service are:

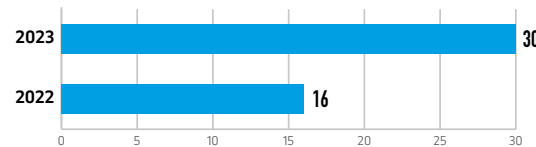
- determination of regulatory requirements and compliance risk assessment;
- conducting training events and trainings for employees of the Company and its subsidiaries on anti-corruption legislation of the Republic of Kazakhstan, ethics and compliance;
- development and implementation of compliance procedures;
- ensuring proper functioning of confidential reporting channels, including the hotline;
- conducting internal investigations, as well as developing and ensuring corrective actions;
- screening candidates for the positions of CEO-1, CEO-2 for the presence/absence of affiliations and conflicts of interest;
- screening candidates to the management bodies and executive bodies of the Company's subsidiaries for affiliation and conflicts of interest;
- approval of single-source procurement and category procurement strategies;
- approval of all materials submitted for consideration by the Management Board and the Board of Directors of the Company.



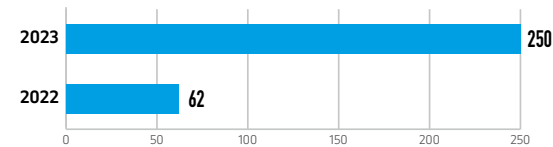
COMPLIANCE SERVICE'S PERFORMANCE IN 2023:



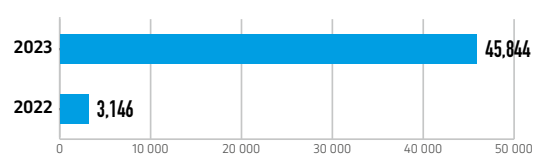
CONDUCTING INTERNAL INVESTIGATIONS



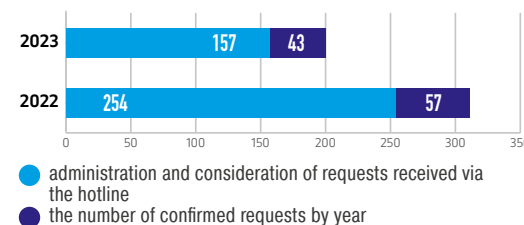
COORDINATION OF LOCAL ACTS



EMPLOYEE TRAINING



HOTLINE CALL



552 candidates have been verified. In 2022, 243 candidates were verified. The growth is more than 2 times



Coordination of purchases from a single source (more than 600 nomenclature items worth more than 19.5 tenge)



Participation in meetings of selection and recruitment commissions

The Compliance Service submits an annual report on compliance risk assessment, including a register and map of compliance risks and a plan of measures to minimize them, as well as quarterly reports on its activities for consideration by the Board of Directors.

ANTI-CORRUPTION MONITORING, ANALYSIS AND ASSESSMENT OF CORRUPTION RISKS

In 2022, an external analysis of corruption risks was conducted in cooperation with the Anti-Corruption Service of the Republic of Kazakhstan. The overall results of the analysis showed that the corruption risks identified in the external analysis coincide with those identified in the compliance risk assessment.

The Compliance Service, together with the Anti-Corruption Service of the Republic of Kazakhstan, has developed an action plan to

eliminate the causes and conditions conducive to the commission of corruption offenses identified as a result of an external analysis of corruption risks in NC KTZ JSC's operations.

As of the end of 2023, 111 of 205 measures have been implemented. The Company is also working on forming a mechanism of interaction with the Anti-Corruption Service of the Republic of Kazakhstan for more effective counteraction to corruption risks in the Company's activities.

Starting from May 2023, weekly monitoring is carried out on behalf of the Fund for the purpose of timely identification of material compliance risks. As part of the fulfillment of this instruction, the Compliance Service performed the following work:

- forms of monitoring reporting on key risks have been developed;
- information was sent to all subsidiaries and related structural subdivisions of the Company explaining the procedure for providing weekly monitoring information;
- monitoring information is collected, processed, summarized and analyzed on a weekly basis, and the necessary information is sent to the Fund;
- if violations requiring corrective measures are identified, letters/ memos with relevant recommendations are prepared.

The subject of weekly monitoring is:

- information on prescriptions and fines issued by authorized bodies;
- about negative information published in the media;
- on contracts concluded for the amount exceeding 100 mln tenge;
- on the results of audits conducted by the Company's internal control and audit services;
- on criminal cases initiated on the grounds of corruption offenses;
- on the results of screening of potential suppliers participating in procurement procedures;
- taking into account the opinions of the Compliance Service when considering candidates for vacant managerial positions.

TOTAL NUMBER OF STRUCTURAL UNITS/BUSINESS PROCESSES ASSESSED FOR RISKS RELATED TO CORRUPTION IN THE REPORTING YEAR GRI 205-1

	2023
Total number of structural units/business processes assessed for risks related to corruption.	47
Total number of structural units/business processes	47
Percentage of structural units/business processes assessed for risks related to corruption	100,00%

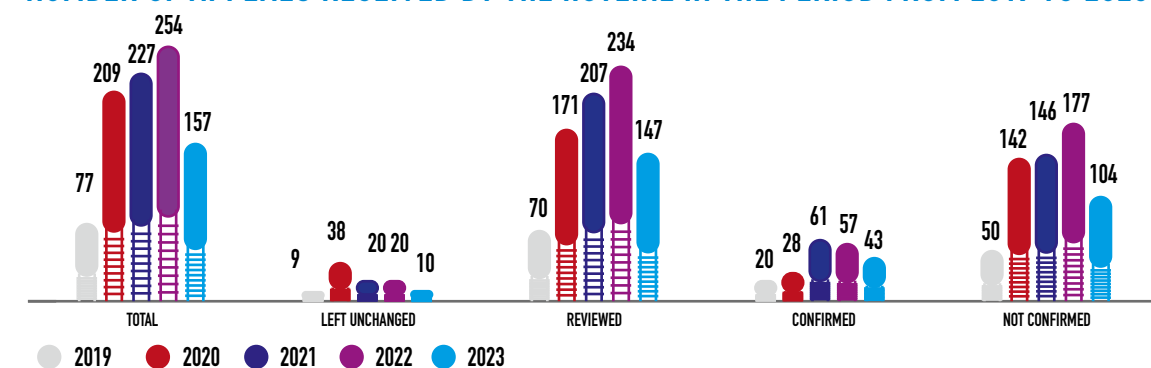
REPORT ON THE WORK OF THE HOTLINE

NC KTZ JSC operates a Hotline for confidential reporting and raising concerns about ethics and compliance issues. The channel is available to raise concerns about corruption, embezzlement, accounting irregularities, unequal employment and working conditions, threats to health, safety and the environment, operational irregularities and information leakage/destruction.

The administrator of the Hotline is an independent organization – KPMG Tax & Advisory LLP.

In 2023, 157 reports have been recorded.

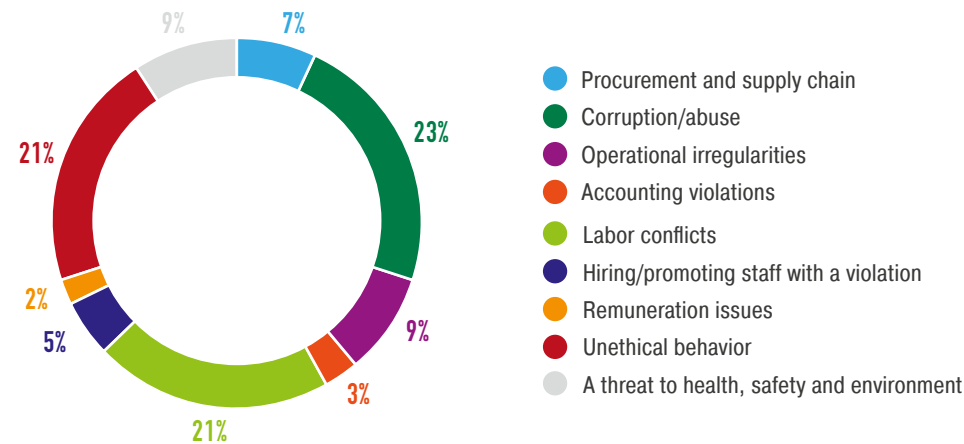
NUMBER OF APPEALS RECEIVED BY THE HOTLINE IN THE PERIOD FROM 2019 TO 2023



STATUS OF APPEALS FOR 2023:

Total receipts	Withheld	Considered	Confirmed	Unconfirmed
157	10	147	43	104

STRUCTURE OF CONFIRMED APPEALS



The following response actions have been taken on confirmed reports:

- in 10 cases the materials were referred to law enforcement agencies for investigation;
- the following disciplinary penalties have been imposed:
 - reprimand (including severe reprimand) – 22;
 - remark – 2;
 - downgrade – 3;
 - termination of employment – 1.

CONFIRMED CASES OF CORRUPTION IN THE REPORTING YEAR GRI 205-3

Total number of confirmed cases of corruption	4
Total number of cases of dismissal or punishment of employees for corrupt practices	7
Public corruption cases brought against the organization or its employees during the reporting period and the outcome of such cases	1

INCIDENTS OF DISCRIMINATION AND CORRECTIVE MEASURES TAKEN GRI 406-1

During the reporting period, three complaints about possible cases of discrimination were received through confidential information channels, including the hotline. All appeals were considered, and the fact of discrimination was not confirmed as a result of the inspection. These cases were related to violation of employees' rights in the performance of their labor duties, as well as during the annual performance evaluation of employees.

Prevention of Corruption in Procurement

In general, in 2023, the Compliance Service reviewed materials on procurement, which in total covered the purchase of more than 500 nomenclature items of goods, works, services for the amount of more than 19 billion tenge, with materials for 9 purchases were rejected with a recommendation to choose a competitive procurement method.

Preventing corruption in recruitment

In 2023, Compliance Service employees participated in the meetings of competitive commissions for the selection and recruitment of personnel, as well as in the personnel audit of Kedentransservice JSC.

As part of this work, violations were discovered in relation to the process of forming personal files of executive employees in terms of the availability of documents confirming compliance with anti-corruption restrictions.

In addition, the identified violations related to the process of appointment and relocation of certain employees in violation of the established competitive procedures.

As a corrective measure, the Human Resources Management Department has worked to revise the Rules for Hiring and Transfer to Certain Positions of NC KTZ JSC and its subsidiaries.

Formation of anti-corruption culture

The Compliance Service conducts training seminars on anti-corruption, ethics and behavior on an ongoing basis. By the end of 2023, more than 45,000 employees were trained, and more than 10 events aimed at building an anti-corruption culture were held, including 4 events with the participation of senior management.

In order to foster an anti-corruption culture and broadcast NC KTZ JSC's key messages in the area

of ethics and compliance, NC KTZ JSC has developed:

- an online e-learning course on the topics of Anti-Corruption and the Code of Ethics and Conduct, which is available on NC KTZ JSC's distance learning and testing system. This system provides for the automation of the testing of trainees' knowledge at the end of the training, with the elimination of the human factor;
- compliance module, which is installed in the NC KTZ JSC HSE corporate mobile application. The module contains internal documents and informational presentations on ethics and compliance issues and provides one-click access to the hotline.

The Compliance Service also conducts consulting and explanatory work on anti-corruption issues and ethical behavior on an ongoing basis. Consultations and explanations are provided both in the form of written responses to inquiries and orally when employees apply in person or by phone.

Objective evidence of the work being done to foster an anti-corruption culture is the data of the intolerance to corruption index, which is determined on a regular basis by the Center for Social Engagement and Communications, the operator of the Fund's research activities. According to the data of such research for 2023, the Company's intolerance to corruption index demonstrates positive dynamics, rising by 7 percentage points from 71% in 2022 to 78% in 2023.

INFORMING MANAGEMENT MEMBERS ON ANTI-CORRUPTION POLICY ISSUES IN THE REPORTING YEAR GRI 205-2

Total number of members of management bodies, persons	1,886
Total number of members of governance bodies that have been informed of the organization's anti-corruption policies and procedures, persons	1,886
Percentage of members of governance bodies that have been informed of the organization's anti-corruption policies and procedures, %	100

INFORMING EMPLOYEES ON ANTI-CORRUPTION POLICY ISSUES IN THE REPORTING YEAR

Total number of employee members, persons	116,560
Total number of employees informed about the organization's anti-corruption policies and procedures, persons	116,560
Percentage of employees who have been informed about the organization's anti-corruption policies and procedures, %	100

TRAINING OF MEMBERS OF THE ANTI-CORRUPTION POLICY AND PROCEDURES DEPARTMENT IN THE REPORTING YEAR BY REGION, PERSONS

Regions	Total number of members of governance bodies that have received training on the organization's anti-corruption policies and procedures
Astana	680
Almaty	143
Shymkent	43
Pavlodar oblast	96
Almaty oblast	18
Kyzylorda oblast	74
Aktobe oblast	168
Atyrau oblast	67
Mangistau oblast	29
Akmola oblast	68
East Kazakhstan oblast	58
Zhambyl oblast	112
West Kazakhstan oblast	6
Karaganda oblast	68
Kostanay oblast	79
North Kazakhstan oblast	7
Turkestan oblast	15
Ulytau oblast	–
Zhetysu oblast	3
Abay oblast	111
Outside the Republic of Kazakhstan	41
TOTAL	1,886

TRAINING OF EMPLOYEES ON ANTI-CORRUPTION POLICIES AND PROCEDURES IN THE REPORTING YEAR BY REGION AND EMPLOYEE CATEGORY, PERSONS

Regions	Total number of employees trained on the organization's anti-corruption policies and procedures
Astana	448
Almaty	1,854
Shymkent	523
Pavlodar oblast	1,903
Almaty oblast	248
Kyzylorda oblast	806
Aktobe oblast	3,111
Atyrau oblast	1,728
Mangistau oblast	1,302
Akmola oblast	1,264

Regions	Total number of employees trained on the organization's anti-corruption policies and procedures
East Kazakhstan oblast	1,741
Zhambyl oblast	1,882
West Kazakhstan oblast	9
Karaganda oblast	83
Kostanay oblast	929
North Kazakhstan oblast	67
Turkestan oblast	2,068
Ulytau oblast	190
Zhetysu oblast	–
Abay oblast	2,410
Outside the Republic of Kazakhstan	695
TOTAL	23,261

Regions	Number of employees trained on anti-corruption policies	Total number of employees	Training completion rate by region
Astana	1,128	10,043	11%
Almaty	1,997	6,564	30%
Shymkent	566	2,232	25%
Pavlodar oblast	1,999	8,054	25%
Almaty oblast	266	3,248	8%
Kyzylorda oblast	880	6,588	13%
Aktobe oblast	3,279	11,252	29%
Atyrau oblast	1,795	5,141	35%
Mangistau oblast	1,331	5,338	25%
Akmola oblast	1,332	7,390	18%
East Kazakhstan oblast	1,799	3,217	56%
Zhambyl oblast	1,994	7,711	26%
West Kazakhstan oblast	15	1,658	1%
Karaganda oblast	151	11,830	1%
Kostanay oblast	1,008	7,320	14%
North Kazakhstan oblast	74	1,606	5%
Turkestan oblast	2,083	4,712	44%
Ulytau oblast	190	1,220	16%
Zhetysu oblast	3	5,094	0%
Abay oblast	2,521	4,721	53%
Outside the Republic of Kazakhstan	736	1,621	45%
TOTAL	25,147	116,560	22%

Category	Total number of employees	Total number of employees trained on the organization's anti-corruption policies and procedures	Percentage of employees trained on the organization's anti-corruption policies and procedures
Governing body members	1 886	6,984	27%
Production personnel	23 261	109,576	21%

COMPLIANCE WITH LAWS AND REGULATIONS GRI 2-27

The compliance with laws and regulations is one of the most critical aspects of the Company's activities. The Company complies with all the applicable laws and regulations pertaining to safety, environmental standards, consumers' rights, labor relationships and other aspects of its activities.

In 2023, the total number of cases of non-compliance with laws and regulations amounted to 3,112, including cases in which monetary fines were imposed – 3,088, with non-monetary sanctions in the form of a warning – 24 cases. The amount of fines amounted to 191.7 million tenge.

The main types of violations for 2023 were related to violations of the requirements of the legislation of the Republic of Kazakhstan in the field:

- customs legislation (Articles 528 and 535 of the Code of the Republic of Kazakhstan "On Administrative Offenses");
- rules of transportation of cargo, passengers, baggage and cargo baggage by railway

transport (Article 571 of the Code of the Republic of Kazakhstan "On Administrative Offenses");

- rules ensuring traffic safety on railway transport (Article 559 of the Code of the Republic of Kazakhstan "On Administrative Offenses");
- rules of turnover of civilian and service weapons (Article 484 of the Code of the Republic of Kazakhstan "On Administrative Offenses");
- obstructing officials of state inspections and bodies of state control and supervision in the performance of their official duties, failure to comply with resolutions, instructions and other requirements (Article 462 of the Code of the Republic of Kazakhstan "On Administrative Offenses");
- sanitary and epidemiological well-being of the population, as well as hygienic standards (Article 425 of the Code of the Republic of Kazakhstan "On Administrative Offenses").

NUMBER OF CASES OF NON-COMPLIANCE WITH LAWS AND REGULATIONS IN THE REPORTING PERIOD

Number of cases for which fines were imposed	3,088
Number of cases for which non-monetary sanctions were imposed	24
Total number of cases	3,112
Total number of cases for non-compliance with laws and regulations, including:	3,112
Cases of imposition of fines	3,088
Cases of application of non-monetary sanctions	24
Total number of cases for non-compliance with laws and regulations, fines paid	3,388
charged in the reporting year	3,081
charged in previous reporting years	307
Total amount of fines paid for non-compliance with laws and regulations, tenge	191,737,631
charged in the reporting year	178,294,451
charged in previous reporting periods	13,443,180

ENVIRONMENTAL RESPONSIBILITY GRI 3-3

Railway transport is one of the most environmentally friendly mode of transportation due to the several advantages. Firstly, it is notable for a high fuel efficiency, which reduces the volume of harmful emissions into the atmosphere if compared to other modes of transport. In addition, it generates less noise, which fact reduces the impact on the flora and fauna. Another considerable advantage is that it can transport a lot of cargoes at a time, and this reduces the number of vehicles on the roads and, hence, causes less environmental damage.

However, it should be noted that the railway transport also causes an adverse impact on the environment. The main source of the ecological burden is consumption of the fuel, which causes emissions of CO₂, NO_x, SO_x and other pollutants. The construction of railway tracks can result in a disturbance of the natural ecosystems, while the operation of trains generates noise, which can cause an adverse impact on health of animals and human beings living in the vicinity of the longdistance railways.

ENVIRONMENTAL PROTECTION (EP) MANAGEMENT

The main environmental protection goals of the Company include reduction of the emissions of pollutants, preservation of biodiversity, efficient use of natural resources, development of sustainable technologies and encouragement of the ecological behavior in order to ensure the sustainable development.

The Company's environmental protection (EP) management is based on several key approaches:

Compliance with the laws. The Company strictly complies with the statutory and international environmental requirements with the view of minimizing the adverse impact on the nature and community. As a part of the monitoring of the compliance with the environmental statutory and other regulatory requirements, the compliance verifications are regularly conducted to make sure that the activities of NC KTZ JSC meet requirements of the laws of the Republic of Kazakhstan and other regulatory requirements concerning the environmental protection.

Ecology Management System. The Company has adopted the ISO 14001 standards, which fact allows it to efficiently manage the environmental aspects of its business, set the goals and to consistently reduce the impact on the environment.

Efficient use of resources. To optimize its consumption of electric power, water and other resources, as well as to ensure the reduction of the Company's carbon footprint and to improve its sustainability, the Company has elaborated and approved the Low-Carbon Development Concept of NC KTZ JSC and its branch organizations until 2060.

Training and informing of employees. The periodically organized environmental training of employees and encouraging them to comply with the sustainability principles are the key components of the environmental protection management.

Involvement in community. Subject to the scheduled activities, at the design stage, the Environmental Impact Assessment (EIA) shall be compulsorily carried out.

The EIA is a process, which involves the analysis of potential effects of the economic and other activities on the environment and human health. In the course of this process, specific measures are to be worked out to prevent any adverse implications, such as elimination, degradation of, damage to or depletion of any natural ecological systems and natural resources, as well as measures aimed at rehabilitation of the environment, subject to requirements of the environmental laws of the Republic of Kazakhstan.

The results of the EIA of the scheduled activities shall be subject to a public discourse. The interaction with the local community and citizens' participation in the environmental projects give an opportunity to reach a consensus and create a positive environmental effect.

An efficient combination of these approaches helps the companies get the balance between their business goals and responsibilities to the environment.



ECOLOGY MANAGEMENT SYSTEM

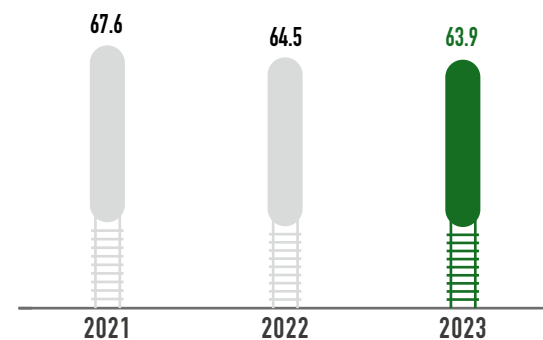
The Company's Ecology Management System has been certified as compliant with the ISO 14001 standard. The Standard stipulates requirements for the introduction of the Ecology Management System (EMS) at an enterprise. The ISO 14001 Certificate confirms that the Company has introduced the EMS aimed to reduce the adverse impact of its operating processes on the environment and to ensure the rational use of nonrenewable resources.

The results of a witness audit of NC KTZ JSC conducted in 2023 by auditors from the certifying authority Intercertifica – TÜV in liaison with TÜV Thüringen LTD confirmed the compliance of the Company's Ecology Management System with the international standard ISO 14001:2015 "Ecology Management System".

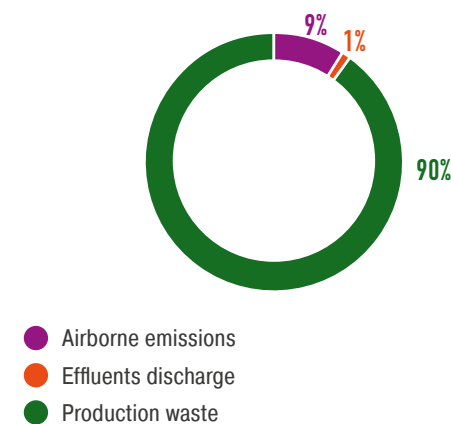
ENVIRONMENTAL EMISSIONS

The adverse impact on the environment is minimized by the Company through the rational consumption of natural resources, consistent reduction of emissions, pollution discharges, volumes of the wastes produced and through their recycling, as well as application of energy-saving technologies.

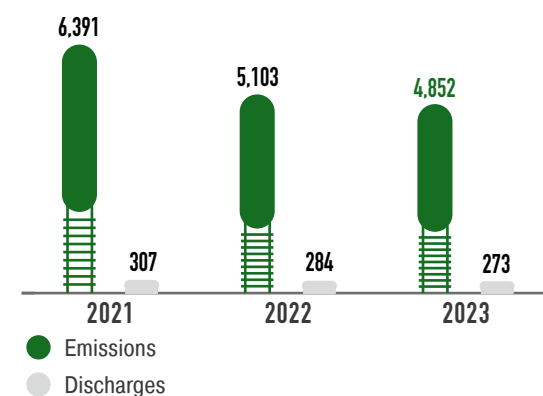
DYNAMICS OF ENVIRONMENTAL EMISSIONS IN 2021 TO 2023, IN THOUSAND TONNES



PERCENTAGE OF POLLUTANT EMISSIONS, IN %



VOLUMES OF EMISSIONS AND POLLUTION DISCHARGES IN 2021 TO 2023, IN TONNES



During the reporting period, there were no emergency or intermittent pollution discharges.

To ensure safe transportation of hazardous goods and to take measures to prevent a leakage of the hazardous cargoes, NC KTZ JSC develops the specific plans. These measures are aimed to minimize the risks and guarantee a high level of safety in the course of transportation.

The examination of the environmental aspects and risk assessment showed that soil pollution is a critical environmental issue. In response, active measures are being taken to protect soil from pollution. NC KTZ JSC regularly checks the condition of the soil by engaging specialists from the Labor Safety and Ecology Inspectorate and by conducting the monitoring in different regions to prevent and minimize the pollution. In 2023, the inspections were carried out in Akmola, Karagandy, Zashitinsky, Almaty, Shymkent, and Atyrau regions. Based on the inspections' results, improvement notices are issued with the view of elimination of violations related to soil pollution.

To prepare employees for emergencies and hazardous cargo leakage elimination, the Plans of Special Tactical Training Exercises have been prepared and approved. In addition, technical and practical trainings were organized for employees of the stations, locomotive and car-repair sheds, marshaling teams for them to be ready to act in emergencies and take precautionary measures. In total, over 20 thousand employees were covered by the trainings.

In 2023, 42 leakages of hazardous cargoes from tank-cars being a part of the train and 1 derailing of the cars-tank-cars were recorded.

The majority of leakages were attributable to diesel fuel, including aviation fuel (20 incidents), gasoline (12 incidents), acid (4 incidents), and other hazardous cargoes.

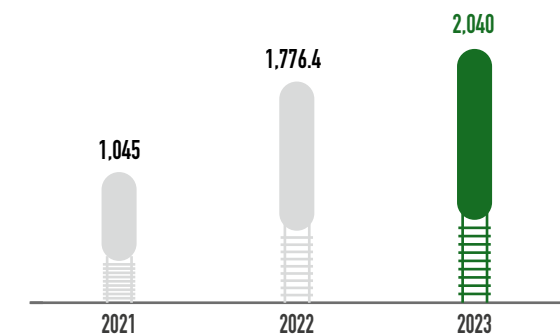
Incidents related to the uncoupling of cars en route due to the leakage of hazardous cargoes from the railroad tankers' bottom discharge equipment were documented as attributable to the consignors. There were no leakages of hazardous cargoes attributable to the Company.

The root causes of the leakages were identified as bottom discharge equipment valve push rod inadequately tightened up, overtopping of the upper suction and venting valves, as well as a faulty O-ring of the valve on the cistern car discharge equipment.

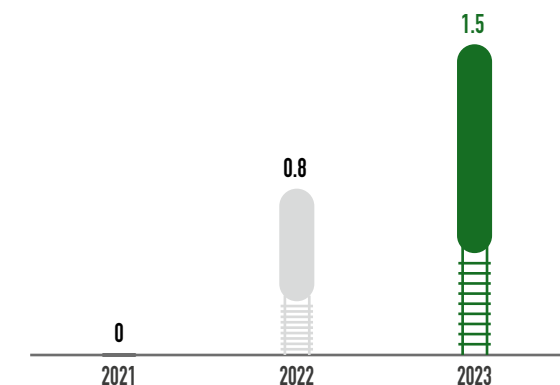
As a part of the works aimed to eliminate the topsoil contamination caused by a leakage of hazardous cargoes, the contaminated soil was cut off and subsequently disposed. After the cutting off, the engine tracks are backfilled with fresh crushed ballast.



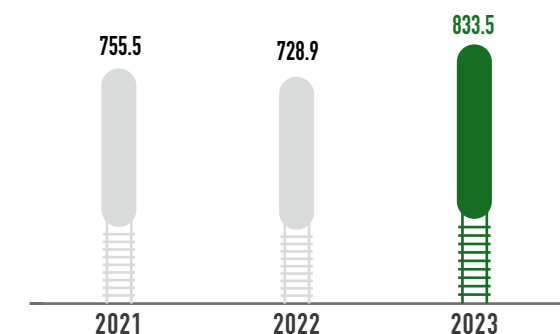
DYNAMICS OF ENVIRONMENTAL CHARGES IN 2021 TO 2023, IN MILLION TENGE



DYNAMICS OF ECONOMIC PENALTIES FOR ENVIRONMENTAL DISRUPTIONS IN, IN 2021 TO 2023, IN MILLION TENGE



DYNAMICS OF NATURE PROTECTION COSTS IN 2021 TO 2023, IN MILLION TENGE

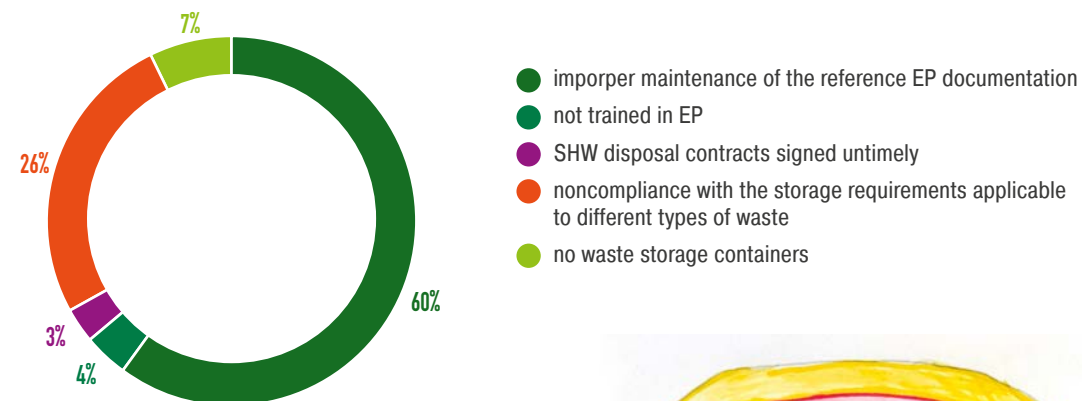


NATURE CONSERVATION COSTS STRUCTURE, IN %

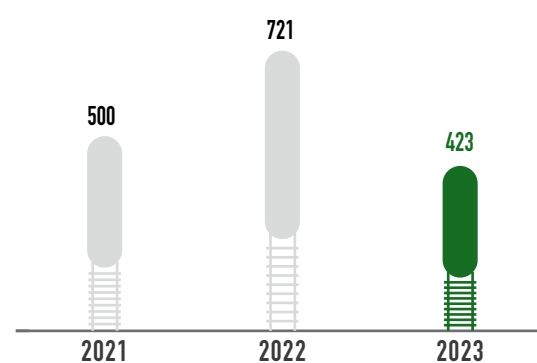


During the reporting period, 387 employees attended the environmental safety and protection trainings.

STRUCTURE OF THE COMPANY'S VIOLATIONS OF THE REQUIREMENTS, AS REVEALED IN THE COURSE OF INTERNAL CONTROLS, IN %



NUMBER OF IDENTIFIED AND RECTIFIED VIOLATIONS OF THE ENVIRONMENTAL STANDARDS AND GUIDELINES COMMITTED BY THE COMPANY, ACCORDING TO THE INTERNAL CONTROL FINDINGS FOR 2021 TO 2023, IN VIOLATIONS



Nasimbek Adel, 10 years old

CLIMATE CHANGE RISKS GRI 201-2, TCFD

The changing climate is a serious problem, which requires active measures. The railway transport and its infrastructure can be exposed to such changes, therefore, it is critical to take measures to adapt. Climate-related risk management is integrated into the Company's general risk management system.

Changes in the climate can result in a number of financial risks – extreme weather events can cause damage to the railway infrastructure,

which will require substantial costs to restore it. Changes in the weather conditions can result in a reduction in the number of trips, hence, cause a decrease in the Company's income. Besides, measures aimed to adapt to the changing climate can cause a rise in the fuel costs and hence, cause an increase in the operating costs.

These risks can have a substantial impact on the Company's financial standing, its profitability and profit margin.

CLIMATE CHANGE RISKS THE RAILWAY TRANSPORT IS EXPOSED TO:



FLOODS

Due to the rise of the water level because of precipitations and an increased river flows, the railway lines, bridges and crossings over can be damaged, which could interrupt the Company's operations. This can also result in the deterioration in the technical and operating condition of the roads, railway tracks, bridges, tunnels, drainages, telecommunication and traffic control systems, which will require more repair and preventive operations. In the result of the rain storms and flood flows that have become increasingly commonplace, the number of weather-related accidents can grow, and there may be delays in and malperformance of the transport networks' functioning.



INTENSIFIED HURRICANES

Hurricane winds can cause damage to the harbor installations (for example, cranes and cargo handling terminals), complicate the operation of the railway transport due to the damage to the railway tracks, and obstruct the trains' traffic.



HIGH TEMPERATURES

The high temperatures can cause damage to the railway infrastructure and slow down the trains' speed. Periods of the challenging hot weather conditions can affect the physical durability and useful life of the infrastructure, ability to perform its key functions, which could cause wildfires and failed harvest, resulting in the lack of water, complicating the food stuff storage and causing extra load on the energy networks. Furthermore, these can cause a deformation of the railway tracks and aridization of their earth roadbeds, which will entail prolonged delays due to the limited train speed.



SNOWSTORMS

A change in the climate can result in more severe and frequent snowstorms, which can complicate the railway train traffic. During a severe snowstorm, it is difficult to clean up the railways, which can cause delays in the traffic. The snow can also overlay the railway tracks and cause a deformation of the tracks, which can be the risk to the train traffic safety.



More details are available in the Report prepared according to recommendations of the Task Force on [Climate-related Financial Disclosures](#) (TCFD).

MEASURES BEING TAKEN

To protect the backbone railway network’s facilities from the unfavorable weather conditions using shelterbelt forests, there are three subsidiaries operating at the Company: the Astana, Almaty, and Aktobe shelterbelt forests distances. The total area of the shelterbelt forests is 63,207 hectares.

To maintain the shelterbelt forests’ protective properties and durability, the subsidiaries ensure the current maintenance of the shelterbelt forests (cutting, filthiness removal, ploughing of the intra-lane intervals), as well as perform the works related to ploughing of the excess right-of-way and shelterbelt forests to ensure safekeeping of NC KTZ JSC’s infrastructure facilities during the fire-hazardous season.

To prevent the potential floods, the Plan of Preparation of the Tracks and Man-Made Facilities

for Drift Ice and Overflow Waters is prepared and implemented on an annual basis. Pursuant to the Plan, different measures are taken, including drilling-and-belling operations, dam and reservoir examination, self-production of quarry rocks and their loading onto the platforms, removing snow from the man-made facilities, as well as composition of anti-washing-out trains, as well as other measures.

The subsidiary of NC KTZ JSC, Directorate of Backbone Railway Network approved the operating snow control plan, according to which 284 snow-cleaning and snow-clearing vehicles have been tested and allocated, over 10 thousand employees have been designated and are to be involved in clearing of the station tracks and switch assemblies. In addition, snow fences have been repaired within 57 km, and 11,866 snow barriers purchased.

RISK OF THE CASPIAN SEA SHALLOWING

The shallowing of the Caspian Sea is a major natural and climatic risk, which has a substantial effect on the coastal ecosystem at the Aktau Commercial Sea Port.

The shallowing of the Caspian Sea can have a negative effect on the transit and export freight transportations, which go through the Caspian countries’ seaports. The drop of the water level can result in a limited channel depth, which will complicate the passage of the large vessels and reduce the transportation volumes. These can also entail a rise in the freight transportation costs, including more expensive and slow bypass routes, as well as a longer goods delivery time.

To reduce the consequences of the Caspian Sea shallowing risk, the following measures are taken:

- examination of the quays and sea bottom along the quays by the divers, at the distance of 20 meters, including lifting of foreign objects.

- collecting and clearing works within local parts of the seabed at NC Aktau Sea Commercial Port JSC.
- seabed (within 18 meters from the quays of the Aktau seaport) cleaning, including lifting of foreign objects in compliance with the developed work performance plan.
- daily monitoring of the sea level using a ruler.

In 2023, the Company continued its risk mitigation measures, including the bottom dredging works within the Aktau seaport’s harborage area. It is planned to prepare the design and estimate documentation with the view of bottom dredging within the seaport’s harborage area in 2024, the project is expected to be accomplished by the end of 2025. The project includes determination of the scope of earth excavations, work performance practices, construction cost estimate, assessment of environmental emissions and compensation of the environmental damage.

LOW-CARBON DEVELOPMENT CONCEPT GRI 305-1, 305-2, 305-5

In December 2020, Kazakhstan announced about its goal – to achieve the carbon neutrality by 2060, thereby reconfirming its commitments under the Paris Agreement with regards to the control for the rise in the global temperature by 1.5-2 degrees C.

On February 2, 2023, Decree of the President of the Republic of Kazakhstan approved the Doctrine of Carbon Neutral Development of the Republic of Kazakhstan until 2060. The main goal of

the Doctrine is to achieve the balance between anthropogenic emissions and carbon sink.

On August 25, 2022, the Board of Directors of Samruk-Kazyna JSC approved the Low-Carbon Development Concept of Samruk-Kazyna JSC and the Plan for the Fund’s Transition to the Low-Carbon Business Model.

To contribute to the efforts aimed at reduction of the greenhouse gas emissions, in 2022,

the Managing Board of the Company approved the Low-Carbon Development Concept of NC KTZ JSC until 2060¹³.

The Company’s Concept intends to reduce the carbonaceous load through the implementation of the measures aimed to improve the energy efficiency, to use of renewable energy sources, ensure railways’ energy connectivity and introduce locomotives consuming a more environmentally friendly fuel.

Based on this Concept, the Action Plan on the Low-Carbon Development of NC KTZ JSC and its Branch Organizations for 2023–2027 was approved in 2023. The Plan contains a detailed description of measures being taken to reduce the carbon emissions and to achieve the sustainable development, in accordance with the Country’s climate goals.

In 2023, as a result of the implementation of the Low Carbon Development Action Plan of the Company and its subsidiaries for the period 2023–2027, which also includes energy saving and energy efficiency measures such as replacing light bulbs, installing low-emission film on windows, installing heat-reflecting screens and upgrading heating systems, fuel and energy resources consumption of 150 thousand GJ was saved.

As a result of these activities, the reduction of CO₂-eq emissions amounted to 19,786.42 tons, including:

- reduction of greenhouse gas emissions from direct emissions – 7,908.44 tons of CO₂-eq;
- reduction of greenhouse gas emissions from indirect emissions – 11,877.98 tons of CO₂-eq.

VOLUME OF GREENHOUSE GAS EMISSIONS REDUCTION IN THE REPORTING YEAR

Amount of direct greenhouse gas emissions reductions (Scope 1) reduced as a result of reduction initiatives, tons CO ₂ -eq	7,908.44
Volume of indirect greenhouse gas emissions reductions (Scope 2) reduced as a result of reduction initiatives, tons of CO ₂ -eq	11,877.98
Total reduction of greenhouse gas emissions, tons of CO ₂ -eq	19,786.42

Plans related to the implementation of the Low-Carbon Development Concept for 2024 and mid-term plans:

In 2024, in pursuance of the Plan implementation, the Company intends to continue its efforts aimed at improvement of energy efficiency, energy connectivity of its railways, introduction of locomotives consuming a more environmentally friendly fuel, as well as renewal of the fleet of cars and transit of its boiler houses from coal to gas and electrical heating systems. It is planned to reduce the CO₂ emissions by 50,713 tonnes, including direct emissions by 34,880 tonnes and indirect emissions – by 15,833 tonnes.

The Company’s carbon foot print includes both direct and indirect emissions:

- The direct greenhouse gas emissions are caused by the operation of mobile sources (diesel locomotives, railway handcars, motor vehicles) and immobile consumers (boilers, boiler houses, furnaces).
- The indirect emissions are attributable to the consumption of the fuel the Company purchases and consumes at the third-party energy sources.

The main sources of the greenhouse gas emissions are as follows:

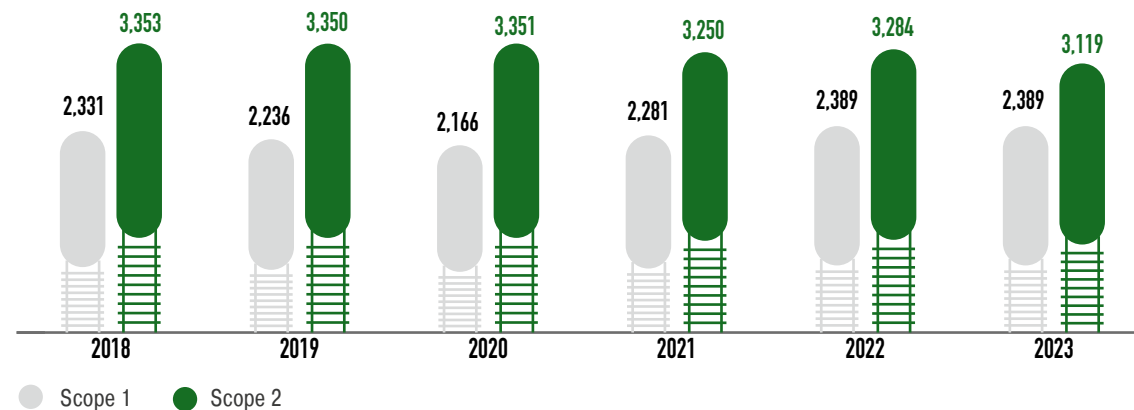
- locomotives;
- motor vehicles;
- specialty machinery;
- boilers driven by gas, diesel fuel, coal, and electric power;
- buildings with stove heating.

In 2023, the total volume of greenhouse gas emissions amounted to 5,508.01 thousand tons of CO₂-eq, including direct emissions – 2,389.43 thousand tons of CO₂-eq, indirect emissions – 3,118.58 thousand tons of CO₂-eq.

The disclosed information of the greenhouse gases emissions covers the Company’s branch organizations being subject to operational control of NC KTZ JSC. The more detailed information is available in section [Information perimeter](#).

13 Approved by the Resolution of the Managing Board of NC KTZ JSC dated December 26, 2022 (minutes #02/49).

DYNAMICS OF THE GREENHOUSE GAS EMISSIONS IN 2018–2023 (SCOPE 1, 2), IN THOUSAND TONNES OF CO₂-EQUIV.



Direct greenhouse gas emissions and Scope 1 emission reductions were calculated according to the approach specified in the GHG Protocol Guidance and using the Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories, 2006. The conversion of methane and nitrous oxide values to tons of CO₂ equivalent used the current Global Warming Potential values (methane – 28, nitrous oxide – 265) adopted in accordance with the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, paragraph 4 of Decision of the Conference of the Parties 6/CP. 27 dated November 17, 2022. Scope 1 and GHG emission reductions from direct emissions include emissions from carbon dioxide, methane and nitrous oxide. Scope 2 and GHG emission reductions from indirect emissions include emissions from carbon dioxide.

To calculate indirect GHG emissions and emission reductions under Scope 2, the approach specified in the GHG Protocol Scope 2 Guidance is applied, and specific GHG emission factors are adopted according to the "List of Benchmark Factors in Regulated Sectors of the Economy" approved by the Order of the Acting Minister of Ecology, Geology and Natural Resources of the Republic of Kazakhstan dated July 19, 2021 No. 260.

Since July 1, 2023, Kazakhstan has introduced a new system of electricity procurement through the Unified Purchaser (Order No. 212 of the Minister of Energy of the Republic of Kazakhstan dated July 01, 2023, Settlement and Financial Center for Renewable Energy Support LLP). This entails changes in the methods of calculation of greenhouse gas emissions. In this regard, the Company calculated Scope 2 emissions for 2023: for the first half of the year the volume of purchased energy is multiplied by the corresponding coefficient by fuel type, and then for the second half of the year, when fuel types are unknown, the energy volumes are divided by fuel types on the basis of shares and multiplied by the corresponding coefficients.

Methodologies used for calculation: Order of the Acting Minister of Ecology, Geology and Natural Resources of the Republic of Kazakhstan dated July 19, 2021 No. 260 "On Approval of the List of Benchmarks in Regulated Sectors of the Economy", Resolution of the Government of the Republic of Kazakhstan dated March 28, 2023 No. 260 "On Amendments to Resolution of the Government of the Republic of Kazakhstan dated June 28, 2014 No. 724 "On Approval of the Concept of Development of the Fuel and Energy Complex of the Republic of Kazakhstan for 2022 – 2026".

The base year for GHG emissions (scope 1 and 2) according to the Low Carbon Development Concept is as follows NC KTZh JSC until 2060 is 2021, for reduction of GHG emissions (scope 1 and 2) – 2023.

DYNAMICS OF THE DIRECT GREENHOUSE GAS EMISSIONS, WITH A BREAKDOWN BY TYPES

GRI 305-1

	2021	2022	2023	Variance 2022/2021, in %	Variance 2023/2022, in %
CO ₂ , in thousand tonnes of CO ₂	2,059	2,158	2,179	4.8	1.0
CH ₄ , in tonnes of CO ₂ equivalent	3.21	3.07	3.53	–4.5	15.1
N ₂ O, in tonnes of CO ₂ equivalent	218.79	227.80	206.57	4.1	–9.3
Total (thousand tons-CO₂ eq)	2,281.00	2,388.87	2,389.43	4.7	0.02

The Company does not have any emissions caused by biomass incineration or decay, or any emissions of HFC, PFC, SF₆, NF₃.

The GHG emissions intensity indicator shows the amount of direct and indirect greenhouse gas emissions as a function of the amount of railway transportation work produced.

GRI 305-4

In 2023, the intensity of greenhouse gas emissions from direct emissions was 50.491 kg CO₂-eq/10 thousand tons km-gross, from indirect energy emissions was 65.898 kg CO₂-eq/10 thousand tons km-gross.

INTENSITY OF GREENHOUSE GAS EMISSIONS IN THE REPORTING PERIOD

Total greenhouse gas emissions, kg CO ₂ -eq.	5,508,006,465
Unit of work produced, 10,000 tons km gross	47,324,152
Intensity of greenhouse gas emissions from direct emissions, kg CO ₂ -eq/10 thousand tons km gross	50.491
Intensity of greenhouse gas emissions from indirect energy emissions, kg CO ₂ -eq/10 thousand tons km gross	65.898
GHG emission intensity – Volume of transportation work, kg CO ₂ -eq./10 thousand tons km gross	116.389

GRI 305-7

Along with greenhouse gas emissions as a result of fuel combustion in emission sources (diesel fuel, liquefied gas, fuel oil, natural gas, coal), nitrogen oxides (NO_x) and sulfur oxides (SO_x) are emitted into the atmosphere, which also causes

pollution and contributes to the development of climate change. At the same time, the standards of permissible emissions for each branch are set in accordance with draft standards of maximum permissible emissions, which in turn are fixed in the relevant emission permits issued by the competent authorities.

STATIONARY SOURCE SO₂ AND NO_x EMISSIONS IN THE PERIOD FROM 2022–2023, THOUSAND TONS

Pollutant emissions	2022	2023
NO _x	0.34	0.21
SO _x	0.68	0.60
Solids	2.37	1.97
CO	1.42	1.41
Volatile organic compounds (VOCs)	0.25	0.10
Persistent organic pollutants (POPs)	0.0	0.0

To consolidate the pollutant emissions into the air, the forms of reporting are used as required by the Ecology Management System Guidelines of NC KTZh JSC and Its Branch Organizations approved by the Resolution of the Managing Board of NC KTZh JSC dated 06.11.2020.

The calculation of pollutants was made pursuant to the following methodologies:

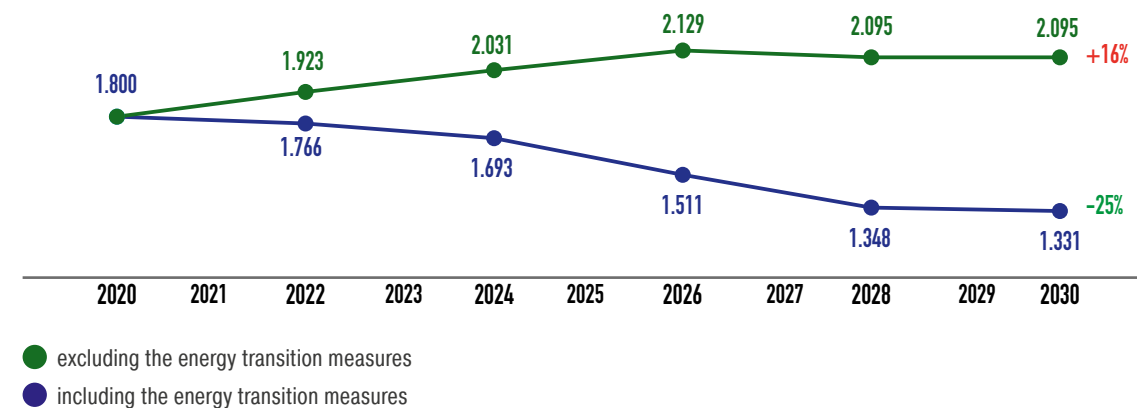
1. Collection of Methods to Calculate Harmful Emissions by Various Productions. Almaty, KazECOESKSP, 1996. P.2. Calculation of Harmful Emissions When Fuel in Case of Fuel Combustion in Boilers with the Steam-Generating Capacity of up to 30 T/h.
2. Methodology Instructions on Calculation of Emissions by Enterprises Engaged in Storage and Sales of Oil Products (Petroleum Depots, Filling Stations) and Other Liquids and Gases (Order #196-ø of the Minister of Environment of the RoK dated July 29, 2011).
3. Methodology of Calculation of Pollutant Emissions into the Air in Case of Welding Operations (by the Specific Emission Rates). GND 211.2.02.03-2004. Astana, 2005.
4. Methodology of Calculation of Pollutant Emissions into the Air in Case of Mechanical Metal-Working (by the Specific Emission Rates). GND 211.2.02.06-2004. Astana, 2005.
5. Methodology of Calculation of Pollutant Emissions into the Air at Railway Transport Enterprises (p.5.2, appendix #21 to Order #100-n of the Minister of Environment of the Republic of Kazakhstan dated April 18, 2008).
6. Methodology of Calculation of pollutant Emissions by Motor Transport Enterprises (section 3) (Appendix #3 to Order #100-n of the Minister of Environment of the Republic of Kazakhstan dated 18.04.2008).
7. Methodology of Calculation of Pollutant Emissions into the Air when Applying Paints and Varnishes (by the Specific Emission Rates). GND 211.2.02.05-2004. Astana, 2005.
8. Methodology of Calculation of Emission Quotas for Fugitive Emission Sources (Appendix #8 to Order #221-Г of the Minister of the Environment and Water Resources of the Republic of Kazakhstan dated 12.06.2014).

GREENHOUSE GAS EMISSIONS TARGETS UNDER NC KTZ JSC'S LOW-CARBON DEVELOPMENT CONCEPT UNTIL 2060

In pursuance of the measures set forth by the Concept, it is planned to reduce direct emissions from 1.8 million tonnes of CO₂ to 1.3 million tonnes by 2030, or by 25% versus 2020.

However, if no measures are taken to ensure the energy transition, it grows by 16% because of an increase in diesel fuel consumption by the hauling operations.

DYNAMICS OF THE CARBON FOOTPRINT (DIRECT CO₂ EMISSIONS), IN MILLION TONNES



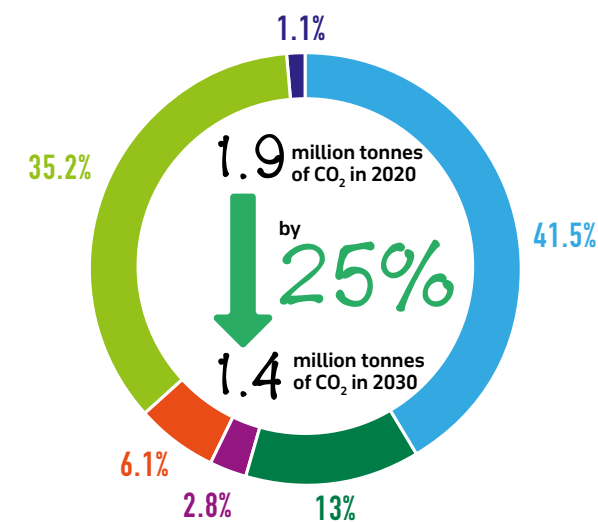
KEY MEASURES TO IMPLEMENT THE LOW-CARBON DEVELOPMENT CONCEPT OF NC KTZ JSC AND ITS BRANCH ORGANIZATIONS UNTIL 2060

No.	Measures	Quantity, units	Carbon foot print (CO ₂) reduction, thousand tonnes
BY 2030			
1	Renewal of the diesel freight locomotive fleet	150	194.9
2	Railway lines' energy connectivity*	820	165
3	Renewal of the passenger diesel locomotive fleet	99	61
4	Introduction of liquefied natural gas/electric locomotives**	77	29
5	Renewal of the shunting locomotive fleet	50	13.3
6	Modernization of coal boiler houses	124	5.1
7	Boiler houses' shift from diesel to gas	25	0.9
Total			469
AFTER 2030			
8	Introduction of electric motor vehicles (e.g., Tesla)**	2,377	28.9
9	Introduction of electric shunting locomotives	420	126.7
			155.6

* the electrification measure is expedient, if electric power is generated by a nuclear energy station

**the LNG measure depends on the result and time of the pilot project implementation

SHARES OF THE KEY MEASURES TO REDUCE THE CARBON FOOTPRINT BY 2030



ENERGY EFFICIENCY AND ENERGY SAVING

GRI 3-3

The growing prices of energy resources and the increase in the transportation volumes require from the industry to reduce its total energy costs. In these circumstances, energy saving becomes the priority, especially considering the annual

rise in the cost of energy resources. Being one of the largest consumers of energy resources in Kazakhstan, NC KTZ JSC has been actively seeking to reduce its impact on the environment, including through an efficient energy utilization.

ENERGY MANAGEMENT SYSTEM

The Company undergoes the annual external audits for the purpose of an expert evaluation of its energy management system in terms of compliance with the ISO 50001:2018 standards.

The energy management system is a part of the Company's integrated management system and is aimed to improve the energy efficiency in the following service provision processes:

backbone railway network, freight and passenger transportation.

The compliance with the principles of the ISO 50001:2018 standard is proved by the certificate issued in 2022 by the international auditor, Intercertifica – TÜV jointly with TÜV Thüringen LTD.

ENERGY EFFICIENCY AND ENERGY SAVING

GRI 302-4, 302-5

Pursuant to the Law of the Republic of Kazakhstan "On energy saving and improvement of energy efficiency," NC KTZ JSC is subject to a compulsory energy audit at least once in 5 years. According to the audit findings, energy saving and energy efficiency improvement measures are to be developed, which will reduce the annual fuel and energy resources costs.

Based on the results of the energy audit conducted in 2019, the Company approved the Energy Efficiency and Energy Saving Action Plan until 2025. According to the Plan, the energy resources consumption shall be reduced by 3,160 tonnes of the reference fuel, or 2.6% of the total fuel and energy resources (FER) consumption versus the 2018 level. The total savings expressed in terms of money will be about 868 million tenge.

In 2023, the measures of the above Plan of Measures for Energy Efficiency and Energy Saving until 2025 were included in the Low Carbon Development Action Plan of NC KTZ JSC and its subsidiaries for the period 2023–2027, which resulted in savings of 150 thousand GJ¹⁴ of fuel and energy resources in 2023.

To improve its energy management system introduced at the Company, the Energy Analysis Method was approved by Order #291-CZ on March 17, 2016. According to the Method, expenses towards the fuel and energy resources are to be continuously analyzed.

The Company's total energy consumption for 2023 amounted to 41,599 thousand GJ, which is 1% higher than in 2022. The increase in energy consumption was due to a 6.6% increase in cargo and passenger transportation.

GRI 302-1

FER CONSUMPTION IN 2021 TO 2023

Particulars	2021		
	Total	operational and production (non-traction) needs	traction (diesel traction and electric traction)
electric power, in thousand kW	3,300,203.80	416,953.58	2,883,250.22
diesel fuel, in tonnes	598,624.35	23,228.27	575,396.09
coal, in tonnes	57,176.52	57,176.52	–
mazut, in tonnes	5,151.60	5,151.60	–
natural gas, in thousand m ³	7,067.30	7,067.30	–
gasoline, in tonnes	6,155.64	6,155.64	–
liquefied oilwell gas, in tonnes	33.34	33.34	–
total FER of any kind, in thousand tonnes of reference fuel	1,334.32	145.36	1,188.96
total FER of any kind, in thousand GJ	39,759.82	4,925.79	34,834.03

Particulars	2022		
	Total	operational and production (non-traction) needs	traction (diesel traction and electric traction)
electric power, in thousand kW	3,336,365.29	395,064.99	2,941,300.30
diesel fuel, in tonnes	621,162.22	35,055.88	586,106.34
coal, in tonnes	69,654.00	69,654.00	–
mazut, in tonnes	4,390.72	4,390.72	–
natural gas, in thousand m ³	6,664.18	6,664.18	–
gasoline, in tonnes	6,593.74	6,593.74	–
liquefied oilwell gas, in tonnes	38.31	38.31	–
total FER of any kind, in thousand tonnes of reference fuel	1,378.40	166.76	1,211.63
total FER of any kind, in thousand GJ	41,185.74	5,687.54	35,498.20

Particulars	2023		
	Total	operational and production (non-traction) needs	traction (diesel traction and electric traction)
electric power, in thousand kW	3,507,292.69	456,764.11	3,050,528.58
diesel fuel, in tonnes	635,990.17	37,058.86	598,931.32
coal, in tonnes	54,738.01	54,738.01	–
mazut, in tonnes	4,273.84	4,273.84	–
natural gas, in thousand m ³	6,464.49	6,464.49	–
gasoline, in tonnes	7,354.42	7,354.42	–
liquefied oilwell gas, in tonnes	7.29	7.29	–
total FER of any kind, in thousand tonnes of reference fuel	1,412.23	168.6	1243.7
total FER of any kind, in thousand GJ	41,599	5,149.0	36,436.5

¹⁴ The calculation of savings in FER consumption uses the Energy Analysis Methodology approved by Order No. 291-CZ dated March 17, 2016.

FER CONSUMPTION IN THE REPORTING YEAR, THOUSAND GJ

	2023
Total consumption of electricity and heat energy, incl:	41,599
purchased electricity	12,626
coal	1,232
natural gas	218
liquefied gas	0,34
gasoline	321
diesel fuel	27,030
fuel oil	172

To calculate the indicators, the NC KTZ JSC Energy Management System Manual, the international standard ISO 50001:2018, and the NC KTZ JSC Energy Analysis Methodology were used.

The conversion factors were used in accordance with the methodological recommendations for compiling the fuel and energy balance of the Republic of Kazakhstan and the rules for the formation and maintenance of the State Energy Register.

ENERGY INTENSITY GRI 302-3

The energy efficiency indicator is based on the specific consumption of fuel and energy resources (FER) in conventional terms, related to cargo turnover (thousand GJ/million tons of gross kilometers). According to the data obtained from the Automated System for Integrated Machinist's Route Processing (AS IOMM), the volume of cargo turnover amounted to 473 billion tons km. gross. At the end of 2023, the Company's energy intensity amounted to 88 units, which is 5.3% less than for 2022.

The Company assesses the efficiency of FER utilization by measuring the actual consumption of fuel and energy resources per unit of production (work), which is measured in thousand GJ. The energy efficiency indicator is defined as the ratio of actual consumption of energy resources to the volume of transported cargo.

The energy efficiency calculation takes into account all types of fuel and energy resources used by the Company: electricity, diesel fuel, gasoline, fuel oil, natural gas, liquefied gas, and coal.

EFFICIENCY OF SPECIFIC FER CONSUMPTION PER UNIT OF WORK IN THE PERIOD FROM 2021 TO 2023

Indicator	2021	2022	2023	Variance 2022/2021, in %	Variance 2023/2022, in %
Consumption of fuel and energy resources fuel and energy resources for extraction, transportation and processing of raw materials, thousand GJ	39,760	41,186	41,599	3.6	1.0
Transportation, billion tons km gross tonnes	423	444	473	4.8	6.6
Specific energy intensity, thousand GJ/ billion tons of gross km	94	93	88	-1.2	-5.3

PLANS FOR 2024 AND MID-TERM PLANS

The implementation of the Action Plan on the Low-Carbon Development of NC KTZ JSC and Its Branch Organizations for 2023–2027 is scheduled for 2024. The Plan provides for measures to reduce the consumption of fuel and energy resources, such as elaboration of the electric shunting locomotive project,

launching of the pilot project on the use of liquefied natural gas on the main-line locomotives, as well as the shift of diesel locomotives to the natural gas motor fuel. Depending on the global technological progress, the application of hydrogen technologies may be considered in the future.

WATER MANAGEMENT GRI 303-1, 303-2, 303-3

Water resources are critical to both life and economic activity. We recognize that these resources are limited and valuable, and we consider conserving water for future generations as part of our environmental responsibility.

In the Company, we strictly comply with the legislation of the Republic of Kazakhstan on the use of water resources aimed at meeting our own needs for water for domestic and drinking purposes.

The main directions of our activity are ensuring uninterrupted water supply to railway enterprises and population, operation of treatment and sewerage systems, as well as ensuring reception and disposal of wastewater to filtration fields from railway transport facilities and population.

Our water supply system includes water intake wells, water pipelines, treatment plants, clean water tanks, pumping stations, water towers and distribution networks. We strictly control the use of water resources and constantly work on their optimization and efficient use.

WATER WITHDRAWAL IN THE REPORTING YEAR, MEGALITERS¹⁵

Total water withdrawal by sources	from all regions	from water scarce regions
Surface water	1,081	397
Fresh water	660	0
Other water	421	397
Groundwater	4,688	1,732
Fresh water	2,525	1,159
Other water	2,163	573
Water of third-party organizations	788	33
Fresh water	363	0
Other water	424	33
Total water intake	6,557	2,162
Water of third-party organizations by source		
Groundwater	788	0

¹⁵ The Company's water consumption and wastewater disposal is accounted for in accordance with NC KTZ JSC's internal local regulations. Information on water consumption is generated using the reporting method according to water meter readings.

WASTEWATER DISCHARGES

Discharges of pollutants with wastewater by the Company in 2023 amounted to 273.5 tons, for the same period of 2022 amounted to 283.6 tons, a decrease of 4%.

Wastewater is discharged by subdivisions of the Company's subsidiaries in accordance with the established maximum permissible discharge limits.

Norms of maximum permissible discharges of pollutants are established in accordance with the requirements of the Environmental Code of the Republic of Kazakhstan. Norms of maximum permissible discharges of pollutants are emission values, which are established on the basis of calculations of each source and the enterprise as a whole with such a condition to ensure the achievement of environmental quality standards.

In order to determine the conditions of pollutant discharge, taking into account the adopted technical solutions of the wastewater disposal system, the maximum permissible concentrations of pollutants were calculated, and the maximum permissible discharge standards for 7 indicators were determined. Maximum permissible discharge limits are proposed for the following ingredients: suspended solids, chlorides, sulfates, ammonium nitrogen, phosphates, APAB, petroleum products.

No exceedances of the limits specified in the permits were allowed in 2023.

After appropriate control measurements have been made, wastewater is discharged to the filtration fields.

WASTEWATER DISPOSAL IN THE REPORTING YEAR, MEGALITERS GRI 303-4

Total wastewater disposal by destination	from all regions	from water scarce regions
Surface water	28	0
Groundwater	1,103	272
Water of third-party organizations (general)	291	0
Total water intake	1,422	272
Total wastewater disposal by type	1,422	272
Fresh water	383	0
Other water	1,040	272

WATER CONSUMPTION IN THE REPORTING YEAR, MEGALITERS GRI 303-5

Water consumption	from all regions	from water scarce regions
Total water intake	6,557	2,162
Total wastewater disposal	1,422	272
Total water consumption	5,135	1,890

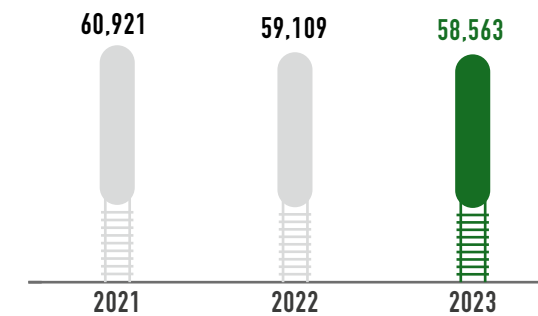
WASTE MANAGEMENT GRI 306-1

The railroad industry generates various types of waste, including waste from the repair and maintenance of railcars, stations and tracks, as well as waste from the operation of rail lines. Waste can contain harmful substances such as metals, plastics and other materials that require proper disposal to prevent negative environmental impacts. Therefore, waste management and utilization in the railway industry is an important element of sustainable development.

In the course of operations at the Company's branches and subsidiaries, production and consumption waste such as municipal solid waste, scrap metal, used oil, car tires, fluorescent lamps and other materials are generated.

In 2023, NC KTZ JSC generated 58,563 tons of waste, which is 0.9% less than in 2022.

WASTE VOLUMES IN 2021 TO 2023, IN TONNES GRI 306-3



The data of the Company's wastes are collected within the single recording module "Environmental safety," where the personnel of the structural subdivisions and branch organizations shall fill in the waste register on a quarterly basis.

The information of the Company's wastes is systematically gathered within the single recording module "Environmental safety." Employees of the business subdivisions and branch organizations shall fill in the waste register on a quarterly basis.

The main wastes produced by the Company are as follows:

- mercury wastes;
- timber wastes;
- oil containing wastes;
- welding electrode wastes;

- solid household waste, including ash, sweepings from the territory, paper, cardboard and other materials;
- ferrous scrap metals;
- used lead-acid batteries;
- pneumatic tyres;
- paint and varnish wastes;
- used oils;
- ash and slag waste.

Responsibility for the waste management shall be in compliance with the laws of the Republic of Kazakhstan, Waste Management Rules adopted by NC KTZ JSC and its branch organizations. Waste producers shall bear responsibility for safe waste handling from the time the wastes are produced to the time when they are handed down to persons performing waste recovery and disposal operations under a license.

GRI 306-2

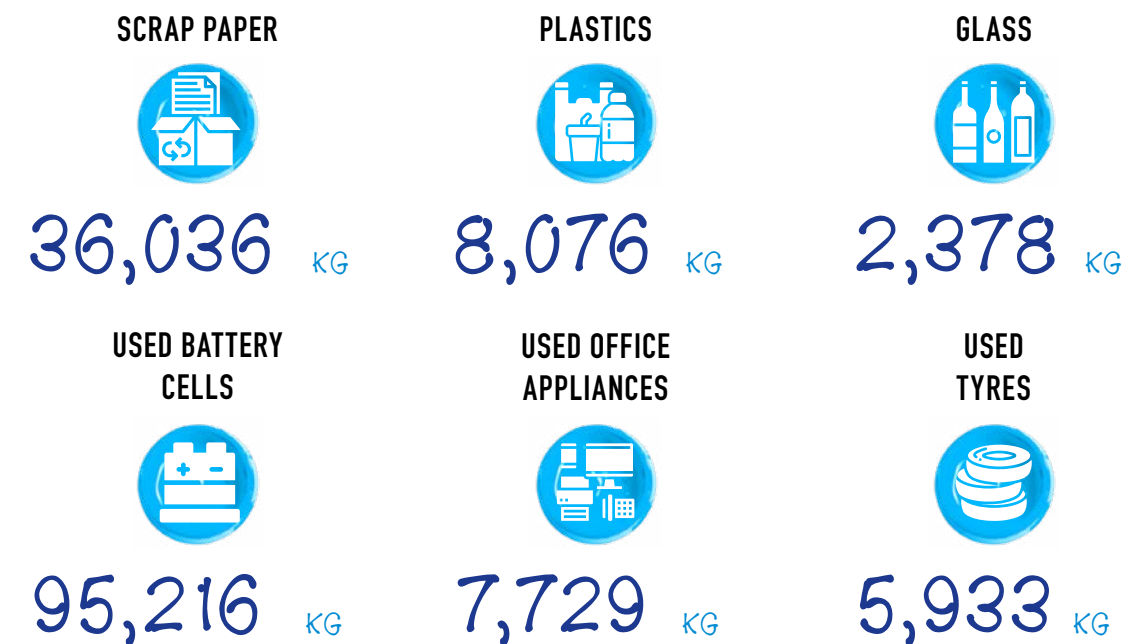
The Company signs contracts with the utility service providers, as well as with waste disposal and burial service providers.

To reduce the wastes to be removed to the landfill deposit and the impact on the environment, the Company takes measures to ensure separate waste collection, subject to their further disposal and transfer to the concerned entities.

GRI 306-1, 306-5

In 2023, the Company transferred on a payment basis 155,366 kg of wastes to the third party entities, including:

WASTES TRANSFERRED TO THE THIRD-PARTY ENTITIES IN 2023



CONSERVATION OF BIOLOGICAL DIVERSITY GRI 304-1, 304-2, 304-3, 304-4

Biodiversity Management

The biodiversity protection is one of the Company’s priority tasks. The Company pays special attention to it during every stage, from planning and construction to operation of the railway facilities. The Environmental Impact Assessment is compulsory for any economic or other activities, which could have a direct or indirect effect on the environment and human health.

To analyze the risks associated with the project implementation, efficient instruments are used, including analysis of the social and environmental risks. The results of the Environmental Impact Assessment shall be taken into account. An option that will have the minimum impact on the environment and human health must be chosen. The risks associated with the project implementation are to be identified and assessed on an ongoing basis at every stage of the project implementation. The impact on the atmospheric air, surface and ground waters, landscapes, land resources, soil mantle, biodiversity, as well as other factors are to be assessed.

There are no places of concentration of animals, rare species of animals and plants listed in the Red Book of the Republic of Kazakhstan on the operated railway sections.

In 2023, the Company continued its efforts to eliminate the consequences of the accident occurred in 2022 when a freight train was running through the railway bridge, in the result of which 6 cars with copper and zinc ore and dump slag fell into the Irtysh River.

In order to eliminate environmental damage to the Irtysh River, a remediation program was

- developed, within the framework of which the following works were carried out:
- Removal of spare parts of railroad cars and scrap metal from the territory with subsequent disposal
 - Removal and disposal of scattered cargo from the shoreline.
 - Cleaning and cleaning of the area from the remains of scattered cargo and its disposal.
 - Carrying out topogeodetic surveying works with the involvement of divers.
 - Examination of water quality for the presence of heavy metals.

As a result of sampling no exceedance of heavy metals was detected, the indicators are within the norm.

Within the framework of the approved remediation program, all 6 freight cars were lifted from the river bottom, including spare parts to the cars and cargo residues, with drawing up a commission act of acceptance of the completed work with participation of representatives of the authorized state bodies.

In addition, an assessment of the damage to fisheries at the accident site was carried out for biodiversity conservation purposes.

According to the results of assessment in 2024 in order to prevent damage and losses of fishery, it is planned on the site of fish farming Ust-Kamenogorsk reservoir release of fish planting material into the reservoir.

According to the remediation program it is planned in 2024 to release whitefish – ripus in Ermakovka village in the amount of 3,518.7 thousand pieces.

SUPPLIER ENVIRONMENTAL ASSESSMENT GRI 308-1, 308-2

When interacting with its suppliers in the course of procurement of the goods, works and services, the Company requires from its suppliers to take the requisite measures and to comply with the regulatory legal acts of the Republic of Kazakhstan pertaining to safety, health, fire safety and environmental matters.

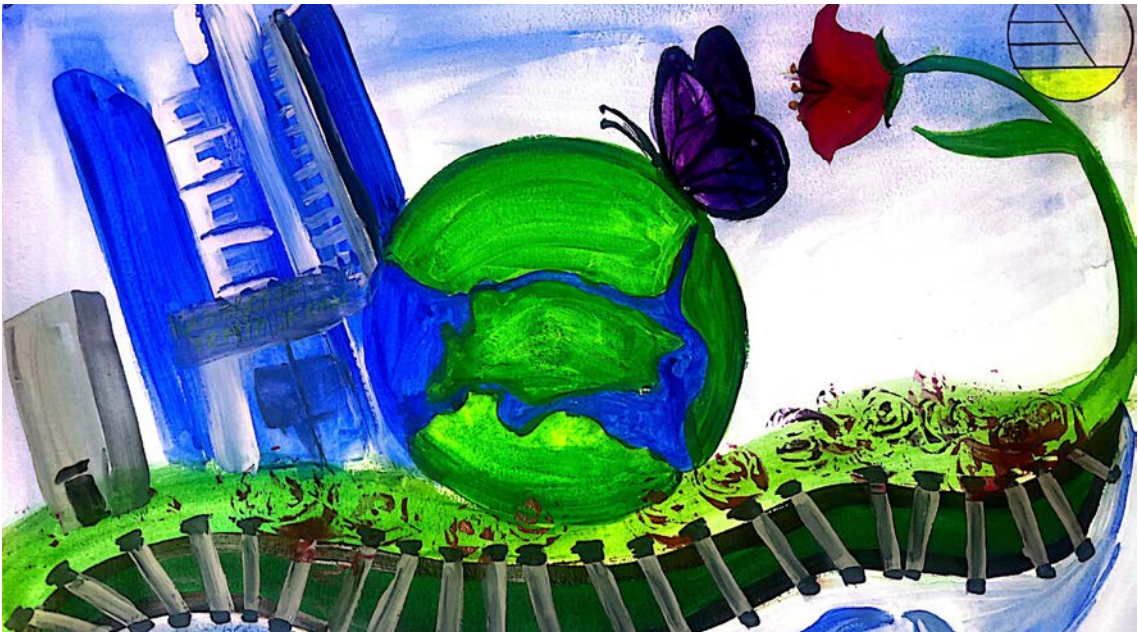
The Company adopted the “Safety management during performance of the works by contractor organizations at NC KTZ JSC and its branch organizations” corporate standard. The Standard sets forth the obligations to comply with the legal acts and local acts of the Company, to hold kick off meetings and to provide the introductory health and safety briefings (IBs) with the contractors’ personnel, as well as to monitor the compliance therewith.

In addition, the model agreements for purchase of goods, works and services stipulate the suppliers’ obligations to comply with the environmental laws of the Republic of Kazakhstan, as well as to liquidate the adverse effects of their man-induced impact on the objects of ecological interest located within the territory where the works have been performed or services have been provided.

In 2023, as a part of the support to be rendered to suppliers with regards to the environmental and social aspects according to requirements of the said Standard, 436 environmental audits were conducted during the kick-off meetings.

DISCLOSURE OF THE CLIMATE-RELATED INFORMATION (TCFD)

Recommended by TCFD	Information disclosed
Corporate governance	
The role of the Board of Directors and Top Executive Officers in management of the climate-related risks and opportunities.	The Board of Directors plays an important role in management of the climate-related risks and opportunities, especially when the global challenge relates to the situation with the changing climate becomes even worse. The role of the Board of Directors in management of the climate-related risks and opportunities is performed at the strategic level. So, in 2023, according to the Board of Directors’ resolution, the Development Strategy of NC KTZ JSC until 2032 was approved. The Strategy includes an important initiative of the Company to reduce its carbon footprint. To measure the Company’s success and contribution to the solution of the global problem related to the changing climate, the key performance indicators (KPI) have been established together with the targets until 2032. To achieve its goals, the Company adopts the Plan for Implementation of NC KTZ JSC’s Development Strategy until 2032, which includes measures aimed at the achievement of the Company’s carbon neutrality. The implementation of the Plan shall be annually supervised by the Board of Directors. In addition, the Company adopts the Business Plan, which is one of the basic instruments of the Strategy implementation, sets forth the Company’s financial plans for the five-years period and includes costs related to the implementation of the environmental measures, including measures aimed to achieve the carbon neutrality. In addition, the Business Plan covers capital expenditures, including those related to elaboration of the design and estimate documentation for bottom dredging within water areas of the seaports of Aktau and Kuryk, acquisition of new locomotives, etc. The Business Plan shall be approved by the Board of Directors; the report on the fulfillment of the Business Plan (the CFO report) is to be submitted to the Board of Directors on a quarterly basis for consideration and forwarded to the Committee for Strategy and Finances of the Board of Directors for the assessment of the current status of the implementation. At the same time, the Board of Directors and the Auditing Committee operating under it, shall supervise the efficiency of the risk management, including ESG risks. The risk register and map of NC KTZ JSC shall be prepared and approved annually according to the resolution of the Board of Directors. These instruments help identify accurately and analyze the risks, including risks associated with the changes in the climate. The Company shall also prepare the consolidated risk report on a quarterly basis. This Report is an important instrument to inform the key stakeholders and help them make decisions; the basic Report users include the Board of Directors, the Auditing Committee, the Managing Board of the Company, and risk owners. In addition, the Safety and Environment Committee operates under the Board of Directors; this Committee is in charge of consideration of matters related to environmental protection and sustainable development. The results of the sustainable development performance assessment, which cover the Company’s sustainable development operating indicators, including ones of the environmental aspect, shall be submitted to the said Committee for consideration on an annual basis,.



Zhanbolat Balnur, 10 years old

Recommended by TCFD	Information disclosed
(b) The role of the Top Executive Officers in management of the climate-related risks and opportunities.	The role of the Top Executive Officers in management of the climate-related risks and opportunities is crucially important for the Company's successful adaptation to the changing climate and for the introduction of sustainable practices. The climate-related issue management system is to be introduced at the Company through the delegation of corresponding responsibilities to the managerial positions. According to the Risk Management and Internal Controls Policy of NC KTZ JSC, the Managing Board of the Company shall ensure the achievement and maintenance of efficiency of the risk and internal controls management system. The Managing Board assigns powers, duties and responsibilities for specific risk and internal controls management procedures to managers of the lower level and/or heads of the business subdivisions/owners of business processes and/or owners/performers of the control procedures. The structure of the Company's risk management system is represented by the risk management at several management layers and involves the following bodies and subdivisions of the Company: the Board of Directors, the Committees of the Board of Directors, the Managing Board, the Committees of the Managing Board, the Internal Audit Service, the business subdivision that is in charge of the implementation of the corporate information security policy, and other business subdivisions. The structure of risk management ensures an adequate flow of information – both in the vertical and horizontal directions. Furthermore, the information flowing from bottom to top ensures that the Board of Directors and the Managing Board of the Company are informed of: the current activities; risks accepted in the course of activities, their assessment, control for them, response methods and management layer. The information forwarded from top to bottom ensures the communication of the goals, strategy and desirable culture through the approval of internal regulations and instructions. The horizontal flow of the information involves the interaction between business subdivisions within the Company and interactions between the Risk Function and business subdivisions responsible for risk management and internal controls at the branch organizations. If a material risk, which has not been earlier included in the Register is identified, the risk owner shall inform the Risk Function to that effect. The Risk Function shall analyze the received information, and, if necessary, will include the new risk in the Risk Register. In addition, the Chairman of the Managing Board shall provide overall direction as to the activities of NC KTZ JSC aimed at improvement of the risk management systems, internal controls and business continuity management systems of NC KTZ JSC; the Deputy Chairman of the Managing Board shall have overall charge of activities of NC KTZ JSC in the following areas: improvement of the environmental and energy management systems within the NC KTZ JSC Group, elaboration and implementation if the low-carbon development program, as well as elaboration, introduction, and updating of the integrated energy saving and energy efficiency programs at NC KTZ JSC and monitoring of their implementation, etc. The Chief Engineer – Director of the Technical Policy Department shall regularly report to the Company's managers, disclose the climate-related assessment and management efforts, including the elaboration of carbon footprint reduction strategies, encouragement of the use of ecologically clean technologies and monitoring of the impact on the environment. In addition, ensuring the compliance with the relevant standards and laws is an important part of his/her work aimed at substantial business operations. The Company has a business subdivision under the leadership of the Director of the Risk Department. The business subdivision is in charge of risk management, including climate-related ones, and internal controls, and shall arrange the operation of the risk management system, ensure the elaboration and updating of the local regulatory acts concerning risk management and internal controls, provide methodological support to the other business subdivisions in terms of risk identification and assessment, and shall give recommendations.

Recommended by TCFD	Information disclosed
Strategy	Disclosure of information of the actual and potential impact of the risks and opportunities related to the change in the climate, on activities, strategy and financial planning of the Company when this is critical.
(a) Description of climate-related risks and opportunities identified by the Company in the short-term, mid-term and long-term	Physical climate-related risks identified in the short-term, mid-term and long-term are described in section "Climate change risks". To our Company, the most significant opportunity related to the climate change, can be the growth in the railway freight transportation volumes. The changing climate causing a change in weather conditions can result in the growing demand for the railway transportation, which is believed to be the steadiest and most environmentally friendly method to deliver goods. This can result in the rise in revenues. It should be also noted that in case of an active development of alternative energy sources, in the context of the changing climate, we can have access a cheaper energy. This, in turn, can reduce our operating expenses. A reduction in power consumption will have a favorable effect on the Company's financial stability and growth. To conduct a full-scale analysis of the effects of the changing climate on the Company's financial performance, an additional study and data collection will be required. However, the above factors, such as the growth in the volumes of freight transportation by railways and access to a cheaper energy, appear to be potentially substantial opportunities for our Company in the context of the climate change.
(b) Climate-related risks and opportunities' impact on the Company's business, strategy and financial planning	The climate change risks can have a substantial financial effect on the Company: • an increase in operating expenses; • a reduction in revenues in the result of decreased transportation volumes; • costs related to the transition to technologies with a lower level of emissions. The climate change risks can impact the implementation of the NC KTZ JSC Development Strategy until 2032, in particular, the Caspian Sea shallowing risk impacts the Goal "To develop transit transportation," as the shallowing of the Caspian Sea can have an adverse impact on the transit and export freight transportation via the ports of the Caspian countries. The drawdown of the water level can result in restriction of the channels' depth, and this will obstruct the navigation of large vessels and reduce the transportation volumes. Please see section "Risk of the Caspian Sea Shallowing" for the Company's measures to mitigate the consequences of the Caspian Sea shallowing risk. To ensure a reliable protection of facilities of the backbone railway network from unfavorable weather conditions, the Company uses forest planting. To maintain the forestation's protective properties and durability, the current maintenance of forestation is carried out (cutting, filthiness removal, ploughing of the intra-lane intervals), as well as the works related to ploughing of the excess right-of-way and shelterbelt forests are performed to ensure safekeeping of NC KTZ JSC's infrastructure facilities during the fire-hazardous season. The information of the physical climate change risks' impact on the Company's operations is available in section "Climate change risks". The Risk Map and Risk Register approved by the Board of Directors on February 9, 2023 include ecological and climate-related (ESG) risks: • Risk of the decline of the Caspian Sea level; • Risks associated with a change in the physical parameters of the climate; • Ecology; • Pollution of the environment; • Changes made to the environmental laws; • The impact of the changing climate due to global warming; • Weather effect risk.

Recommended by TCFD	Information disclosed
(c) Scenario analysis of the strategy sustainability, including scenario providing for a rise in the temperature by 2°C or less	The Caspian Sea level has been falling due to a small amount of precipitation and the reduced volume of the feeder of the Volga River. During the period from 1978 to 1995, the water level in the Caspian Sea was rising. The average rate of the rise was approximately 14 cm per year, but in some years it was up to 36 cm. However, after 1995 this process slowed down, and since 1999 the Caspian Sea level has been declining. The decline by over one meter (~2.5 meters) has had a serious impact on the Caspian Sea shore line, especially within Kazakhstan's part, which is explained by the fact that the underwater and adjacent land gradients are small within this part of the Sea, hence, even a minor change in the Sea level results in serious flooding or dewatering of the shore. During the said period, the water-surface area of the Sea has reduced by more than 22 thousand km2, a half of which is accounted for by Kazakhstan's part of the Northern Caspian Sea. These changes in the Caspian Sea level are substantially associated with the changes in the climate. During the period from 1999 to 2020, the aquatic area of the Caspian Sea saw poor precipitations, whereas the evaporation processes appeared to be more intensive. In addition, the decrease in water supply from the Volga River was caused by dry periods. The main reason for such dry periods was the climate warming, which covered the entire northern hemisphere. The change in the Caspian Sea level causes several major ecological issues: • reduction of the area of the intake channel, which can result in the dire need for water required to meet the population's life necessities, especially in Mangistau Oblast; • shallowing of the floodplain of the Zhaiyk River and reduction of spawning grounds, which, in turn, will affect the population of sturgeon species; • shallowing of the warm Karakol Lake and the threat for the Red Book birds, including swans, pink flamingos, golden eagles and other migrant species; • drawdown of the water level within the aquatic area of the sea ports, which requires bottom dredging operations and can give a substantial impact on the marine ecosystems nearby the seaports. Due to the decline of the Caspian Sea level, the ports of Aktau and Kuryk have encountered major challenges. At present, the Sea level has fallen by 1.28 m versus the reference level, and according to the operational data of Kazhydromet RSE, the Caspian Sea level is expected to fall annually by 20 cm. This has already caused problems with the operation of linkspans 1 and 2 at the Kuryk seaport and underloading of the vessels. The conducted analysis of the decline in the Caspian Sea level takes into account the following parameters: • the Caspian sea surface level, which is regularly recorded in Kazhydromet's weekly reports; • design loading of the vessels; • actual average loading of the vessels calculated according to the actual data of cargo transshipment at the port; • the average depth of the aquatic area within the Kuryk seaport, which is ~35 meters (pursuant to the Baltic Sea Level Datum); • the average depth of the aquatic area in meters, calculated as the difference between the seal surface level and depth of the aquatic area according to the Baltic Sea Level Datum. According to the analysis data, the situation is expected to worsen by 2030, as the insufficient depth of the aquatic area will become even more critical, and this can become an obstacle for the vessels.



Lorenz Artem, 8 years old

Recommended by TCFD	Information disclosed
Risk management	Climate-related risk identification, assessment and management processes.
(a) Description of the Company's processes aimed to identify and assess climate-related risks	Climate-related risk management shall be implemented in the context of the corporate-wide risk management system and is a process aimed to work out and implement measures allowing to reduce the adverse impact and probability of the losses or get a financial compensation in case of losses attributable to the risks associated with the Company's operations. The Company ensures mitigation of and control for the climate risks through an analysis of specified business processes (own operations of the Company) and preparation of the corresponding activity plans to improve the same, and through the introduction of the internal controls system. As to the climate risks at production site, the mitigation of and control for the are ensured through the compliance with the health and labor protection regulations, environmental safety rules, and workplace policies. If the measures being taken to mitigate and control the risks are associated with costs and such costs are substantial, the following analysis shall be carried out: an extent to which such measures are necessary and if they could be reduced by retaining and/or financing /transfer of the risks; what is the alternative cost value of the measures versus the cost of risk retaining/transfer. The Company's Risk Management and Internal Controls Policy has been amended in terms of the ESG-risks. According to the Policy, as a part of the sustainable development during all the phases of the implementation of the Policy, the Company pays special attention to the ecological, social and governance risks (ESG-risks).
(b) Description of the Company's processes applicable to the climate-related risk management	The Company shall define the methods to respond to the risks and elaborate the plan for critical risk management. The choice of the methods to be used to respond to the risks and the elaboration of the activity plans for risk management with the view of ensuring an acceptable level of the residual risk, include the following response strategy: • risk mitigation and control – to influence the risk by implementing preventive measures and planning the actions in case of the realization of the risk, which includes a downward change in the degree of probability of the risk realization and a change in the reasons for occurrence or consequences of the risk realization in order to reduce the level of potential losses; • risk retention/acceptance, which means that its level is acceptable, and hence the probability of its manifestation is accepted, it is also possible to accept the residual risk upon implementation of the measures aimed to minimize the same; • risks financing – risk transfer/sharing or partial transfer of the risk to the other party, including using various mechanisms (execution of the contracts, insurance agreements, determination of the structure), which allow to share responsibility and obligations; • risk aversion/prevention / risk avoidance by deciding against the continuation or implementation of an action, which is the source of the risk; • subsequent measures – a strategy providing for the influence on the effects of the realization of the risk event. Usually, this strategy is used with regards to risks characterized by a low level of controllability and/or low probability of realization. The strategy of this kind may include risk insurance, hedging, as well as development of the emergency plans and business continuity plans. • proposals pertaining the risk management strategies, methods and plans are made by risk owners and are to be included in the risk management activity plan.
(c) Description of the integratedness of the climate-related risk identification, assessment and management processes into the Company's general risk management.	The Company's ESG-risk management, including climate-related risks, consists of the following components: 1) adoption of a corporate governance required for the efficient CRM and IC; 2) understanding of the Company's business context and strategy; 3) identification of the ESG-risks; 4) assessment and ranking of the ESG-risks; 5) response to the ESG-risks; 6) review and revision of the ESG-risks; 7) ESG-risks communications and reporting.

Recommended by TCFD	Information disclosed
Metrics and targets	
Indicators and targets used to assess and manage climate risks and opportunities.	
(a) Indicators used to assess climate risks and opportunities as part of the risk management strategy and process	Key indicators used by the Company to assess climate risks: • Volume of emissions into the environment; • Volumes of emissions, discharges of pollutants; • Volume of greenhouse gas emissions in the period (scope 1, 2); • Intensity of CO₂ emissions; • Volume of SO₂, NOx emissions from stationary sources; • Volume of fuel and energy resources (FER) consumption; • Efficiency of specific FER consumption per unit of work; • Waste volumes, including the volume of recycled waste. To encourage proactive action to achieve climate goals and ensure effective climate change management, a number of these indicators are included in the corporate and functional performance indicators (KPIs) of the Company's management, which are directly linked to management remuneration. Thus, the corporate KPIs for 2023 included the Carbon Footprint KPI aimed at reducing greenhouse gas emissions contributing to climate change and thus meeting the Paris Agreement commitments. The functional KPIs of the Managing Director for Operations include the KPI «Specific diesel fuel consumption by KTZ-Cargo Transportation LLP», which is aimed at reducing diesel fuel consumption for traction of KTZ-Cargo Transportation LLP trains. Also to the Chief Engineer-Director of the Technical Policy Department - KPI «Energy Efficiency Level», which aims to improve the Company's energy efficiency. In this way, the KPI system serves as an incentive to take action to reduce greenhouse gas emissions, improve energy efficiency and ultimately climate goals.
(b) Scope 1, 2 and, if appropriate, Scope 3 greenhouse gas emissions and associated risks	Emission figures for Scopes 1 and 2 are presented in the Environmental Responsibility section of this KTZ Integrated Annual Report 2023. The Company does not currently keep records of Scope 3 emissions, but we are considering opportunities to disclose this indicator in the future.
(c) Objectives used by the organization to manage climate risks and opportunities and performance against targets	KTZ's Development Strategy 2032 defines short, medium and long-term goals in the area of managing risks and opportunities related to climate change – the Carbon Footprint KPI with targets until 2032: • Short-term (to 2025) – (-2.5)% of the previous year; • Medium-term (until 2027) – (-3.2)% to the previous year; • Long-term (until 2032) – >(-3.5)% against the previous year. In addition, as part of the Company's strategic goal of reducing its carbon footprint, the Company has adopted a Low Carbon Development Concept for KTZ and its subsidiaries until 2060. The Concept sets out the Company's key areas and objectives for the possible achievement of carbon neutrality by 2060. Further information on the greenhouse gas emission targets within KTZ's Low Carbon Development Concept 2060 can be found on the following pages. 88 of this KTZ Integrated Annual Report 2023.



Serzhan Zhibek, 14 years old

SOCIAL RESPONSIBILITY

GRI 3-3

Employees are the most valuable resource of the Company. Strengthening of the relations with the personnel is the key component of our success. We seek to create a safe and healthy working environment, to provide a decent and equal labor remuneration, to guarantee the diversity and to support the freedom of association.

HR MANAGEMENT

The social aspect under the NC KTZ JSC Development Strategy until 2032 is represented by the strategic initiative "Improvement of social stability and development of the talent pool."

KEY DIRECTIONS OF THE INITIATIVE "IMPROVEMENT OF SOCIAL STABILITY AND DEVELOPMENT OF THE TALENT POOL"

CREATION A FAVORABLE WORKING ENVIRONMENT



HUMAN RESOURCE DEVELOPMENT



Our strategic initiative is a reflection of our efforts in the competitive labor market aimed to inspire people to work at the Company, to develop personally and gain necessary skills. We

INTRODUCTION OF THE INTEGRAL INCENTIVE SYSTEM



GENDER EQUALITY



seek to ensure that each member of our team has the opportunity to grow and develop within the Company, as well as intend to assess properly and recognize our employees' achievements.

HR POLICY

GRI 405-1

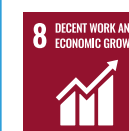
In pursuance of the strategic initiative, in 2023, the Board of Directors approved the updated HR Policy of the NC KTZ JSC for 2023–2028¹⁶.

The HR Policy is an underlying document for human resource management and provides for HR proactive planning, improvement of the occupational training of the employees, introduction of the talent acquisition programs, improvement of the system of industrial relations, development of the staff incentive system, creation of the diversified and inclusive working environment, and establishment of a gender balance within our team.

In addition, as to matters concerning HR management, NC KTZ JSC is governed by provisions of the Labor Laws of the Republic of Kazakhstan, international standards and a number of corporate documents:

- the Rules of Creation and Development of the Talent Pool of NC KTZ JSC and its branch organizations;
- the Rules of Employees' Performance Appraisal at NC KTZ JSC and its branch organizations;
- the Rules of Appraisal of Performance of the Key Personnel and Employees Directly Accountable to the Board of Directors of NC KTZ JSC and Employees Accountable to the Corporate Ombudsperson and the Corporate Secretary;

16 Approved by Resolution #11 of the NC KTZ JSC Board of Directors dated September 7, 2023.



The Policy is published on the Company's corporate web-site at: see [HR Policy of NC KTZ JSC for 2023–2028](#).

- the Rules of Certification of Employees from the Central Administrative Office of NC KTZ JSC;
- the Rules of Certification of Employees of Subsidiaries and Representative Offices of NC KTZ JSC;
- the Rules of Certification of Employees from Services Subordinate to the Board of Directors of NC KTZ JSC, etc.

The HR subdivisions of the corporate headquarters, subsidiaries and branch organizations of the Company shall be responsible for the implementation of the HR Policy.

The Board of Directors of NC KTZ JSC and the Committee for Appointments and Emoluments acting under the Board of Directors of NC KTZ JSC shall supervise the introduction of the HR Policy. The report of the progress in

the implementation of the HR Policy shall be annually submitted to them for consideration.

Efficiency of the HR Policy implementation shall be measured by the following key indicators:

- social stability and involvement of the employees;
- labor efficiency;
- maintenance of the labor turnover indicators (up to 14%);
- gender equality at the executive bodies and governance bodies;
- percentage of employees trained, assessment of the training efficiency;
- employees' assessment of the program for well-being management;
- satisfaction of internal customers with the HR-function;
- number of trained mentors, the average number of students per mentor per year, etc.

PERSONNEL BREAKDOWN

NC KTZ JSC is one of the largest employers in the Country. In 2023, the Company's headcount was 116,560 persons. The headcount grew

by 2.5% versus 2022 because of the return of the personnel number from the independent contractor agreements (ICA).

HEADCOUNT OF NC KTZ JSC, WITH A BREAKDOWN BY CATEGORIES, IN 2022 TO 2023, PERSONS GRI 405-1

Total, including:	2022	2023
	113,769	116,560
Members of the Management Board	50	52
women	6	5
up to 30 years old	0	0
31-50 years old	3	1
older than 51 years old	3	4
men	44	47
up to 30 years old	0	0
31-50 years old	26	29
older than 51 years old	18	18
Administrative personnel	7,058	6,932
women	4,101	4,034
up to 30 years old	364	360
31-50 years old	2,746	2,730
older than 51 years old	991	944
men	2,957	2,898
up to 30 years old	278	292
31-50 years old	1,929	1,883
older than 51 years old	750	723

Total, including:	2022	2023
	113,769	116,560
Operating personnel	106,661	109,576
women	22,243	22,044
up to 30 years old	2,560	2,706
31-50 years old	12,636	12,475
older than 51 years old	7,047	6,863
men	84,418	87,532
up to 30 years old	14,031	16,133
31-50 years old	46,524	48,657
older than 51 years old	23,863	22,742

	2022			2023		
	Board	Administrative personnel	Operating personnel	Board	Administrative personnel	Operating personnel
Share of men	88%	42%	79%	90%	42%	80%
Share of women	12%	58%	21%	10%	58%	20%
Share of employees under 30 years old	0%	9%	16%	0%	9%	32%
Share of employees from 31 to 50 years old	58%	66%	55%	58%	67%	54%
Percentage of employees over 51 years old	42%	25%	29%	42%	24%	14%

The main age group in the Company is employees over 31 and 50 years old. The share of employees under 30 years of age is a minority – 16.7% of the total number of personnel.

HEADCOUNT OF NC KTZ JSC, WITH A BREAKDOWN BY AGE, IN 2020 TO 2023, IN PERSONS

Total, including:	2020	2021	2022	2023
	119 071	112 581	113 769	116 560
Up to 30 years old	22,869	17,929	17,233	19,491
women	4,063	3,129	2,924	3,066
men	18,806	14,800	14,309	16,425
31-50 years old	63,228	62,835	63,864	65,775
women	15,600	15,431	15,385	15,206
men	47,628	47,404	48,479	50,569
Older than 51 years old	32,974	31,817	32,672	31,294
women	7,995	7,840	8,041	7,811
men	24,979	23,977	24,631	23,483

The great majority of the Company's employees (90.7%) work under the long-term agreement, whereas 9.3% of them are employed under term contracts.

99.9% of the employees are full-time personnel, and 0.1% of the employees are hired on a part-time basis.

The term of the contracts and employment of the personnel shall be determined in accordance with the labor legislation and the Company's internal local acts.

HEADCOUNT OF NC KTZ JSC, WITH A BREAKDOWN BY THE REGION AND GENDER IN 2022–2023, IN PERSONS¹⁷ GRI 2-7

Regions	Number of employees			
	2022		2023	
	Men	Women	Men	Women
Astana	6,749	4,031	6,015	4,028
Almaty	4,724	1,682	5,010	1,554
Shymkent	1,940	479	1,804	428
Pavlodar oblast	5,467	2,160	5,893	2,161
Almaty oblast	6,948	1,777	2,486	762
Kyzylorda oblast	5,434	923	5,709	879
Aktobe oblast	8,268	2,429	8,772	2,480
Atyrau oblast	3,607	1,247	3,805	1,336
Mangistau oblast	4,229	1,064	4,314	1,024
Akmola oblast	5,795	1,644	6,028	1,362
East Kazakhstan oblast	5,770	1,579	2,470	747
Zhambyl oblast	6,678	1,204	6,546	1,165
West Kazakhstan oblast	1,177	427	1,239	419
Karaganda oblast	9,543	2,927	9,222	2,608
Kostanay oblast	5,440	1,731	5,607	1,713
North Kazakhstan oblast	860	88	1,332	274
Turkestan oblast	3,690	514	4,135	577
Abay oblast	0	0	3,838	883
Zhetysu oblast	0	0	4,123	971
Ulytau oblast	0	0	992	228
Outside the Republic of Kazakhstan	1,100	444	1,137	484
TOTAL	87,419	26,350	90,477	26,083

¹⁷ The headcount at the end of the reporting period is the number of employees as of the last date of the reporting period, including employees hired and excluding those who left during the reporting period. An employee is included in the headcount from the date when he/she starts working (from the date when he/she starts performing labor duties) on the basis of a signed employment contract and an order to hire him/her. Calculation of the headcount is based on the daily record of the headcount of employees, which is confirmed by orders to hire employees, transfer them to another job and terminate their employment contracts.

HEADCOUNT OF NC KTZ JSC, WITH A BREAKDOWN BY THE TYPE OF EMPLOYMENT, IN 2020 TO 2023, IN PERSONS

Total, including:	2020	2021	2022	2023
	119 071	112 581	113 769	116 560
Permanent employees	116,416	109,926	99,408	105,705
women	26,451	25,193	23,837	23,988
men	89,965	84,733	75,571	81,717
Temporary employees	2,655	2,655	14,361	10,855
women	1,207	1,207	2,513	2,095
men	1,448	1,448	11,848	8,760
Full-time employees	119,071	112,581	113,451	116,465
women	27,658	26,400	26,154	26,026
men	91,413	86,181	87,297	90,439
Part-time employees	0	0	318	95
women	0	0	196	57
men	0	0	122	38

HEADCOUNT OF NC KTZ JSC DURING THE REPORTING PERIOD, WITH A BREAKDOWN BY THE TYPE OF EMPLOYMENT, IN PERSONS

Regions	Permanent employees		Temporary employees		Full-time employees		Part-time employees	
	Men	Women	Men	Women	Men	Women	Men	Women
Astana	5,697	3,700	318	328	6,015	4,028	0	0
Almaty	4,973	1,357	37	197	4,988	1,528	22	26
Shymkent	1,655	389	149	39	1,801	428	3	0
Pavlodar Oblast	5,182	1,952	711	209	5,893	2,161	0	0
Almaty Oblast	2,254	652	232	110	2,486	762	0	0
Kyzylorda Oblast	5,144	826	565	53	5,709	879	0	0
Aktyubinsk Oblast	7,556	2,240	1,216	240	8,771	2,471	1	9
Atyrau Oblast	3,371	1,252	434	84	3,803	1,335	2	1
Mangistau Oblast	4,079	970	235	54	4,309	1,022	5	2
Akmola Oblast	4,949	1,269	1,079	93	6,027	1,358	1	4
East Kazakhstan Oblast	2,131	696	339	51	2,470	747	0	0
Zhambyl Oblast	5,836	1,098	710	67	6,546	1,165	0	0
West Kazakhstan Oblast	1,087	363	152	56	1,239	419	0	0
Karagandy Oblast	8,381	2,446	841	162	9,222	2,607	0	1
Kostanai Oblast	5,039	1,619	568	94	5,607	1,713	0	0
North Kazakhstan Oblast	1,193	249	139	25	1,332	274	0	0
Turkestan Oblast	3,832	533	303	44	4,135	571	0	6

Regions	Permanent employees		Temporary employees		Full-time employees		Part-time employees	
	Men	Women	Men	Women	Men	Women	Men	Women
Ulytau Oblast	873	205	119	23	992	228	0	0
Zhetysu Oblast	3,935	868	188	103	4,123	971	0	0
Abay Oblast	3,429	826	409	57	3,834	875	4	8
Outside the Republic of Kazakhstan	1,121	478	16	6	1,137	484	0	0
TOTAL	81,717	23,988	8,760	2,095	90,439	26,026	38	57

HEADCOUNT OF NC KTZ JSC WHO WERE NOT EMPLOYEES IN THE PERIOD FROM 2022–2023, PERSONS GRI 2-8

Type of contract	Number of employees	
	2022	2023
Under service contracts	3,667	227
Outstaffing contract	23	385

Note: According to the current headcount methodology, personnel engaged under service contracts and outstaffing contracts are not included in the headcount. These categories of personnel are not involved in core activities and perform auxiliary functions/services.

DIVERSITY AND EQUAL OPPORTUNITIES

We believe the diversity to be the key to the creation of a strong corporate culture. NC KTZ JSC grants its employees equal access to the employment opportunities and professional development, irrespective of their gender, age, religion, ethnicity, disablement and other characteristics, and does not use either forced or child labor.

The Company strictly forbids any discrimination pursuant to the principles set forth by the Code of Business Conduct of NC KTZ JSC. The adherence to no- discrimination principle starts from the Board of Directors of the Company, which

monitors the compliance with provisions of the Code of Business Conduct.

In addition, the HR Policy stipulates the key objectives to prevent discrimination and ensure the diversity of the personnel:

- creation of an inclusive working environment, where individual differences are understood, respected and appreciated;
- employment of disabled persons in pursuance of the state policy on employment of the Country's population;
- gender equality in the composition of the executive and governance bodies.

GENDER EQUALITY

We are sure that the gender diversity improves the Company's performance by attracting and retaining more talented persons with various knowledges and ideas. This enriches the review of problems and promotes the adoption of efficient decisions thanks to the diversity of

views and approaches. Considering the specifics of the Company's operations, the personnel breakdown by gender is mostly represented by men (77.6%) of the total staff number. The percentage of women was 22.4%.

An increase in the number of women in the executive and governance bodies was included in the KPI of the NC KTZ JSC Chief of Staff (a member of the Managing Board) for 2023, which fact reflected the desire to create a more diversified managerial staff.

To achieve this goal, competences of the current members of the Board of Directors/Supervisory Board of the branch organizations (BD/SB) were

analyzed to create the BD/SB composition profile pursuant to provisions of the Corporate Governance Code and Rules of Creation of the BD/SB Compositions.

As a result of the work carried out, the percentage of women on the NC KTZ JSC Group's Board of Directors/NSBs was increased from 21% to 25%. Women's representation in executive and management bodies increased from 17% to 18%.

COMPOSITION OF THE BOARD OF DIRECTORS IN THE PERIOD FROM 2021 TO 2023 BY GENDER AND AGE, PERSONS GRI 405-1

Board of Directors	2021		2022		2023	
	Men	Women	Men	Women	Men	Women
NC KTZ JSC	9	0	8	1	8	0
up to 30 years old	0	0	0	0	0	0
31 to 50 years old	1	0	2	1	5	0
over 51 years old	8	0	6	0	3	0
Subsidiary organizations	39	10	40	12	34	14
up to 30 years old	0	0	0	0	0	1
31 to 50 years old	27	2	24	9	19	11
over 51 years old	12	8	16	3	15	2
TOTAL	48	10	48	13	42	14

	2021	2022	2023
Share of men	83%	79%	75%
Share of women	17%	21%	25%
Share of members of Boards of Directors under 30 years of age	0%	0%	2%
Share of members of Boards of Directors from 31 to 50 years old	52%	59%	63%
Share of members of the Boards of Directors over 51 years old	48%	41%	36%

COMPOSITION OF THE MANAGEMENT BOARD IN THE PERIOD FROM 2021 TO 2023 BY GENDER AND AGE, PERSONS

Management Board	2021		2022		2023	
	Men	Women	Men	Women	Men	Women
NC KTZ JSC	10	1	9	0	8	0
up to 30 years old	0	0	0	0	0	0
31 to 50 years old	4	0	4	0	4	0
over 51 years old	6	1	5	0	4	0
Subsidiary organizations	39	4	35	6	39	5
up to 30 years old	0	0	0	0	0	0
31 to 50 years old	25	3	22	3	25	1
over 51 years old	14	1	13	3	14	4
TOTAL	49	5	44	6	47	5

	2021	2022	2023
Share of men	91%	88%	90%
Share of women	9%	12%	10%
Share of Management Board members under 30 years old	0%	0%	0%
Share of Management Board members from 31 to 50 years old	59%	58%	58%
Percentage of Management Board members over 51 years of age	41%	42%	42%

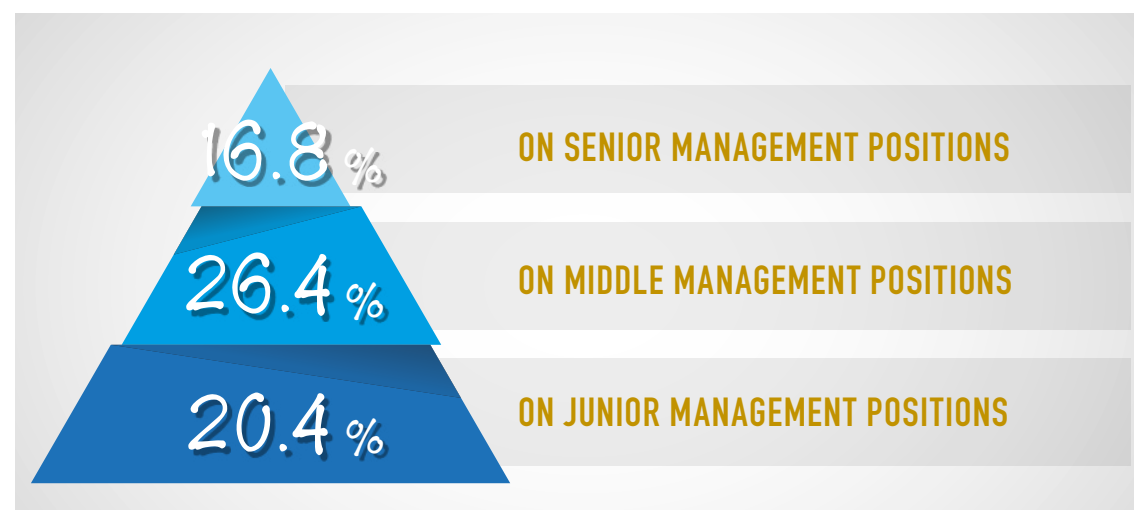
As part of the Gender Equality Programme to increase the proportion of women in state-owned management bodies, 13 female employees of NC KTZ JSC successfully completed training. In 2024, female employees will be considered for inclusion in the Board of Directors/NSBs, taking into account the requirements set out in the Corporate Governance Code and the Rules for the Formation of the Board of Directors/NSBs, as well as their competencies.

Also in 2023, employees of the United Nations Development Program conducted training for

NC KTZ JSC employees on the topics of "Gender Equality" and "Anti-Harassment", as well as an info session on "Human Rights through the Prism of Gender Equality".

In addition, an interactive installation "Untold Stories" was organized jointly with the UN, which is part of the UN global campaign "16 Days of Activism against Gender Violence". The purpose of the installation is to raise public awareness of the scale of violence in the country and to promote changes in attitudes towards this problem.

PERCENTAGE OF WOMEN AT EACH GOVERNANCE LEVEL OF NC KTZ JSC



Women holding positions earning income – 53.3%

Women holding STEM¹⁸ positions – 71.4%

Women holding managerial positions – 23%

LEVEL OF MEN AND WOMEN'S BASIC SALARIES IN THE REPORTING PERIOD GRI 405-2

	Administrative personnel ¹⁹	Operating personnel ²⁰
Basic salary		
women, in tenge	172,023	101,274
men, in tenge	172,023	101,274

¹⁸ Positions requiring scientific, technological, engineering, and mathematical knowledge.

¹⁹ Basic salary of a HR Specialist of Temirzholsu LLP (skill level 10).

²⁰ Basic salary of a courier of KTZ – Freight Transportation LLP (skill level 1).

There are no differences between basic salaries or in the remuneration payment system depending on gender differences. The salary is established depending on the position – men and women holding the same position receive the same

salaries and other remunerations pursuant to the Company's labor remuneration regulations.

Thus, there is no differentiation in labor remuneration based on gender differences in the Company.

EMPLOYMENT OF PEOPLE WITH DISABILITIES GRI 405-1

NC KTZ JSC strives to be inclusive and to create a supportive environment for all employees by providing jobs for people with disabilities. A total of 1,092 people with disabilities have been employed by the Company, including group 1 – 9 people, group 2 – 184 people, group 3 – 899.

The main posts the employees with special needs hold are electromechanical technicians, grade-crossing attendants, etc.

According to the Labor Code of the Republic of Kazakhstan, employees with special needs of groups 1 and 2 shall have reduced working hours – not more than 36 hours per week. It is not allowed to use the added up calculation of working hours for employees with disabilities from group 1.

Employees with special needs may be involved in working at night solely with their written consent, provided that such work is not forbidden for them because of ill health pursuant to a medical opinion.

Employee with special needs of the first and second disability groups are granted additional paid annual leaves at least six calendar days long.

According to the Collective Bargaining Agreement for 2024–2026, shorter working hours are established for persons with disabilities of groups 1 and 2: 36 hours (for a six-day working week) and 35 hours (for a five-day working week), while maintaining full labor remuneration.

NUMBER OF EMPLOYEES WITH DISABILITIES IN THE PERIOD FROM 2022 TO 2023 BY CATEGORY, PERSONS GRI 405-2

Number of employees with disabilities, persons	2022			2023		
	Top management	Administrative personnel	Operating personnel	Top management	Administrative personnel	Operating personnel
	0	78	968	0	87	1,005

ETHNIC DIVERSITY

The Company does not tolerate discrimination based on ethnicity. Our team consists of professionals with diverse national and ethnic backgrounds, as well as various religious beliefs and convictions.



HEADCOUNT OF NC KTZ JSC IN THE REPORTING PERIOD, WITH A BREAKDOWN BY ETHNICITY, IN PERSONS

Total, including:	Ethnicity					
	Kazakh	Russian	Ukrainian	Tatar	German	Other
women	21,480	3,194	495	270	181	463
men	79,373	7,288	1,214	603	496	1,503
Share of the total number, in %	86.5%	9.0%	1.5%	0.7%	0.6%	1.7%
Total in management positions, including:	8,977	559	114	59	36	129
women	2,050	205	36	28	14	45
men	6,927	354	78	31	22	84
Share of total number of managerial positions, %	90.9%	5.7%	1.2%	0.6%	0.3%	1.3%

TALENT ACQUISITION AND RETENTION

The successful talent acquisition and retention management is an important condition for ensuring the steady and successful development of the Company.

At all levels of the Company, the presence of promising, highly skilled, and motivated employees committed to achieving high results is ensured by the continuous development of internal talent pool and raising our own managerial staff capable of providing consistency and high effectiveness in achieving the Company's strategic goals, developing corporate culture, and maintaining the continuity of best business practices and corporate traditions.

The key approaches to the talent development and retention are as follows:

- the annual revision of the List of the Key Positions and Succession Plan with emphasis on the operating personnel;

- the determination of employees with a high potential based on the integral annual assessment;
- the assessment of the employees' competences;
- attraction of young talents under the "Zhas Temir" internship program.

The mentorship system is an integral part of the talent development and retention. More experienced managers share their experience and knowledge with the view of developing skills and competences.

Based on the results of selection in 2024, 40 employees were selected for the mentorship program, and an experienced mentor was assigned to each of them. In total, 21 mentors participate in the program.

ADMISSION TO JOB

The Company's personnel search and selection process is aimed to provide equal opportunities for all the candidates meeting the established qualifying requirements, and an unbiased assessment of the candidates' competencies. For the purpose of successful implementation of this process, the following approaches are used: the strict compliance with the competition procedures at all the search and recruitment stages, ensuring transparency of the procedure, including using the profiling and polygraph instruments, if necessary. In addition, it is required to use assessment methods adapted to each

position and focused on personal and business competences. To ensure inclusivity in the course of searching and selection of the candidates, discrimination based on ethnicity, gender, age or any other criteria is actively prevented. Finally, the candidates are provided with the timely and objective feedback throughout the selection process.

Pursuant to the Rules of Employment and Reassignment to Certain Positions in NC KTZ JSC, in the course of the employment process, the priority is mostly given to candidates

having the best combination of professional, personal and business features, which meet the qualifying requirements for the vacancy. If several candidates meet the said requirements, priority shall be given to persons of the following categories:

- those included in the Company's talent pool and the Presidential Youth Talent Pool;
- the Company's employees released/to be released;
- young specialists who have completed the course under the Company's educational grant;
- graduates of colleges and higher education institutions sent to take over vacancies

pursuant to the centralized distribution process;

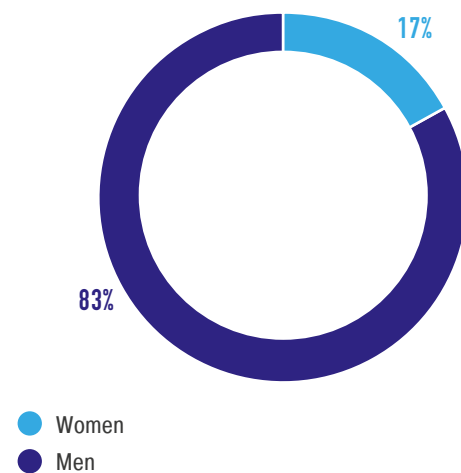
- graduates of young specialist development and talent management programs being implemented under the auspices of the Company and Samruk Kazyna JSC, winners of the "100 Young Faces" program.

The total number of persons employed in 2023 was 18,583 persons, including 15,651 persons were attracted from the outside, 2,932 ones through the internal staff transfers. In terms of different categories, these employees included 25 top managers, 986 managers, 3,073 specialists, 848 salaried employees and 13,651 workers.

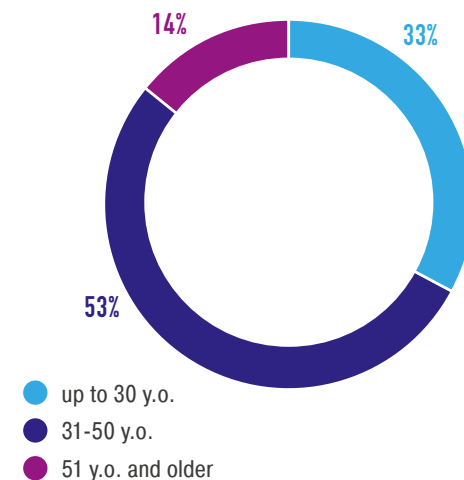
NUMBER OF PERSONS EMPLOYED BY THE COMPANY IN 2023, WITH A BREAKDOWN BY GENDER, AGE AND REGION, IN PERSONS GRI 401-1

Regions	Up to 30 years old		31 to 50 years old		Older than 51 years old	
	Men	Women	Men	Women	Men	Women
Total	5,329	710	7,979	1,954	2,070	541
Astana	444	191	888	581	264	137
Almaty	184	42	481	145	202	46
Shymkent	52	2	92	16	13	9
Pavlodar Oblast	440	49	779	154	204	53
Almaty Oblast	216	32	444	55	61	9
Kyzylorda Oblast	318	10	315	13	70	15
Aktyubinsk Oblast	387	64	554	130	161	62
Atyrau Oblast	227	23	286	64	98	13
Mangistau Oblast	192	10	150	33	46	19
Akmola Oblast	371	43	597	130	139	29
East Kazakhstan Oblast	137	5	235	51	61	7
Zhambyl Oblast	393	29	513	54	95	20
West Kazakhstan Oblast	70	10	131	20	25	6
Karagandy Oblast	615	66	631	151	141	45
Kostanai Oblast	371	37	552	178	124	21
North Kazakhstan Oblast	76	6	111	13	14	2
Turkestan Oblast	164	8	316	21	78	13
Ulytau Oblast	72	9	93	14	21	2
Zhetysu Oblast	456	57	392	76	143	18
Abay Oblast	118	17	371	42	92	14
Outside the Republic of Kazakhstan	26	0	48	13	18	1

EMPLOYEES HIRED BY THE COMPANY BY GENDER IN THE REPORTING PERIOD, %



EMPLOYEES HIRED BY THE COMPANY, BY AGE IN THE REPORTING PERIOD, %



NUMBER OF PERSONS EMPLOYED BY THE COMPANY IN 2020 TO 2023, IN PERSONS

	2020	2021	2022	2023
Total number of new employees, in persons	16,605	21,426	15,630	18,583
Percentage of open vacancies filled by internal candidates (internal employees), in %	49.65%	49.32%	15.27%	15.78%

INTERACTION WITH HIGHER EDUCATIONAL ESTABLISHMENTS

In the course of our interaction with the higher education institutions (universities) and secondary vocational educational institutions (SVEI) in 2023 we successfully implemented the following initiatives:

- signed 23 Memoranda of Cooperation with the profile universities and SVEI;
- approved the Road Map of interaction between NC KTZ JSC and the profile educational institutions for 2023–2024.

Pursuant to the signed Memoranda of Cooperation, an extensive program for interaction between NC KTZ JSC and educational institutions was implemented. The main achievements include:

- 1,038 students of the higher and secondary vocational educational institutions completed the professional internship at the NC KTZ JSC enterprises;
- experts from NC KTZ JSC delivered 11 guest lectures at the educational institutions;
- 30 teachers completed the upgrade training courses at the NC KTZ JSC training center;
- 3 teachers from the universities completed probationary training period at production sites of NC KTZ JSC;
- 612 students of Almaty College of the Academy of Logistics and Transport LLP completed the training under the dual system at NC KTZ JSC;

- 44 students of Almaty College of the Academy of Logistics and Transport LLP are employed as passenger car attendants under the “Summer students’ teams of passenger car attendants” project;
- A familiarization tour to the NC KTZ JSC enterprises was organized and held for schoolchildren from 32 schools in Astana, etc.

Pursuant to the current regulatory documents, NC KTZ JSC successfully implemented the following initiatives:

75 students of higher and secondary vocational educational institutions were awarded educational grants under the “Truck Line” program.

12 students of higher and secondary vocational educational institutions were awarded the scholarship of the Chairman of the Managing Board of NC KTZ JSC.

In the context of labor management, 47 graduates of the Academy of Logistics and Transport were selected for their further employment at the NC KTZ JSC enterprises.

EMPLOYEE TURNOVER GRI 401-1

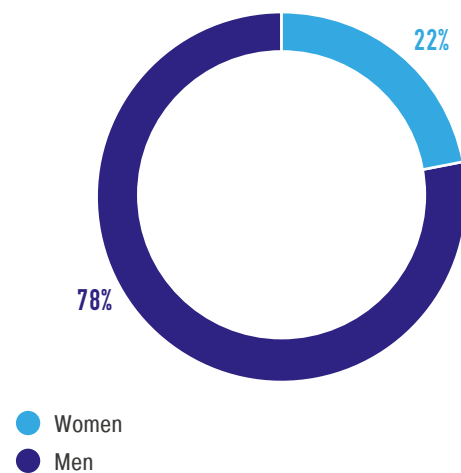
The number of employees whose labor contracts were terminated in the reporting period amounted to 15,793 persons (including 12,681 persons left the Company and 3,112 persons were transferred within the Company), or 9% more than in 2022.

NUMBER OF EMPLOYEES WHO LEFT THE COMPANY, WITH A BREAKDOWN BY CATEGORIES, IN PERSONS

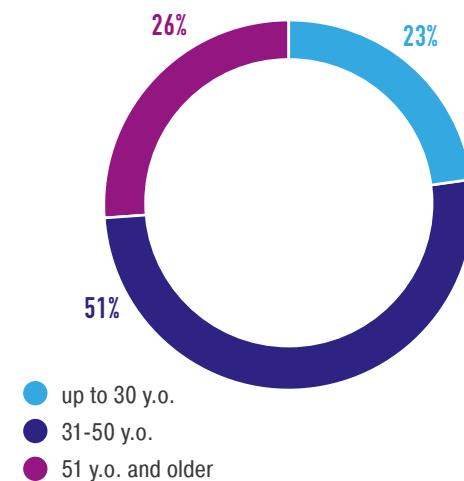
Regions	Up to 30 years old		31 to 50 years old		Older than 51 years old	
	Men	Women	Men	Women	Men	Women
Total	3,013	609	6,045	1,956	3,241	929
Astana	351	201	758	580	439	186
Almaty	152	46	432	153	322	73
Shymkent	34	0	77	17	53	20
Pavlodar Oblast	198	46	471	124	290	59
Almaty Oblast	172	15	346	81	97	20
Kyzylorda Oblast	119	6	219	33	159	39
Aktyubinsk Oblast	237	31	399	139	215	87
Atyrau Oblast	127	20	199	66	105	41
Mangistau Oblast	48	6	138	49	77	22
Akmola Oblast	246	48	329	117	193	48
East Kazakhstan Oblast	103	8	256	60	127	20
Zhambyl Oblast	187	19	356	60	237	55
West Kazakhstan Oblast	29	7	82	28	41	19
Karagandy Oblast	313	64	610	190	229	85
Kostanai Oblast	247	35	469	115	175	73
North Kazakhstan Oblast	39	1	88	10	31	5
Turkestan Oblast	72	4	145	23	162	25
Ulytau Oblast	23	2	105	6	16	6
Zhetysu Oblast	230	43	273	39	132	14
Abay Oblast	75	5	246	45	100	28
Outside the Republic of Kazakhstan	11	2	47	21	41	4



EMPLOYEES WHO LEFT THE COMPANY DURING THE REPORTING PERIOD, WITH A BREAKDOWN BY GENDER, IN %



EMPLOYEES WHO LEFT THE COMPANY DURING THE REPORTING PERIOD, WITH A BREAKDOWN BY AGE, IN %



LABOR TURNOVER IN 2020 TO 2023, IN %

	2020	2021	2022	2023
Total turnover rate, in %	8.2	11.1	12.7	13.5
Voluntary turnover, in % ²¹	7.9	10.6	7.2	7.5

SOCIALLY RESPONSIBLE LABOR DISMISSAL

To achieve the personnel mild dismissal goals without any social tension, the Program on Socially Responsible Dismissal of the Personnel was adopted in 2020.

The goal of the Program is to ensure social stability within the work force by means of the most acceptable and economically justifiable for the employees and the Company instruments in pursuance of the measures aimed at the improvement of the Company's operating efficiency.

One of such instruments was the Early Retirement Program. The Early Retirement Program is supposed to ensure a painless optimization of the headcount through the voluntary early retirement of the Company's employees. Employees who have 5 or less years, or in exceptional cases 6 or less years before their retiring age according to the laws of the RoK, may become participants of the Program and receive a compensation depending on their official salary and length of employment.

In 2023, 357 persons were optimized. Of the released employees, 90 people took advantage of the Early Retirement Program. The main part of the released staff in the amount of 231 people are employed by the group of NC KTZ JSC.



Iskakov Dinmuhamed, 9 months old

²¹ The indicator takes into account the following reasons for termination of an employment contract: termination of an employment contract by agreement of the parties (Article 50 of the Labor Code of the Republic of Kazakhstan); at the initiative of an employee (Article 56 of the Labor Code of the Republic of Kazakhstan).

EMPLOYEE PERFORMANCE APPRAISAL GRI 404-3

The annual employee performance appraisal is conducted by the Company throughout the calendar year and includes several significant phases: setting goals, regular monitoring, performance assessment, due diligence and giving the regular and constructive feedback to employees based on the performance appraisal results.

The appraisal and feedback processes are permanent and integral parts of the HR management procedures. Immediate supervisors shall continuously monitor the progress in achievement of the goals by employees throughout the year, providing the timely and informative feedback regarding the performance and revealing any goosenecks.

There are 3 types of the formal employee performance appraisal:

- 1) Regular due diligence – assessment of the employees' achievements in terms of the goals set /KPI and competences for the reporting period. The results of this assessment form the basis for the preparation of the Talent Map, which shall define further HR management steps.
- 2) Regular monitoring of the degree of the goal achievement – a semiannual process of the systematic monitoring of the goals achieved.
- 3) Non-regular assessment of competences/skills and knowledge – an assessment of employees' professional competences to be carried out using internal resources and/or by engaging external suppliers.

This appraisal method shall be used depending on the business needs and includes the appraisal/development centers, collection of feedback using the "360/270/180" technique, as well as vocational tests.

The integral performance appraisal covers employees included in the grade labor remuneration system of the Company and its branch organizations.

Based on the integral performance appraisal results, the immediate supervisor shall issue his/her feedback stating the efficiency of the work, strengths, need for the employee's training and development, as well as potential revision of the remuneration amount according to the performance appraisal results.

The flexible conversations are an important component of the appraisal process and give an opportunity for a deeper exchange of opinions and ideas between the supervisor and the employee. This contributes to a better understanding of the employee's needs, creates a favorable atmosphere for the development and improves the motivation for learning and growth.

In the reporting year, the results of a comprehensive performance evaluation of the Company's employees for 2023 were summarized. The assessment covered 88% of employees, including NC KTZ JSC's central office – 86%, branches – 90%, and subsidiaries – 87%.

In 2023, 3 385 employees were covered by the comprehensive performance evaluation.

NUMBER OF EMPLOYEES COVERED BY GENDER-DISAGGREGATED COMPREHENSIVE PERFORMANCE APPRAISAL IN THE PERIOD FROM 2021 TO 2023, PERSONS

	2021		2022		2023	
	Women	Men	Women	Men	Women	Men
Total number of employees receiving regular performance and career development reviews	1,730	1,416	1,456	1,665	1,819	1,566
Total number of employees by gender	26,400	86,181	26,350	87,419	26,083	90,477
Percentage of employees receiving regular performance and career development reviews	7%	2%	6%	2%	7%	2%

Note: Data for 2021 and 2022 have been changed due to adjustments at the Automation and Digitalization Directorate, a branch of NC KTZ JSC.

NUMBER OF EMPLOYEES COVERED BY COMPREHENSIVE PERFORMANCE APPRAISAL BY CATEGORY IN THE PERIOD FROM 2021 TO 2023, PERSONS

	2021			2022			2023		
	Top management	Administrative staff	Production staff	Top management	Administrative staff	Production staff	Top management	Administrative staff	Production staff
Total number of employees receiving regular performance and career development reviews	45	3,146	0	44	3,121	0	59	3,385	0
Total number of employees in each category	116	7,771	104,694	110	6,998	106,661	108	6,876	109,576
Percentage of employees receiving regular performance and career development reviews	39%	40%	0%	40%	45%	0%	55%	49%	0%

In 2023, the new Rules of Creation of the Talent Pool of NC KTZ JSC were approved. According to the Rules, the strategic and functional Succession Plans were developed for 1,166 employees of the Company, its subsidiaries and branch organizations.

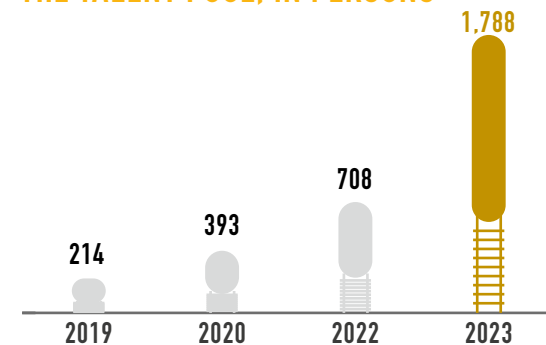
For the successors of the regional/line levels (from among deputies heads of the regional level and line managers), the corporate leadership program was elaborated for 2024. The program is aimed to develop the managerial competences, raise the level of the corporate culture and introduce the ESG principles.

Also, 622 high-potential employees (8-9 cells of the talent map) were included in the talent pool, in addition to 1,166 successors, based on the results of the regular comprehensive performance evaluation for the 2022 reporting period, and 711 employees for 2023.

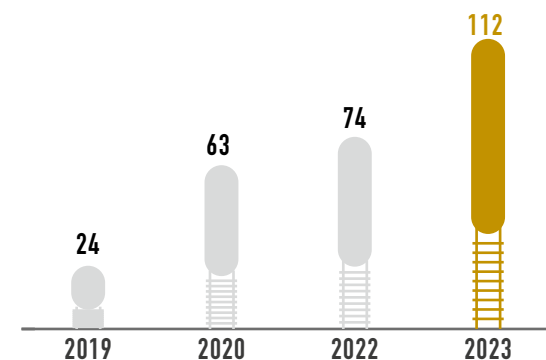
The MiniMBA training program was specially developed for employees included in the talent pool. The training program is aimed at the development of the key managerial skills. It is adapted to the mastering of specific practical techniques to manage the business processes.

To ensure the continuity of the business processes and proactive planning of human resources, as well as to improve professionalism of employees of all the levels, the Rules of Rotation of Employees of the Company and its branch organizations are being elaborated. The Rules are aimed at the rational distribution and efficient use of the personnel, as well as at the development and retention of highly competent specialists, whereas creating conditions for the improvement of their satisfaction and motivation.

NUMBER OF EMPLOYEES INCLUDED IN THE TALENT POOL, IN PERSONS



NUMBER OF EMPLOYEES WHO WAS SUBJECT TO THE ROTATION, IN PERSONS



FINANCIAL INCENTIVES

The Company views the employee financial incentives as an important instrument. It is one of the key factors to maintain the social stability, improve the employees' living standards and socioeconomic situation.

In 2023, a number of measures were implemented to improve employee financial incentives, including:

- from January 1, salaries were raised by 5% and from March 1, 2023 – by 15%, furthermore, the main operating personnel's salary grew by 20% in 2023;
- the work was done to ensure further replication of the operating personnel current bonus system using the Index of Labor Distribution (ILD). The current bonus system covers 85% of the operating personnel. Besides, 46 stations

introduced the pilot project for the incentive bonuses payable for the business performance in the traffic utilities (growing freight turnover, reduced transportation cost);

- on the occasion of the International Women's Day, March 8, a one-time premium was paid to women working at the Company;
- one-time premiums were paid on the occasion of the Day of the Republic of Kazakhstan, the Independence Day of the Republic of Kazakhstan, Nauryz Meiramy, as well as the professional holiday Day of Transport Workers.

In the result of measures being implemented, the average monthly salaries grew within the NC KTZ JSC Group by 29% versus 2022.

AVERAGE MONTHLY SALARIES, WITH A BREAKDOWN BY CATEGORIES, IN TENGE

	2020	2021	2022	2023
Administrative and managerial staff	345,763	417,192	525,578	690,903
Growth versus the previous year, in %	9	20.7	26	31
Operating personnel	192,649	236,287	329,206	427,367
Growth versus the previous year, in %	10	22.7	39	30

RATIO OF THE EMPLOYEES' MINIMUM SALARIES (WITH A BREAKDOWN BY GENDER) TO THE SPECIFIED MINIMUM SALARY, IN THE REPORTING PERIOD GRI 202-1

Minimum salary	
women, in tenge ²²	126,593
men, in tenge ²³	126,593
minimum salary ²⁴	70,000

²² Size of the salary of a courier of KTZ – Freight Transportation LLP (skill level 1).

²³ Size of the salary of a courier of KTZ – Freight Transportation LLP (skill level 1).

²⁴ Minimum salary in the Republic of Kazakhstan, established by Law #163-VII ZRK "On the Central Government Budget for 2023-2025" dated December 1, 2022.

SUPPORT FOR THE PERSONNEL

COLLECTIVE BARGAINING AGREEMENT

GRI 401-2

The recruitment package for the employees of NC KTZ JSC is set forth by the Collective Bargaining Agreement for 2021–2023 between NC KTZ JSC and its workforce (the “Collective Bargaining Agreement”).

The Collective Bargaining Agreement requires from NC KTZ JSC to ensure the provision of medical support to its employees. For this purpose, NC KTZ JSC, to the extent of the relevant specified budget, provides insurance for its employees on an annual basis in due order by purchasing the voluntary medical insurance services to be rendered of its employees fall ill (the “VMI”).

To maintain the social stability and apply the unified policy for the social support of its personnel, the entire Group of the Company has a same insurance program.

NC KTZ JSC insures its employees with the view of improving the recruitment package services, for them to be able to receive a highly competent medical aid if an employee or his/her family members encounter any health problems.

In addition, the Collective Bargaining Agreement provides for the following social support for the employees:

- financial assistance in connection with a child birth, burial, registration of marriage, in case of extremely important events, which give rise to unpredictable financial costs incurred by the Company’s employees and their families, young railway specialists, who have arrived under the distribution program, on the occasion of the Youth Day, Defender of the Homeland Day, September 1; the Day of Persons with Special Needs, and the Family Day;
- compensation of railway transport costs – up to one time a year;
- issue of vouchers to the employees on preferential terms for sanatorium and resort rehabilitation;
- compensation of costs related to dental prosthetic rehabilitation – once per 2 years;
- incentives payable to employees on the occasion of jubilees: 55th birthday for women, and 60th birthday for men;
- incentives payable to women on the occasion of the International Women’s Day, March 8;
- organization of the summer health-improving rest for the employees’ children, organization of the New Year children’s matinees, etc.

In 2023, expenditure on social support for NC KTZ JSC employees amounted to 13.4 billion tenge, including:

- pension supplements and lump-sum benefits for those retiring in the amount of 582 mln tenge;

- providing pensioners with funds to improve and maintain their health in the amount of 918 mln tenge;
- material assistance to employees for the birth of a child, burial of an employee, marriage registration, health improvement in the amount of 3,839 mln tenge;
- material assistance to employees for health improvement, allowances for employees raising disabled children as single parents, etc. in the amount of 8,048 mln tenge;

Also, the following activities are implemented in 2023 for an amount of 3.1 billion:

- carrying out cultural, educational, health-improving and other activities;
- provision of meals to employees, or payment of monetary compensation;
- payment of additional compensation to dismissed employees in excess of the amount established by the Law of the Republic of Kazakhstan, etc.

In addition, the Collective Bargaining Agreement requires from the Company to notify its employees and their representatives of any material changes in the Company’s activities, which affect the personnel’s working environment (about a down time declared – at least fifteen calendar days prior to the down time, of the abolition of a structural subdivision – at least one month prior to the abolition). In case of an increase in staffing, employees dismissed due to downsizing (within the last six months) shall be notified of the vacancies available to the employees.

GRI 402-1

For the purposes of improving awareness of the NC KTZ JSC employees of the terms and conditions of the Collective Bargaining Agreement, available guarantees and privileges, as well as in order to establish more transparent and efficient communications regarding the Company’s HR, the following measures are implemented.

In connection with the above, the regional and line operational sites of the subsidiaries and branch organizations introduce the HR stands, hold info sessions with the HR services, as well as organize offsite HR audits and meetings with the workforce. In addition, for the sake of employees’ convenience, reminder card and brochures are prepared with regards to the HR management matters.

According to the 2023 results, the share of employees covered by the Collective Bargaining Agreements, was 100%.

GRI 2-30

Furthermore, the employees’ working conditions, which are not included in the Collective Bargaining Agreements, shall be in compliance with the Labor Code of the RoK. The employment and labor remuneration terms and conditions are

subject to the separate local acts of the employer. The differences relate to the availability of some social benefits, which are not stipulated by the employer’s local acts.

NUMBER OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS AND BELONGING TO TRADE UNIONS IN THE REPORTING YEAR

Total number of employees, persons	116,560
Number of employees covered by collective bargaining agreements, persons	116,560
Total number of trade union employees, persons	96,215
Share of employees covered by collective bargaining agreements, %	100
Share of employees covered by trade union, %	82.6

TRADE UNIONS

The Company has been closely cooperating with “Kazakhstan Industry Trade Union of Railway, Automobile, Air and Water Transport” Public Association.

In 2021, the Industry Agreement covering social and labor aspects was signed between the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan, NC KTZ JSC, other railway entities and “Kazakhstan Industry Trade Union of Railway, Automobile, Air and Water Transport” Public Association 2021–2023.

The Industry Agreement sets forth the minimum social protection coverage available to the employees, their families and pensioners, who shall be compulsorily covered by the Collective Bargaining Agreements. The parties to the Agreement do not restrict the rights of the employers or employees to extend the scope of such social protection coverage.

“Kazakhstan Industry Trade Union of Railway, Automobile, Air and Water Transport” Public Association and the Company recognize this Agreement as the main social partnership document. The Agreement stipulates the general

principles of pursuing a coordinated social and labor policy aimed to improve the performance of the entities operating in the railway industry, the living standards and to strengthen the protection of the employees’ socioeconomic and labor rights.

The obligations of “Kazakhstan Industry Trade Union of Railway, Automobile, Air and Water Transport” Public Association are stipulated by the Company’s Collective Bargaining Agreement.

In 2023, the two supplementary agreements to the Collective Bargaining Agreement were signed based on the results of the joint meetings of the Commission and the Trade Union. The supplementary agreements provided for the following improvements:

- the amount of the temporary disability social allowance was increased for employees who have worked at the railway industry for up to 15 years – from 15 to 25 MCI; those who have worked at the railway industry for over 15 years – from 30 to 35 MCI.
- Pursuant to the Law “On holidays in the Republic of Kazakhstan,” the national holiday, Republic Day, was added as an occasion for the payment of one-time bonuses.

PARENTAL LEAVE

GRI 401-3

The Company grants equal opportunities to men and women. In particular, it grants a parental leave to any employees, irrespective of their gender, although experience shows that this

opportunity is rather used by women than men. In 2023, 291 men and 3,496 women took parental leave.

TOTAL NUMBER OF EMPLOYEES WHO WERE ELIGIBLE FOR A PARENTAL LEAVE IN 2023, IN PERSONS

	TOTAL	Men	Women
Total number of employees who were eligible for parental leave	116,560	90,477	26,083
Total number of employees who took the parental leave	3,787	291	3,496
Total number of employees who returned to work during the reporting period at the end of the parental leave	1,330	98	1,232
Total number of employees who returned to work at the end of the parental leave (in 2022) and continue to work within 12 months after their return to the work	2,065	139	1,926
Number of employees who should have returned to work at the end of their parental leave in 2023	1,323	111	1,212
Number of employees who returned to work at the end of the parental leave in 2022	2,127	139	1,988
Return to Work coefficient, in %	101	88	100
Retention factor, in %	97	100	97

SOCIAL STABILITY

The polls of the employees allow to follow up the trends in social welfare, satisfaction with working conditions, and psychoemotional state of the workforce. This gives an opportunity to analyze the level of social stability at the enterprises.

In total, the Company carried out two types of the polls in 2023:

- surveys based on Samruk Research Services, which were conducted by Samruk-Kazyna JSC;
- polls in the framework of industrial relations monitoring, which were conducted by the Company.

The Samruk Research Services surveys are conducted twice a year among the operating personnel, and cover the topics of the questions related to the personnel engagement rate, social well-being and social peace. The poll covers about 10 thousand employees of the NC KTZ JSC Group or at least 10% of the total number of the operating personnel. Based on the poll results, plans of corrective measures, as well as top managers' KPI are to be established. In addition, the poll findings shall be presented on an annual basis by representatives of Samruk-Kazyna JSC to the members of the Company's Board of Directors.

The poll in the context of the industrial relation monitoring shall be also conducted twice a year and cover both the operating personnel and the administrative and managerial staff.

In 2023, each poll's perimeter included at least 25 thousand employees (at least 25% of the total staff number). The questionnaire contained questions of the following aspects: health and safety, sanitary and household conditions and quality of medical services, protective clothes and personal protective equipment, uniforms, internal communications, awareness of the recruitment package, training and corporate culture.

The poll results help the concerned business subdivisions of the Company and branch organizations find out goosenecks and prioritize the measures to improve the working conditions.

In particular, according to the 2022 poll results, in 2023, the Company implemented the working environment improvement program, pursuant to which measures were taken at the linear enterprises to repair buildings and welfare facilities, to purchase sanitary and domestic modular buildings, furniture and household appliances.

INDUSTRIAL RELATIONS

Measures to Improve Conditions for the Employees

Since 2022, NC KTZ JSC has been persistently implementing measures to improve sanitary and household conditions at the linear enterprises, in particular, repairing the buildings/premises, renewing furniture and household appliances.

In 2023, in the course of implementation of the industrial relation standard (industrial relations), the Company allocated 20 billion tenge (3.5 billion tenge in 2022) with the view of:

- repairing 228 buildings, 465 premises and 37 resort houses for the locomotive crews;
- installing 1,224 warming posts for the operating personnel;
- installing 137 modular buildings;
- acquisition of 384 motor vehicles;
- delivery of over 17 thousand furniture items, over 2.1 thousand household appliances;
- delivery of over 2.8 thousand labor saving tools and 4 motor locomotives.

Similar measures, including repair of buildings/premises, resort houses for locomotive crews, acquisition of modular buildings, etc. have been planned for 2024.

Interaction with Employees with the View of Receiving Feedback

There is the Nysana hotline operating in the Company. The hotline is integrated with the common data base of complaints and inquiries from the Fund.

HUMAN RIGHTS

In its operations, the Company attaches the high importance to the respect for and protection of human rights. Being parties to the UN Global Compact, as adhere to its principles, including: support and respect for the internationally proclaimed human rights, support for freedom of association and the effective recognition of the right to collective bargaining, elimination of all forms of forced and forced labor, complete elimination of child labor, etc.

In addition, the Company is committed to the principles of respect for human rights, including:

- the right to work – compliance with the laws, provision of jobs, a decent salary, ensuring occupational health and safety, as well as compliance with requirements for the working hours and leaves.

In total, in 2023 the total number of complaints and inquiries fell by 13% versus the previous year, from 548 to 482. In particular, the percentage of collective requests dropped by 49% (from 177 to 89 ones) and the number of requests sent to the major branch organizations decreased versus the previous year, as well as the total number of complaints and requests to the governmental bodies (office of public prosecutor, courts, executive bodies) decreased by 61% versus the previous year (105 requests in 2022 versus 40 ones in 2023).

In addition, the Company has the Rules for Establishment of Internal Communications for Social and Labor Relationships at Subdivisions of the Regional and Linear Levels of NC KTZ JSC and its branch organizations (#894-CZ dated 07.12.2021).

Pursuant to the above Rules, heads and trade union leaders regular hold meetings with the workforce.

In 2023, over 650 meetings were held, which were attended by more than 25 thousand employees.

In addition, in pursuance of the industrial relations standards (industrial relations), employees of the regional and linear subdivisions were polled as to their satisfaction with the industrial relations.

In 2023, two polls were conducted. Over 57 thousand employees were polled. The poll included the following topics: health and safety, sanitary and living conditions, quality of medical examinations, quality of special clothes, uniforms and PPE, level of internal communications, awareness of the recruitment package, awareness of the trainings and corporate measures.

- the right to social welfare – provision of social benefits, including medical insurance, paid leave and other social guarantees.
- the right to equality and no discrimination – compliance with the principles of equality and no discrimination on the basis of gender, age, ethnicity, religion or other reasons.
- the right to education and advanced vocational training – granting employees the opportunities to learn and upgrade their skills.
- the right to safety and health – ensuring occupational health and safety, including provision of the requisite protective equipment and health training.

- the right to respect for honor and dignity – respect for the employees' dignity and protection of their rights and freedom from violence, discrimination or derogation.

In 2023, the Company adopted the Human Rights Activity Plan of NC KTZ JSC for 2024, which contains a wide number of measures,

including human rights explanatory works, making amendments to the internal regulations of the Company, holding info sessions in partnership with experts, monitoring of requests and complaints, as well as review (internal audit/ revision) for the correctness of labor remuneration and working conditions.

DEVELOPMENT OF THE PERSONNEL GRI 404-2

Training and professional development are the key components of the successful operations of the Company. These include the development of professional skills, personality traits and leadership abilities, which promote the career growth and the increase in employees' professional value.

Investing in the employees' training and development is an efficient way to improve the efficiency and loyalty of the employees, which, in turn, improve the Company's performance. Training and development grant the employees new opportunities to improve the level of their knowledge and professional growth, i.e. improves their confidence, motivation and satisfaction with the work.

The Company regularly works to develop the professional, personal and business, as well as managerial competences of its employees.

At present there are five active training centers at the Company. They are located in different regions of the Country. 22,034 employees were training by the training centers in 2023 (versus 22,102 employees in 2022), the total number of employees trained during the reporting period was 38,918 persons (41,295 employees in 2022), for the total amount of 1.9 billion tenge (1.7 billion tenge in 2022).

The average amount spent to the training and development was 49 thousand tenge per employee.

The Company has more than 50 highly competent internal trainers being experts in the relevant fields. In 2023, the internal trainers trained over 8,000 employees in personal and business subjects, such as conflict management, stress resistance, effective communications, client-oriented approach, digital skills, performance management, etc.

As a part of the "Bilim Expressi" mobile training delivered by the internal trainers, over 6,000 employees of the Company of a regional level were trained in subject: "Stress resistance," "Conflict management," "Client-oriented approach" and "Effective communications."

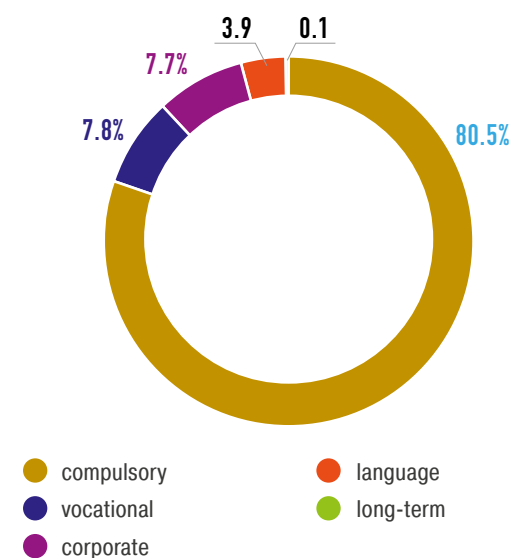
GRI 404-2

AVERAGE NUMBER OF TRAINING HOURS PER YEAR PER EMPLOYEE FOR THE REPORTING PERIOD, WITH A BREAKDOWN BY GENDER AND CATEGORY GRI 404-1

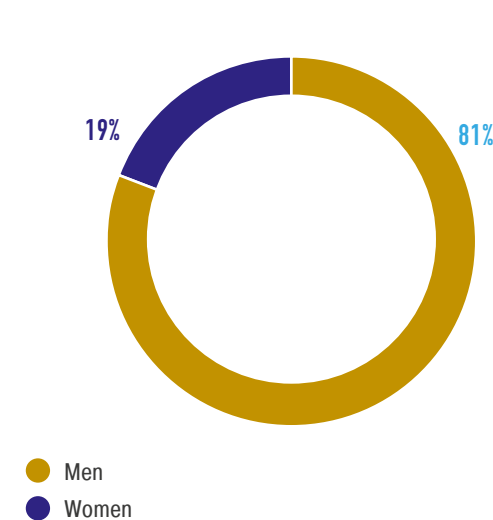
Personnel training	Top managers	AMP	Operating personnel
Total number of employees' training hours per year, with a breakdown by category and gender	200	150,582	1,578,723
Total number of employees of each category and gender (average staff number)	108	6,876	109,576
Average number of training hours per employee of each category and gender	1.85	21.90	14.41

Personnel training	2023	
	Women	Men
Total number of employees' training hours per year, with a breakdown by category and gender	298,297	1,431,207
Total number of employees of each category, with a breakdown by gender (average staff number)	26,083	90,477
Average number of training hours per employee of each category, with a breakdown by gender	11.44	15.82

EMPLOYEE TRAINING IN THE REPORTING PERIOD, WITH A BREAKDOWN BY PROFILE, IN %



EMPLOYEE TRAINING IN THE REPORTING PERIOD, WITH A BREAKDOWN BY GENDER, IN %



CORPORATE PROGRAMS

In 2023, to create the professional community, develop professional competences and improve employees' qualifications in order to raise the level of traffic safety and reduce occupational injuries, the following "First line" corporate modular training programs were implemented: "Algy Shep" for 33 Chief Engineers, "Kasibi Shamshyrak" for 53 instructor locomotive drivers and the "Kauipsizdik Sakshylary" program for 85 traffic safety supervisors.

The educational programs were developed on the basis of the employees professional competence matrix, taking into consideration their functional competences.

The key methods included engagement of external providers, as well as internal trainers and experts of the Company, holding interactive classes, practical exercises, networking and feedback from profile experts.

Upon completion of the Program, the attendees were issued certificates of advanced training.

In addition, the "First line" program for the Chief Engineers of NC KTZ JSC was adopted as a typical OSJD program according to the results of the 25th Meeting of the OSJD temporary working group for the rail transportation training.

The Traffic Safety Supervisors Development Program was implemented as a part of the integration process. Safety supervisors from the Kyrgyz Railways and Bogatyr Komir LLP participated in the process. The training was delivered by highly competent teachers from the Academy of Logistics and Transport, Almaty, and the RZD Corporate University, Moscow.

CHARITABLE ACTIVITIES AND SPONSORSHIP

The unified charity support policy of the Samruk-Kazyna JSC Group is implemented by the "Samruk-Kazyna Trust" Corporate Fund.

The Company, in turn, creates conditions required to render support to low-income citizens and underprivileged people through the corporate volunteering activities. This does not only allow employees to contribute to the social development and the environment, but also strengthens the interrelations between fellow employees.

In 2023, corporate volunteers rendered support and implemented a number of events and measures, including:

- organization of celebration of the state, national holidays, as well as the professional holiday, Day of Transport Workers;
- the festive events on the occasion of the Child Protection Day, Knowledge Day and Day of Older Persons;
- the Get the Children Ready for School event organized for families with multiple children, who live at distant stations and rail junctions;
- the New Year Tree Granting Child's Wishes event for children with special needs on the New Year eve;

CARE FOR PENSIONERS

The Central Council of Railway Veterans has been functioning at NC KTZ JSC to provide social support to the non-working retirees.

In pursuance of this Program, the personnel visit ill and single pensioners at their homes and hospitals, congratulate the anniversary celebrants on the occasion of memorable dates and provide consulting, explanatory and practical assistance.

In addition, the Company's non-working retirees get a recruitment package, which includes an annual free trip, sanatorium-resort therapy,

- the Food Basket and Domestic Coal for the Winter events for single veterans and retirees of the industry.

In 2023, in response to the requests from over 40 employees of the NC KTZ JSC Group for a financial support due to illnesses, accidents and other circumstances, a fund raising was organized through the messages sent via the corporate mail and publication of articles in the "Kazakhstan Temirzholshty" newspaper calling for voluntary donations from other employees of the Company. These measures allowed to collect a considerable amount of money to render assistance to the employees in need.

To develop the corporate volunteering activities, in 2023, the Corporate Volunteer of NC KTZ JSC competition was held, when bonuses were awarded on a competitive basis under the five categories: Caring for the Elderly, Caring for Children, Care for Nature, Development of the Environment and Society, Sports and Health.

The total amount of the person-hours spent by the volunteers exceeded 30 thousand.

one-time financial aid once they are 70, 80, 90 and 100 years old, as well as financial aid according to the resolution of the Commission for Consideration of Social and Domestic Issues and by the holidays, such as the Day of Transport Workers and Victory Day.

During the reporting period, over 9,000 employees and pensioners improved their health, including over 3,000 employees underwent the sanatorium-resort therapy at the health care center named after Saken Seifullin, which is subordinate to KTZ-Freight Transportation LLP.

CARE FOR YOUNG EMPLOYEES

The Company pays special attention to the development of the youth talent pool and for this purposes pursues the corporate youth policy.

The updated Youth Policy Program of the Company and its branch organizations for 2023-2026 was approved in June 2023.

The goal of the Program is to create the socioeconomic, organizational, and legal conditions and guarantees for the employees' social involvement and development, their most complete personal empowerment for the benefit of NC KTZ JSC.

The Youth Policy Program is aimed to improve the professional skills, to raise the corporate spirit, to develop the system of the youth's engagement and adaptation, to ensure their engagement in the task solving process, spiritual and moral development, and promotion of the healthy lifestyle and sports. In pursuance of the Youth Policy, the following projects are being implemented:

- the "100 Young Faces of KTZ" young specialist development program
- the "Zhas Uzdik Maman" professional skills competition
- the KVN (Club of the Funny and Inventive) movement

- the "Temirzhol Bilgirleri" League of Intellectual Games
- the school of corporate volunteering activities
- the "TieOFF" project has been launched on the Company's YouTube channel.

"100 Young Faces of KTZ" Young Specialist Development Program

The goal of the Program is to promote the ideas of ethics, meritocracy, professionalism and active loyalty through the examples of specific young employees of the Company.

In 2023, the pool of the 100 Young Faces of KTZ underwent a modular training aimed at the development of personal and business competences. In addition, ESG challenges were launched among the participants, in particular, ones related to environment and social responsibility.

"Zhas Uzdik Maman" Professional Skills Competition

The goal of the competition is to raise the prestige of worker occupations, to improve the labor efficiency and motivation of the young employees.



Yesengalieva Madina, 13 years old

The competition consists of the two phases – the regional and national levels. It is organized amongst representatives of the five popular worker occupations of the railway industry.

Over 300 persons of the following five professions participated in the regional phase of the competition in 2023:

- Track serviceman;
- Overhead line switchman;
- Passenger car attendant;
- Operator for carriage document processing;
- Freight and baggage acceptance/delivery agent.

According to the results of the regional phase, 52 employees were qualified for the national phase, which is held annually in the city of Astana. Winners and awardees are to receive financial aid pursuant to the Collective Bargaining Agreement.

School of Corporate Volunteering Activities

The "School of Corporate Volunteering Activities" project was launched in 2023. It gathered the Companies' employees engaged in volunteering activities on a consistent basis from across the Country. The Forum of Volunteers was held in Astana. 120 employees of the Company participated in the event. As a part of the Forum, the "Corporate Volunteer of NC KTZ JSC" competition was launched, where the prizes were awarded on a competitive basis under the following five categories: "Caring for the Elderly," "Caring for Children," "Care for Nature," "Development of the Environment and Society," and "Sports and Health."

HEALTHY LIFESTYLE PROMOTION

NC KTZ JSC is a participant of the International Railway Sports Association (USIC), which unites 16 countries.

To promote the healthy lifestyle and physical training in 2023, the Company held 318 sports events in all the regions. Over 16.9 thousand persons attended the events.

In addition, 2.7 thousand railway workers participated in the 245 sports events organized by the local executive and third-party entities. 22.4 thousand employees are participants of the sports groups. 14.8 thousand employees practice industrial gymnastics.



GOAL 6. TO ENSURE RAIL TRAFFIC SAFETY

The top priority of the Company is to ensure the railway traffic safety, safe working environment and protection of employees' health and life.

The strategic initiative stipulated by the Strategy of NC KTZ JSC is aimed to improve the transport safety management process and to achieve the zero accident target.

TRAFFIC SAFETY

The Company's underlying traffic safety document, which sets forth requirements for planning, implementation, monitoring and continuous improvement of the traffic safety management system is the Guidelines on Traffic Safety Management System. The Guidelines were elaborated in compliance with requirements of the regulatory legal acts of the Republic of Kazakhstan, the international standard ISO9001:2015 and local acts of the Company pertaining to traffic safety.

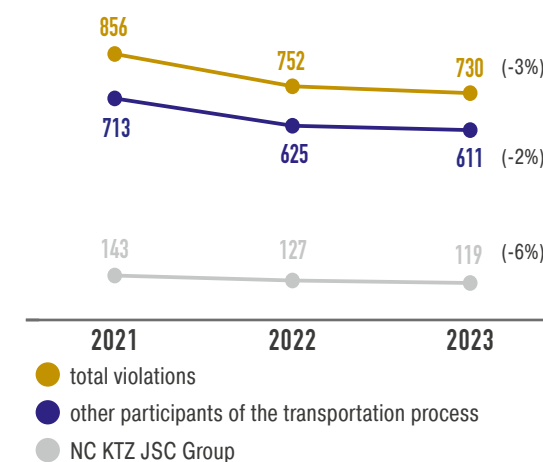
The priority objectives related to safety of the train traffic are as follows:

- to ensure protection of human life and health;
- to ensure safekeeping of the goods, rolling stock, and infrastructure facilities;
- ensure the specified traffic safety level;
- to minimize the implications of traffic accidents.

In 2023, all the participants of the transportation process managed to reduce the number of traffic safety violations at the backbone network by 22 incidents versus 2022. There were 730 violations in total (752 violations in 2022).

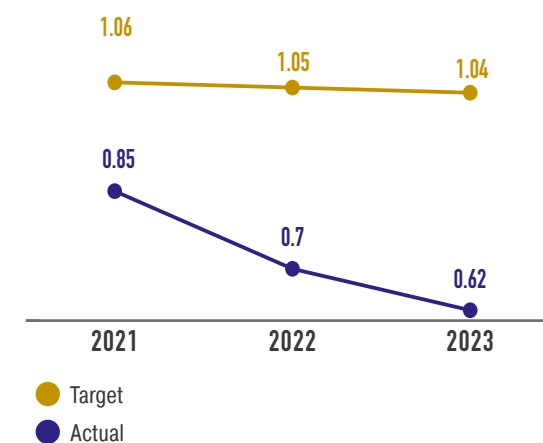
The number of violations of the traffic safety rules by the NC KTZ JSC Group fell by 6% versus 2022, to 119 violations (127 violations in 2022), or 16% of the total number of violations.

TRAFFIC SAFETY VIOLATIONS BY ALL THE PARTICIPANTS OF THE TRANSPORTATION PROCESS, IN INCIDENTS



The "Level of traffic safety" improves from year to year. According to the 2023 results, the Company achieved the target value established by the Resolution of the Board of Directors of NC KTZ JSC.

TARGET TRAFFIC SAFETY LEVEL, IN INCIDENTS/MILLION TRAIN-KILOMETERS



In 2023, the Company continued to implement the measures aimed to improve the situation with the train traffic safety. This allowed the Company to maintain the positive dynamics of the traffic safety indicators.

So, during the reporting year, certain measures were taken in the following areas:

- the number of injuries caused to persons at the railways was reduced;
- over 6 thousand meetings were held to cover over 194 thousand persons;
- approximately 4 thousand surprise inspections were carried out, including fines imposed under the administrative law;
- 573 public speeches and publications in mass media;
- over 5 thousand employees were trained;
- highly-acclaimed employees were awarded and received cash bonuses;
- over 10 thousand rolling stock items were repaired and underwent maintenance;
- 557 km of the tracks underwent the overall repair.

The Company's structural subdivisions and branch organizations took a set of system measures aimed to improve the traffic safety and regular personnel management system, to enhance reliability of the infrastructure facilities and rolling stock.

Measures were taken to develop the Safe Traffic Culture, including to improve the working environment, incentives for the Company's employees for the prevention of violations of the traffic safety rules, as well as to ensure the personnel development and training.

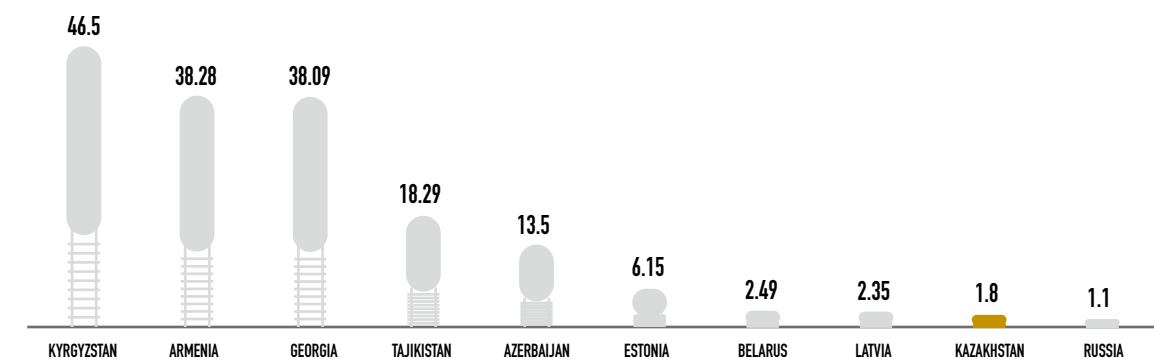
In addition, pursuant to the Rules of Organization of the Track Diagnostic Operations²⁵, railway tracks undergo diagnostics to ensure a high level of traffic safety.

The scope of the track diagnostics includes the hundred percent inspection of the technical condition, detection of areas, and identification of the fault/failure cause endangering safety of the traffic, compromising the established course of the transportation process or requiring the urgent, as well as scheduled preventive maintenance.

The frequency of the inspection of laid rails, welded joints and metal parts of the switch assemblies shall be in compliance with the above Rules.

443,496 km of the tracks were inspected in 2023 using diagnostic aids.

SPECIFIC NUMBER OF VIOLATIONS OF THE TRAFFIC SAFETY RULES, IN TOTAL/ MILLION TRAIN-KILOMETERS²⁶



The comparative analysis of the railway administrations' safety performance in the international traffic between the CIS member states according to the 2023 results showed that the number of the Company's violations

of the train traffic safety per million train-kilometers is less than those of the above railway administrations, except for the Russian one.

²⁵ Approved by Order #1125 of the NC KZT JSC Chief Engineer dated December 29, 2017.

²⁶ Source: Directorate of the Council for Railway Transport of the CIS Member States.



The Guidelines are published on the Company's corporate web-site at: see [Guidelines on Health and Occupational Safety Management System](#).

HEALTH AND SAFETY GRI 3-3, 403-1, 403-8, 403-10

Employees of the Company are its core asset. Therefore, ensuring safe working conditions for employees and protecting their health in the course of the Company's activities are indisputable tasks of particular importance.

The industrial safety processes are managed in compliance with the Guidelines on Health and Occupational Safety Management System²⁷. The Guidelines are elaborated in accordance with the requirements of ISO 45001:2018 and GOST 12.0.230. The Guidelines are an underlying

document to regulate health and occupational safety management at the NC KTZ JSC Group.

The occupational safety management system is to ensure labor safety and protection of health of the Company's employees, subcontractors and other stakeholders, who may be exposed to hazards attributable to the activities of the Company and its branch organizations.

The Guidelines are applicable to the Company and its branch organizations and shall be binding upon all its employees.

COMPLIANCE OF THE MANAGEMENT SYSTEM WITH THE INTERNATIONAL STANDARDS

The Company is subject to an annual external audit and is to confirm its compliance with the international and national occupational safety, health and environment standards.

In 2023, KTZ NC JSC successfully underwent the recertification external audit. The compliance with the ISO 45001:2018 requirements is proved by the certificate issued by the Company's international auditors, TUV Thuringen Kazakhstan LLP.

HAZARD IDENTIFICATION AND RISK ASSESSMENT GRI 403-2

Hazard identification, risk assessment and incident investigation are the essential aspects ensuring the industrial safety. For this purpose, the Company regularly assesses the risks and identifies the potential hazards, conducts audits and inspections, as well as develops the action plans to be followed in case of any accidents and incidents.

The investigation of incidents plays the key role in the identification of the main causes of incidents and prevention of their further reoccurrence. To identify hazards and assess the risk efficiently, employees regularly attend trainings and receive the information of the safety rules, as well as the necessity to wear the personal protective equipment and follow the safe work practices.

The Company adopted the "Hazard and Environmental Aspect identification, Assessment and Industrial Safety Risk Management in NC KTZ JSC and its Branch Organizations" Standard²⁸. The goal of the Standard is to ensure a unified procedure for hazard and environmental aspect identification and assessment, and industrial safety risk management at NC KTZ JSC.

In 2023, within the context of assessment of the risks and potential hazards, the hazards were identified by the working groups from subdivisions of the network, regional and line offices.

At the NC KTZ JSC Group governance level, the working group was led by the Chief Engineer of NC KTZ JSC. The working group included employees from industrial safety services of the Company's central administrative office and subdivisions of the network governance level.

The subdivisions where accidents had been recorded carried out an off-schedule assessment of the risks and potential hazards.

Based on the hazard identification findings, 470 material risks were included in the Company's register. There were, inter alia, 6 risks in the red zone of the industrial safety risk map, which are deemed critical, including: locomotive and rolling stock collision, road traffic incidents, employees' falling and electric shock, handling operations, employees' falling from elevations.

To mitigate these risks, the Company has adopted and implements the Action Plans, which provide for preventive measures, including the Fund's Industrial Safety Action Plan (which includes 38 objectives in the following areas: people, equipment, and emergency prevention). In addition, as a part of the proactive measures, the Plan for Prevention of Fatalities for 2022–2026 has been elaborated and implemented. 25 of 33 scheduled measures have been implemented under the Plan. Besides, measures are being actively introduced to prevent electric traumas under the Plan for 2021–2025 (21 measures have been implemented thereunder).

When working out the comprehensive measures in 2023 with the view of improving safety and labor conditions for 2024, the risk-oriented approach was used. This involved the prioritizing of measures aimed to eliminate/minimize the inadmissible and material risks.

Based on the results of the fatal accident investigations, a number of measures were worked out, including:

- the long-term Action Plans were revised and updated by means of inclusion of the system measures aimed to improve the safety culture. The goals set forth by such Plans are specific, measurable, achievable, relevant and temporary (according to the "SMART" principle);
- videos were created to train the personnel and improve their safety awareness;
- the educatory and awareness events were held, including the "Safety Months," workshops and schools of best practices were organized, the "Open House Days" were held for children, school-goers and students;
- the internal regulations, including industrial safety standards, instructions and regulations were revised;
- the Plan for Technical Upgrading of Obsolete and Worn Out Equipment, Facilities with the Operation of Which is Associated with Higher Risks of Accidents and Incidents with Sever and Fatal Outcome Due to Their Technical Condition for 2024–2027, was elaborated and approved;
- the "LOCKOUT/TAGOUT" (LOTO) components of the power supply lockout system were installed at 2,590 facilities;
- the four VR-courses were developed with regards to various safety aspects, such as Fire Safety Basics, semi-railcar detraining, replacement of the adjustment switch, acceptance of the locomotive. The VR scores were forwarded to the Regional Training Centers and introduced in the specialist training and upgrade training processes.

To improve the occupational injury preventive measures, safe working conditions for the employees, the Company held the "Work Safely – Safe the Life" Month. Reportedly, the human mistake factor and the employees' unsafe actions are the main reasons for the accidents occurred.

During the Month, the business subdivisions and branch organizations of the Companies worked out and approved the inspection and event schedules.

In additional, the employees of the corporate level from the Technical Policy Department and the Labor Safety and Ecology Inspectorate organized visits to the regions where the majority of incidents had been recorded.

The Behavioral Safety Dialogue (BSD) is an important proactive measure to be implemented by the Company in order to prevent the occupational injury risks, during which the employees identify unsafe conditions and hazardous actions when performing industrial processes.

In 2023, 118,583 BSDs were held, in the result of which 98% of the identified non-conformances were remedied, including 1,672 work stoppages, 70,987 hazardous conditions and 5,781 Near Miss incidents.

At the end of the Month, pursuant to Instruction #CZ-1/6648 dated 25.09.2023, all the managers were required to raise the BSD norm during the period from September 25 to December 22, 2023 with the view of identification of the employees' "dangerous actions" in violation of the technological processes.

For the said period, 85,285 BSDs were held, or three times more than for the same period of the previous year (22,069), thanks to which the number of fatalities did not exceed the last year's level.

In addition, the Company informs its employees of the hazardous production factors and situations using different methods, including review of the job descriptions, target and off-schedule briefings, technical classes, informational materials ("Safety Alerts," "Newsletters," posters) published in the "Safety Share" module on the IS IS, as well as their dissemination through the EDF and corporate electronic mail.

²⁷ Approved by the Resolution of the Management Board of NC KTZ JSC dated 24.10.2023 (minutes No. 02/29)

²⁸ Approved by the Resolution of the Management Board of NC KTZ JSC dated 01.09.2023 (No. 614-CZ)

VISION ZERO

Safety. Health. Wellbeing.

In January 2019, NC KTZ JSC joined the International Social Security Association (ISSA), which shares the principles of the "Vision Zero" concept.

The main idea of this concept is that accidents occur in the production site due to a specific reason. By formulating the active prevention culture, such reasons can be eliminated, and accidents caused by them in the production site, injuries and occupational diseases may be prevented.

Now the IS IS mobile application allows responding to incidents of any kind, including accidents, events having an adverse impact on the environment, Near-Miss incidents, as well as incidents of occupational diseases and deterioration of health.

In pursuance of the "Vision zero" international program, i.e. the concept for the achievement of the Zero Accident, Chairman of the Managing Board of NC KTZ JSC, N.Y. Sauranbayev signed the Right to Stop the Works commitment, which authorizes each employee of the Company to stop any unsafe works being an immediate threat to life and health.

STOPPAGE OF WORKS

From 2019, pursuant to the Rules for Organization of the Behavioral Safety Dialogue, NC KTZ JSC introduced the option that allows each employee to stop any unsafe works, provided that their continuation would jeopardize human life and health.

For this purpose, it is required to enter the relevant event in the automated system using the mobile application. Thereafter, the managers shall consider the event and take measures to remedy the revealed shortcomings and to prevent the further reoccurrence thereof.

It is important to emphasize that the exercising of the right to stop the unsafe works will entail no negative consequences for the employees. The Company adheres to the principle, according to which safety of its employees is prioritized. Therefore, the Company supports and encourages employees who care for their own safety and safety of his/her fellow employees.

In 2023, this opportunity was taken by 1,675 employees (638 employees in 2022).

HEALTH AND INDUSTRIAL SAFETY MEASURES

In 2023, the Company continued to improve the working environment, prevent occupational injuries and occupational diseases. 2,106 measures were implemented.

7,854.6 million tenge was spent to improve the working environment and labor protection.

EXPENSES TOWARDS HEALTH AND INDUSTRIAL SAFETY MEASURES IN 2023, IN MILLION TENGE

	2020	2021	2022	2023
Total	4,158.2	4,417.4	4,685.2	7,854.6
Labor protection	2,877.7	2,927.0	3,317.9	5,026.6
Fire safety	500.4	576.6	613.6	512
Industrial safety	263.3	414.4	523.1	2,067.3
Training	482.3	438.3	227.7	245.5
Other	34.5	61.1	2.9	3.2

In 2023, NC KTZ JSC spent 67.4 thousand tenge towards measures aimed to improve the working environment and labor protection per employee on average (33.4 thousand tenge in 2022).

EMPLOYEE COUNCILS GRI 403-4

There are 222 Councils operating at the Company. The Councils are an integral part of the health management system and one of the forms of the employees' involvement in the health and safety management. The main objectives of the Councils are as follows: to continuously improve the employees' health and working environment through the improvement of technological processes, technical fit-out, improvement of the employees' qualifications and timely provision of the employees with personal protective equipment; the personnel's active involvement in the safety and security work; the reduction of the number of industrial injuries and prevention of fatalities.

In 2023, there were 950 meetings of the Councils held together with the employees' representatives in charge of industrial safety.

To identify the hazardous working environment, the Councils include technical inspectors. The total number of the Company's trained technical inspectors in charge of labor protection is 1,300 persons. Their duties include inspecting the working environment, preparation of propositions to improve the working environment and labor safety, as well as the possibility to shut down certain processes, workshops, jobs and operation of equipment and mechanisms.

In 2023, the technical inspectors carried out 13,946 inspections, in the course of which 20,533 violations were revealed.

INDUSTRIAL INJURIES GRI 403-9

NC KTZ JSC seeks to protect its employees from occupational injuries and to achieve the zero accident rate.

In 2023, there were 87 incidents, including 25 controlled ones and 62 uncontrolled²⁹ ones. Injured workers – 51 (including controlled – 34, uncontrolled – 17); 8 fatal incidents (6 controlled, 2 uncontrolled), 22 severe incidents (17 controlled, 5 uncontrolled), 21 moderate and mild incidents (11 controlled, 10 uncontrolled).

The Company's average (controlled incidents) Lost Time Injury Frequency Rate (LTIR³⁰) in 2023 was 0.17, i.e. was higher than in 2022, hence, it caused an increase in the target value by 0.02. Damage of property amounted to 555,140 thousand tenge, or exceeded the 2022 level (397,481 thousand tenge).

In 2023, the total number of worked hours was 199,407,517 person-hours, TRIR³¹ was 0.04, FAR³² – 0.03, and the Near Miss³³ rate was estimated at 5.79. Rate of occupational injuries with severe consequences (excluding fatalities) – 0.09.

The key types of occupational injuries were as follows:

- impact by moving, flying, rotating items and component parts;
- the victim's fall;
- falling from elevations;
- electric shock;
- road traffic incident;
- collapse failure, caving, fall of items, materials, soil, etc.;
- occupational disease and toxic exposure;
- rail traffic accident (collision);
- incidents of other types.



²⁹ The controlled and uncontrolled incidents related to the labor activities shall be classified according to the protocols of in-house and special investigations of occupational accidents.

³⁰ The rate is calculated on the basis of 1,000,000 worked hours.

³¹ Accident rate.

³² Fatality Accident Rate.

³³ Near Miss rate.

INDUSTRIAL INJURIES WITH A BREAKDOWN BY GENDER, REGIONS, AND ACCIDENT RATE

Regions	Total number (of accident victims)	Including					
		Gender		Age			
		Women	Men	up to 35 y.o.	36-45 y.o.	46-50 y.o.	51 y.o. and older
TOTAL (controlled and uncontrolled)	51	4	47	13	12	13	18
ACCIDENT RATE: TEMPORARY DISABILITY							
Total (controlled)	11	1	10	2	2	2	5
Akt'yubinsk Oblast	1	0	1	0	1	0	0
Atyrau Oblast	9	1	8	1	1	2	5
East Kazakhstan Oblast	1	0	1	1	0	0	0
Total (uncontrolled)	10	1	9	3	2	1	4
Akmola Oblast	3	0	3	2	1	0	0
Almaty Oblast	1	0	1	1	0	0	0
Mangistau Oblast	1	0	1	0	1	0	0
Abay Oblast	1	0	1	0	0	0	1
Zhambyl Oblast	2	0	2	0	0	1	1
Turkestan Oblast	2	1	1	0	0	0	2
ACCIDENT RATE: SEVERE							
Total (controlled)	17	2	15	3	3	3	8
Akmola Oblast	3	1	2	0	1	0	2
Akt'yubinsk Oblast	2	0	2	1	0	0	1
Almaty Oblast	1	0	1	0	0	1	0
Zhambyl Oblast	1	0	1	0	0	1	0
Karagandy Oblast	4	0	4	0	2	1	1
Mangistau Oblast	1	1	0	1	0	0	0
Pavlodar Oblast	3	0	3	1	0	0	2
Zhetysu Oblast	1	0	1	0	0	0	1
Atyrau Oblast	1	0	1	0	0	0	1
Total (uncontrolled)	5	0	5	2	1	1	1
Akmola Oblast	1	0	1	0	1	0	0
Akt'yubinsk Oblast	2	0	2	0	0	1	1
Zhambyl Oblast	1	0	1	1	0	0	0
Turkestan Oblast	1	0	1	1	0	0	0
ACCIDENT RATE: FATALITIES							
Total (controlled)	6	0	6	3	1	1	1
Turkestan Oblast	1	0	1	1	0	0	0
Akmola Oblast	1	0	1	0	0	1	0
West Kazakhstan Oblast	1	0	1	1	0	0	0
Abay Oblast	2	0	2	1	0	0	1
Kyzylorda Oblast	1	0	1	0	1	0	0
Total (uncontrolled)	2	0	2	0	2	0	0
Kostanai Oblast	2	0	2	0	2	0	0

TRANSPORTATION SAFETY

Our Company operates 1,667 vehicles, which are used to transport employees and managers to/from operational areas.

In 2023, there were 6 road traffic accidents, when 11 employees suffered, including 3 employees killed.

To reduce the risks of incidents, we take measures to train the drivers in defensive driving practices.

So, in 2022 a certified entity trained 54 motor vehicle drivers under the Defensive Driving program.

Besides, as a part of the efforts being made under instructions of the Fund, the vehicles are being fitted with the GPS/Glonass system, which allows tracking the speed rate and location of the vehicles.

FIRE SAFETY

In 2023, 80 fires occurred in the KTZ Group, a decrease of 20% compared to 2022 (100 fires in 2022).

The fires were caused by: violations of the Fire Safety Regulations (62.5%); fire spread from the steppe (14%); short circuit (10%); technical malfunction (5%); steppe fires (6%); and violations of the rules for freight loading and transportation (2.5%).

In 23 cases, fire-fighting trains and trucks of the Non-State Fire-Fighting Unit (the "NSFFU") owned by NC KTZ JSC were engaged under the Resource and Facilities Deployment Plan approved by the territorial executive agencies to fight fires at localities, in forest and steppe areas, as well as by the third-party organizations to assist the Emergency Department units.

To prevent the fires, the Company takes the following measures:

- the fire prevention measures (fire safety audits, expert evaluations by independent organizations, elaboration of corrective actions depending on the cause of the fires at the fixed installations and rolling stock, quarterly fire safety reports, monthly results of fire safety inspections);
- the fire prevention training (minimum fire safety compliance course with process-oriented exercises related to the fire warning and fighting, fire prevention briefings, joint exercises);
- interactions with the central and territorial authorized fire safety and transportation agency, local executive agency, peasant households and organizations (attending the Interdepartmental State Commission meetings, round tables, conferences, and sessions with concerned institutions and governmental bodies);
- the NSFFU department control for the compliance with the Fire Safety Regulations by the NC KTZ JSC Group (fire safety audits – intensive ones in the course of the spring inspection, control ones during

the autumn inspections by the commission, and unscheduled audits – after the fire, special-purpose ones – according to instructions of the Ministry of Industry and Infrastructure Development, the Emergencies Ministry, the public prosecutor's office, Department of Internal Affairs on Transport (DIAT) and other agencies);

- review of the fire safety condition at all fire safety management levels;
- holding meetings with the participation of the Emergencies Ministry and expert organizations;
- holding meetings with farmers, written addresses to the rural Akims to prevent the fires before and during the fire-hazardous period;
- the implementation of measures according to the fire risk mitigation plan applicable to the railway right-of-way along the railroad tracks;
- the creation of roving patrols to monitor areas along the railroad tracks during the fire-hazardous period;
- the organization of the timely notification of the engine crew of any actual forest steppe fires in the vicinity of the railroad tracks;
- the interaction with the Emergency Department, satellite monitoring of the fire beds in the regions;
- determining the facilities exposed to the fire risks according to the violation and prevention analysis results.

In addition, the following events were organized in 2023:

- 130 exercises on fire prevention by the units of the Company's business subdivisions and branch organizations;
- 266 exercises on fire prevention held in liaison with the Emergencies Department, with the assistance of the State Fire-Fighting Services;
- 286 emergency training exercises under the incident response plan;
- 87 emergency response drills under the incident response plan.

INDUSTRIAL INJURIES PREVENTION

The following measures were implemented in 2023 to prevent occupational injuries:

- 2,014 health and safety stands were purchased;
- 1,740 health and safety warning symbols were purchased (they shall be placed on the equipment);
- 108 hand-held signal lamps were purchased for the passenger car attendants;
- 1,193 safety belts were purchased for the passenger car attendants;
- over 118 thousand unsafe acts or conditions were reported by the Company's employees through the IS IS;
- the cash bonus was received by 321 employees of the operating personnel category for the prevention of near miss situations.

HEALTH MANAGEMENT AT THE CONTRACTOR ORGANIZATIONS

GRI 403-7

When purchasing goods, works and services in liaison with its suppliers, the Company requires from its suppliers to take the requisite measures and to comply with the regulatory legal acts of the Republic of Kazakhstan pertaining to safety, health, fire safety and environmental matters.

The Company adopted the "Safety management during performance of the works by contractor organizations at NC KTZ JSC and its branch organizations" corporate standard, which sets forth the obligations to comply with the legal acts and local acts of the Company, to hold kick off meetings and to provide the introductory health and safety briefings (IBs) with the subcontractors' personnel, as well as to monitor the compliance therewith.

2,176 audits were carried out in 2023 to verify the compliance with the industrial safety

requirements by the contractor organizations. Ultimately, 709 non-conformances were revealed and successfully remedied.

In addition, the key contractors and suppliers were polled in 2023 regarding their compliance with the ESG principles. The questionnaires were sent to 43 key suppliers and contractors. The questionnaires covered the following areas: labor protection, sanitary and living conditions; salaries and remunerations; work organization and work schedule; benefits and recruitment package; internal communications and ethical conduct, as well as nondiscrimination matters.

According to the poll results, all the 9 residents polled substantially comply with the ESG principles.

and managers in compliance with the Labor Code, requirements of the authorized bodies and local acts of Samruk-Kazyna JSC and NC KTZ JSC.

EMPLOYEE TRAINING

GRI 403-5

One of the key preventive measures within the health and safety management system aimed to reduce the number of accidents at work, is safety rules training of specialists, employees

NUMBER OF EMPLOYEES ATTENDED THE HEALTH AND SAFETY TRAININGS IN 2023, IN PERSONS

Subjects of the training	Number of employees trained
In compliance with the laws of the RoK	24,467
labor protection	2,587
industrial safety:	11,353
Industrial safety (40 hours)	959
Industrial safety (10 hours)	7,351
fire safety	1,071
Electric safety	854
Ecology	292
Beyond requirements of the laws of the RoK	42,889
Safe work culture	20,747
Course "Basic work at heights safety training"	1,019
Course "Basic machinery and equipment operation safety training"	776
Course "Isolation of energy sources"	1,300
Course "Occupational hazard and risk management"	3,700
Course "Basic electric safety training"	1,300
Course "Basic confined space entry safety training"	755
Course "Basic hot work safety training"	1,487
Course "Basic earth work safety training"	3,424
Course "Hand safety"	985
Course "Basic occupational hygiene and industrial sanitary training"	3,700
Course "First aid measures. Using the defibrillator"	3,700
Course "Incident investigation"	3,700
Course "Prevention of injuries for the office personnel and servicing entities"	85
NEBOSH (National Examination Board in Occupational Safety and Health international certificate)	25
IOSH Managing Safely (International safe working practices certificate)	105
Defensive driving	54
Total	67,356



INDUSTRIAL SAFETY FORUM

The 5th Industrial Safety Forum was held in 2023 at NC KTZ JSC under the slogan: "Discipline. Security. Safety." The event proved to be a momentous event and a large platform for experts in health and safety.

Safety matters and measures required to reduce the accident rate were discussed during the Forum. Speakers shared their experience of introduction of the new technologies and best labor safety practices.

Managing Director – Corporate Governance, Social-Labor Relationships and Health Samruk-Kazyna JSC Gibrat Auganov, a member of the Board of Directors of NC KTZ JSC,

Independent Director Alexander Schierhuber, a representative of Austrian Federal Railways Edith Schindlebahr, the heads of NC KTZ JSC and its branch organizations, railway divisions and backbone railway network, as well as international HSE experts participated in the Forum.

The Forum acknowledged employees who demonstrated excellent health and safety performance.

In addition, an exhibition of the state-of-the-art personal protective equipment, medical devices, VR technologies and digital work area safety solutions was organized as a part of the Forum.

HEALTH AND SAFETY SKILL CONTEST

The Health and Safety Skill Contest was held in 2023. The main objective of the event was to improve the occupational skills of employees of the regional and linear levels.

In contention for the championship, participants of the Skill Contest had to complete the three stages. During each stage, specialists demonstrated knowledge of most challenging issues related to health and safety.

In total, 13 employees participated in the Skill Contest. The best employees' achievements were acknowledged with prize-winning places and separate nominations.

The Health Skill Contest is still the leading professional competition and one of the best platform of excellence.

INTEGRATED INDUSTRIAL SAFETY SYSTEM

The automated Integrated Industrial Safety System (IS IS) has been successfully functioning at the Company. The System includes the following modules: internal controls, behavioral safety dialogues, incident, emergency, safety alerts and newsletters management, environment protection, industrial facility work conditions certification process, questionnaire survey, and safety shares.

Over 100 thousand employees are the users of IS IS. Using his/her mobile application, each employee may shutdown the unsafe operations, if he/she notices a potential threat to his/her safety or safety of his/her fellow employees.



Alataeva Amira, 7 years old

MOBILE PLATFORM IN FIGURES



NUMBER OF EMPLOYEES COVERED BY THE OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM IN THE REPORTING YEAR, PERSONS GRI 403-8

2023	
For all employees	Total number
	Number of employees covered by the health and safety management system at the workplace 100,243 ³⁴
	Percentage of employees covered by the health and safety management system at the workplace 86%
	Number of employees covered by a workplace health and safety management system that has undergone an internal audit 1,052 ³⁵
	Percentage of employees covered by a workplace health and safety management system that has undergone internal audits 1%
	Number of employees covered by a workplace health and safety management system that has been externally audited or certified by an external party 1,972
	Percentage of employees covered by a workplace health and safety management system that has been externally audited or certified by an external party 2%

34 The number of employees is indicated according to the unloading from the IS IS system.

35 The number of employees is specified according to the Recertification Audit Report for ISO 9001, ISO 14001, ISO 45001, ISO 50001.

2023		
For all workers who are not employees but whose work and/or workplace is controlled by the Company	Total number	612
	Number of employees covered by the health and safety management system at the workplace	0
	Percentage of employees covered by the health and safety management system at the workplace	0%
	Number of employees covered by a workplace health and safety management system that has undergone an internal audit	0
	Percentage of employees covered by a workplace health and safety management system that has undergone internal audits	0%
	Number of employees covered by a workplace health and safety management system that has been externally audited or certified by an external party	0
	Percentage of employees covered by a workplace health and safety management system that has been externally audited or certified by an external party	0%

PLANS FOR 2024

The plan for the coming year mostly concerns the typical focus areas, however, there are some aspects requiring special attention. In particular, it is planned to elaborate a mid-term road map to improve the Company's health, safety and security (HSS) management system. The road map will be the key document to set forth the strategic HSE objectives in the mid-term. It will be used to administer the operations of the business subdivisions and branch organizations with the view of systematization of planning, implementation of the new

solutions and improvement of effectiveness of the measures taken.

In addition, it is planned to initiate the development of measures aimed to toughen requirements for the managers of the junior and mid ranks, including over 3,200 operating employees of the "sergeants' rank," as the key element of the management system that is to ensure an efficient and safe fulfillment of the production objectives through the operating personnel's compliance with the labor and process discipline.

HEALTH PROTECTION AND MEDICAL BACKUP GRI 403-3, 403-10

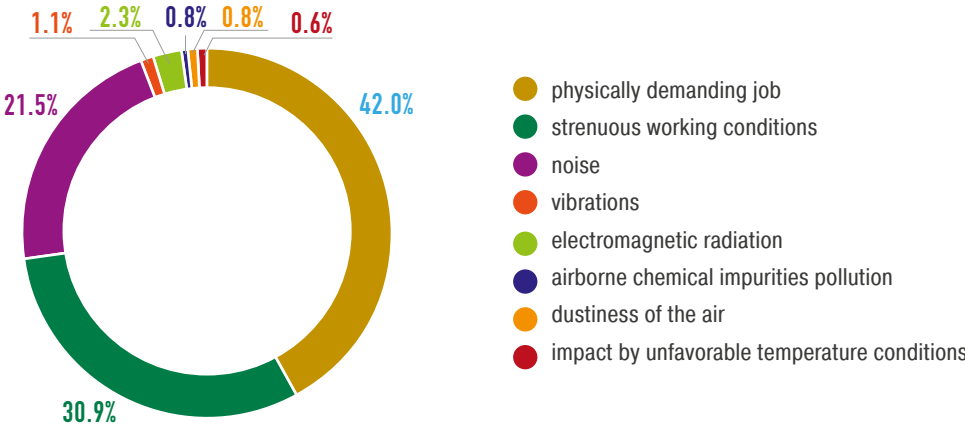
Any railroad is associated with a higher risk of occupational injuries, unsafe train traffic, as well as potential development of the employees' chronic conditions. Health protection and medical backup are the important aspects of the social policy of NC KTZ JSC, as they have a direct effect on their physical and psychiatric health.

In 2023, according to the results of the industrial facility work conditions certification process,

24,430 working spaces were identified within the Company, where 50,605 persons work in harmful, arduous and strenuous working conditions.

The key harmful factors include noise, strenuous and heavy physical labor, vibrations, electromagnetic radiation, etc.

EMPLOYEES ENGAGED IN WORKS WITH HARMFUL WORKING CONDITIONS, WITH A BREAKDOWN BY FACTOR, IN %



MEDICAL EXAMINATIONS

For the purposes of the ongoing monitoring of the employees' health status and taking of efficient measures subsequently to improve their health, the employer is statutorily obliged to organize compulsory medical examinations and evaluations of the decreed groups of employees performing physically demanding jobs associated with harmful (particularly harmful) and/or hazardous working conditions. A medical examination conducted properly and on a timely basis allows to prevent the development of occupational diseases and chronic conditions, as well as to avoid the risk of occurrence of a sudden health deterioration at work, including fatalities.

The medical examination is conducted for the Company's employees to determine if they are suitable for the job and to identify any potential health risks.

The pre-shift/pre-trip medical examinations are carried out in order to ensure the early detection of acute conditions and recrudescence in chronic conditions, functional dysfunctions and to take preventive measures.

54,552 compulsory regular medical examinations or 90% of the total number of scheduled examinations were conducted in 2023 at the key railway enterprises engaged in transportation (KTZ-Freight Transportation LLP, subsidiary of NC KTZ JSC – "Directorate of Backbone Railway

Network", Passenger Locomotives LLP, Militarized Railway Guard LLP, etc.). The failure to fulfill the plan was attributable to the dismissal of employees (3.8%), employees being on an annual leave (1.9%), absence from the workplace due to their temporary disability (1.2%), and because of other reasons (3.1%).

Based on the results of the regular compulsory medical examinations, due to chronic conditions diagnosed, regular medical check-up was recommended to 4.4% of the examined employees, sanatorium and resort therapy – to 1.3%, outpatient care – to 3.1%, inpatient care and check-ups – to 0.3%.

323 various diseases were diagnosed in the course of the regular medical examinations. In the incidence pattern revealed in the result of the regular compulsory medical examinations, the predominant ones were vascular heart diseases, primarily arterial hypertension (60% of all the diseases revealed). The diseases of the respiratory system (ARVI) have the second highest prevalence (10% of the total number of diseases detected).

According to the examination findings, 0.5% of the employees were suspended. The main reasons for the employees' suspension were vascular heart diseases (197 disease case or 60%).

EMPLOYEES SUSPENDED, WITH A BREAKDOWN BY GROUP OF DISEASES, IN %

Diseases	%
vascular heart diseases	61
ARVI (catarrhal symptoms, fever)	10
eye diseases	4.7
other diseases	24.3

SUDDEN HEALTH DETERIORATION GRI 403-6

A sudden deterioration of the employee's health at work is an undocumented occurrence of an industrial injury caused by the systemic disease.

In 2023, 47 employees of NC KTZ JSC suffered from a sudden health deterioration (SHD) versus 27 employees in 2022, including 19 fatalities (12 cases in 2022).

The fatalities were caused by complications of the vascular heart diseases: myocardial infarction.

Measures Taken to Improve the Working Environment and Reduce the Health Risks Employees Are Exposed to

To improve the working conditions for employees, buildings, premises and resort houses of the locomotive crews were repaired during

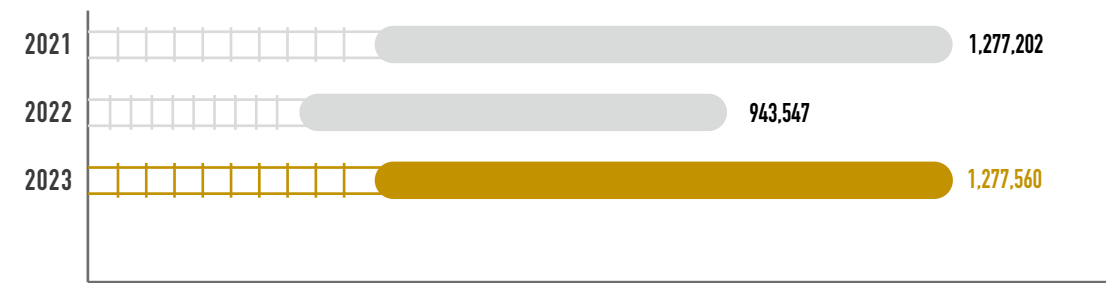
the reporting period. In addition, warming posts and modular rest buildings were installed. Vehicles, furniture and household appliances were supplied.

In addition, during the reporting period, the relevant work was performed on a monthly basis through the "Safety Shares" of the IS IS mobile application in order to prevent vascular heart and infectious diseases, injuries, etc. Videos were created with regards to the currently important contagious diseases (AEI, influenza, measles).

Sickness Certificates

In 2023, over 36 thousand employees received a voluntary health insurance for the amount of 1,991.9 million tenge.

DYNAMICS OF THE NUMBER OF DAYS OF THE EMPLOYEES' SICKNESS ABSENCE IN 2021 TO 2023, IN DAYS



The number of days of sickness absence was 1,277,560 days versus 943,547 days in 2022. The main reasons for the employees'

sickness days were acute viral respiratory infections, influenza and pneumonia, diseases of the musculoskeletal system.

Employees Health Status Questionnaire Survey

In 2023, the anonymous "Stress. Mental status of the personnel" questionnaire survey was conducted among the employees of NC KTZ JSC. The objectives of the questionnaire survey were as follows: to assess the mental status and stress resistance and to develop the efficient mental health improvement measures for the employees based on the obtained results of the questionnaire survey.

Over 18 thousand employees were questioned.

To prevent stress at work and to improve mental well-being, the Plan of Action for Prevention of Stress at Work and Improvement of Mental Well-being of employees of NC KTZ JSC and its Branch Organizations was prepared. The Plan provides for measures to measure stress through the analysis of health and safety data and monitoring using employee questionnaires. It also includes stress trainings for the employees and other measures.



Tulemesov Arstan, 8 years old

CORPORATE GOVERNANCE REPORT

04

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Makhambet Illyas, 8 years old

NC KTZ JSC pays special attention to corporate governance matters, as the Company admits that the efficiency of the corporate governance has a direct effect on sustainability and successful development of the Company. The interaction between shareholders, managers and employees is viewed as the key elements of the strategy aimed at creation of a favorable and transparent corporate culture.

Company seeks to ensure the compliance with the principles of transparency, responsibility

and justness in its operations. In addition, the introduction of the best governance practices helps minimize the risks associated with its activities and ensures the efficient utilization of resources.

On the whole, to NC KTZ JSC, corporate governance is a strategic element, which does not only promote the sustainable growth, but also strengthens trust of investors, partners and other stakeholders.

CORPORATE GOVERNANCE SYSTEM

The Corporate Governance System of NC KTZ JSC is a set of processes to ensure governance of and control for the Company's activities, as well as a system of interrelations between the executive body, the Board of Directors, the Sole Shareholder and the stakeholders.

The corporate governance principles are set forth by the Corporate Governance Code of NC KTZ JSC.

The competences of NC KTZ JSC's governance bodies are strictly differentiated and stipulated by the Company's Charter.

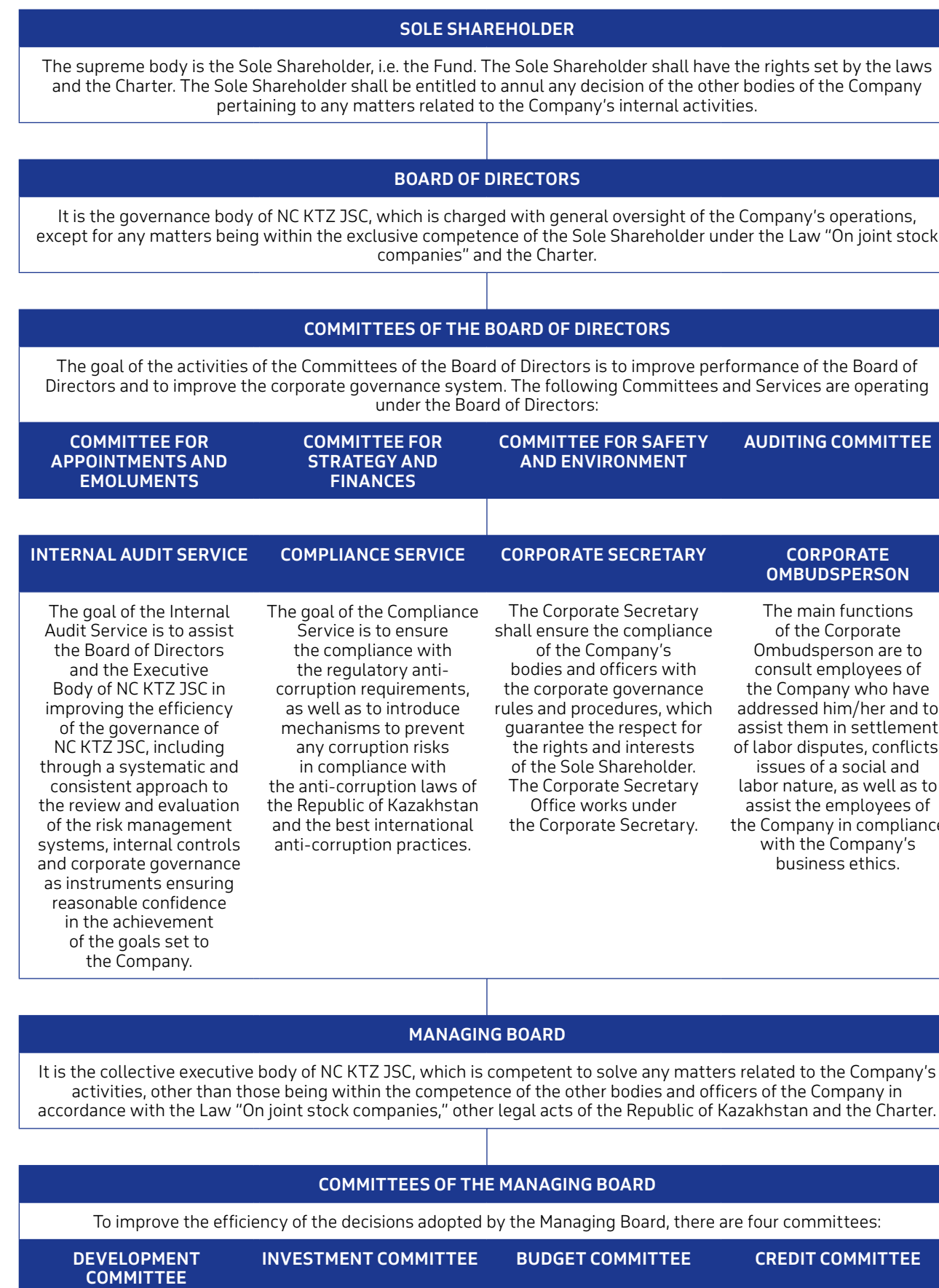


Yelubai Zhasulan, 12 years old

CORPORATE GOVERNANCE STRUCTURE

GRI 2-9

The double-level corporate governance system of NC KTZ JSC is a structure consisting of the two main management levels: the Board of Directors and the executive body, i.e. the Managing Board.



CORPORATE GOVERNANCE CODE



The Code is published on the Company's corporate web-site at: see [Corporate Governance Code of KTZ JSC](#).

The Corporate Governance Code of NC KTZ JSC³⁶ is prepared in compliance with the laws of the Republic of Kazakhstan and internal documents of Samruk-Kazyna JSC. Code takes into consideration the corporate governance practices adopted in Kazakhstan and globally, as well as sets forth the principles the Company's corporate governance system is based on.

The goals of the Code are to improve the corporate governance, to ensure transparency of the governance and to reaffirm the commitment to the proper corporate governance standards. The Code sets forth the principles the Company's corporate governance system is based on. The Board of Directors shall exercise oversight of the introduction of the provisions of the Code in the Company.

On July 14, 2023, according to the Decree of the Government of the Republic of Kazakhstan, changes were made to the Corporate Governance Code of Samruk-Kazyna JSC. The changes relate to the deletion of section "Corporate Governance Principles", Chapter "Sustainable Development", revision of certain provisions pertaining to the performance of the Boards of Directors, definition of the term and competences of the Ombudsperson, the internal audit system, activities of the executive body, risk management and control system, as well as amendments made to provisions pertaining to the Compliance Service, and other verbal alterations.

Compliance with the Principles and Provisions of the Corporate Governance Code

Pursuant to the Corporate Governance Code, the Corporate Secretary shall annually review the Code in terms of the Company's compliance with its principles and provisions, using the "Comply or explain" approach.

NC KTZ JSC's Board of Directors shall monitor the compliance with the provisions of the Code.

The report of the compliance with the principles and provisions of the Corporate Governance Code of NC KTZ JSC for 2023 approved by the Resolution of the Board of Directors³⁷ shows

that 89.4% of provisions of the Code are complied with, 5% – are partially complied with, 5.6% of its provisions are not applicable to the Company.

In 2024, the Company will continue its efforts to ensure the compliance with provisions of the Corporate Governance Code of NC KTZ JSC.

Improvement of the Corporate Governance System

In 2023, the Company continued to improve its Corporate Governance System. So, according to recommendations received in the result of the external independent diagnostics of its Corporate Governance System in 2022, the NC KTZ JSC Corporate Governance Improvement Plan for 2022–2023³⁸ was elaborated and approved. The work thereunder was continued in 2023.

During the reporting period, the following measures were implemented in pursuance of the above Plan:

- approval of the adjusted Development Strategy of NC KTZ JSC until 2032;
- approval of the Policy for Corporate Conflict Settlement, subject to the best corporate governance practices;
- a self-evaluation of the Board of Directors' performance was carried out based of the 2022 results;
- the Risk Register of NC KTZ JSC was approved, which included the climate/ecological risks (ESG risks);
- the new Succession Plan for members of the Managing Board of NC KTZ JSC was approved;
- the HR Policy of NC KTZ JSC for 2023–2028 was approved;
- the Policy for the Business Continuity Management System of NC KTZ JSC was approved.

The Board of Directors of NC KTZ JSC shall monitor the implementation of the action plans aimed to improve the corporate governance.

In 2024, it is planned to continue the work aimed to improve the corporate governance system at NC KTZ JSC and its branch organizations.

SOLE SHAREHOLDER

The supreme managing body is the Sole Shareholder, i.e. Samruk-Kazyna JSC (the Fund). As 100% of shares in NC KTZ JSC are held by the Sole Shareholder (the Fund), any decisions on matters being within the competence of the general meeting of shareholders according to the Laws and the Charter, are adopted by the Sole Shareholder at its sole discretion.

The Sole Shareholder provides governance in accordance with the procedure specified in the Laws of the Republic of Kazakhstan "On joint stock companies," "On the Sovereign Wealth Fund" and the Company's Charter.

The powers of the Sole Shareholder include approval of the Charter, the Corporate Governance Code, election of members of the Board of Directors and the Chairman of the Managing Board, approval of the annual financial statements, etc.

In 2023, the Sole Shareholder considered matters related to the composition of the Board of Directors of NC KTZ JSC and approved the 2022 annual financial statements of NC KTZ JSC.

BOARD OF DIRECTORS

The Board of Directors shall provide overall direction as to the Company's activities. Resolutions of the Board of Directors are approved in the manner specified by the laws of the Republic of Kazakhstan and the Company's Charter. The Board of Directors plays an essential role in ensuring of the safe, successful and sustainable development of the Company, as well as in creation of the long-term shareholder value. The Board of Directors shall approve the Company's Development Strategy, which sets forth the priority focus areas of its operations, shall approve the long-term plans and key action programs, establish the general principles

and approaches to the arrangement of the risk management system.

The activities of the Board of Directors of the Company shall be subject to the Company's Charter, Corporate Governance Code, and the Provision on the Board of Directors, and are performed in compliance with the activity plan that is prepared on an annual basis and the meeting schedule, according to the sustainability and performance principles. If necessary, the Board of Directors shall consider matters, which are not covered by the activity plan.

COMPOSITION OF THE BOARD OF DIRECTORS GRI 2-10, 2-11

Members of the Board of Directors and the Chairman of the Board of Directors are elected in the manner specified by the Law of the Republic of Kazakhstan "On joint stock companies," the Corporate Governance Code and the Charter of the Company.

Pursuant to provisions of the Corporate Governance Code, it is recommended to ensure an adequate diversity of the composition of the Board of Directors in terms of their personal traits, age and gender, in order to increase the long-term value pursuant to the ESG principles.

It is critical for the Board of Directors and its Committees to strike a balance between the skills, experience and knowledge, which ensures the adoption of independent, objective and efficient decisions for the benefit of the Company and subject to the sustainable development principles.

Members of the Board of Directors are elected by the Sole Shareholder according to the clear and transparent procedures, depending on competences, skills, achievements, business reputation and professional expertise of each

candidate on an individual basis. When reelecting certain or all the members of the Board of Directors for another term, their contributions to the performance of the Company's Board of Directors shall be taken into consideration.

Only an individual may be a member of the Board of Directors. Members of the Managing Board, other than the Chairman of the Company's Managing Board, may not be elected to the Board of Directors. The Chairman of the Company's Managing Board may not be elected the Chairman of the Board of Directors.

The composition of the Board of Directors is balanced. This means a constellation of members of the Board of Directors (representatives of shareholders, Independent Directors, head of the executive body), which ensures decision making for the entity's benefit and subject to a just treatment of the shareholder.

As of December 31, 2023, the Board of Directors consisted of eight Directors, including three Independent Directors. The Chairman of the Board of Directors is the Steward for the Sole Shareholder. Members of the Board of Directors do not hold any shares in the Company/

³⁶ Approved by the decision of the Sole Shareholder dated May 27, 2015 (Minutes No. 22/15)

³⁷ Approved by the decision of the Board of Directors of KTZ on April 25, 2024 (Minutes No. 4)

³⁸ Approved by Resolution of the KTZ NC JSC Board of Directors dated March 16, 2022 (minutes №3)

participatory interests in its affiliates. They do not hold any shares/participatory interests in the Company's suppliers or competitors either.

In 2023, the Board of Directors completed the work to elaborate the Succession Plan for the Board of Directors of the Company to ensure the business continuity and progressive renewal of the composition of the Board of Directors, within which the objective to renew the current composition of the Board of Directors is achieved, including the objective to ensure the gender diversity. The results of the work will be submitted to the Sole Shareholder for consideration in 2024 (according to provisions of Chapter 5 of the Code).

According to the Corporate Governance Code, members of the Board of Directors shall devote enough time to attend the meetings of the Board of Directors, its Committees and to get ready for such meetings. A member of the Board of Directors may not be a member of the Board of Directors of more than four legal entities at the same time.

Chairman of the Board of Directors and His/Her Role

The Chairman of the Board of Directors is in charge of overall direction of the Board of Directors, ensures the complete and efficient performance of the key functions by the Board of Directors and the development of a constructive dialogue between members of the Board of Directors, the Sole Shareholder and the Managing Board.

The Chairman of the Board of Directors shall seek to create a united team of professionals, who are eager to ensure the rise in the long-term value and the sustainable development of the Company, are able to respond to the internal and external challenges in a timely and proper professional manner.

To be the Chairman of the Board of Directors, apart from the proper professional expertise and background, special skills are required, such as leadership, ability to motivate others, to understand different opinions and approaches, and conflict management skills.

Independent Directors and Their Role

The Company complies with requirements of the Law of the Republic of Kazakhstan "On joint stock companies" with regard to the number of the Independent Directors being members of the Board of Directors. Pursuant to the Law, the number of the Independent Directors shall be up to 30% of the total number of members of the Board of Directors.

When choosing the Independent Directors, the Sole Shareholder and the Company are governed by requirements of the laws of the Republic of Kazakhstan, the Company's Corporate Governance Code, Charter, and the local acts of the Sole Shareholder, which set forth the procedure for the search for and selection of the candidates to the posts of the Independent Directors on a competitive basis.

Independent Directors J. (I.) McKay, U. Vokurka and A. Schierhuber meet the criteria of independence defined in the laws of the Republic of Kazakhstan. So, there are no relations or circumstances that have or could have a substantial effect on decisions made by the above Independent Directors.

Competences of the Members of the Board of Directors

Members of the Board of Directors have all the necessary competences required to make the key decisions, including profound experience and knowledge of the railway industry, finances, investments, risk management, corporate governance, HR management, sustainable development, transformation and digitalization.

The composition of the Board of Directors ensures a balance between various skills, experience and knowledge. This allows the Board to adopt objective and efficient decisions aimed at improvement of the performance and financial standing.

Training and Development of the Members of the Board of Directors

According to the best corporate governance practices, the members of the Board of Directors shall, on an annual basis, attend a training to raise their qualification. The demand for an upgrade training among the members of the Board of Directors is determined based on the self-evaluation results. In addition, the training plan for the members of the Board of Directors is prepared according to recommendations based on the results of the corporate governance diagnostics.

According to the results of the self-evaluation carried out in 2022 pursuant to the Matrix of Key Competences of the Members of the Board of Directors approved by the Committee for Appointments and Emoluments of the NC KTZ JSC Board of Directors on June 8, 2019 (minutes #8), the Training Plan for the Members of the Board of Directors for 2022-2023³⁹ was approved.

According to the Plan, in 2023, members of the Board of Directors the members of the Board of Directors completed an online training in the following subjects: ESG corporate governance, in the context of which matters related to climate-related risk management, transboundary regulation of carbon emissions and other significant ESG aspects were considered; railway logistics and supply chain management, as well as ICA for financial crimes, when risk assessment was considered on an enterprise's scale, proper attention to the illegal capital flows, and the latest approaches to customer risk management.

Board of Directors Performance Evaluation

GRI 2-18

Pursuant to the Corporate Governance Code of NC KTZ JSC, performance of the Board of Directors, Committees and members of the Board of Directors shall be evaluated on an annual basis and anyhow at least once in three years, with the involvement of an independent professional organization.

The evaluation allows to determine the contribution made by the Board of Directors and each of its members to the rise in the long-term value and the sustainable development of the Company, as well as to identify directions and advise as to the measures required to improve the activities of the Board of Directors. The evaluation findings are taken into account in case of a reelection or an early termination of powers of the members of the Board of Directors.

As a part of the Board of Directors' performance self-evaluation according to the 2022 results, the following measures were taken, the results of

which were considered by the Board of Directors and included in the relevant report:

- questioning of the members of the Board of Directors, which shall cover the 13 main components of the activities of the Board of Directors;
- review of the corporate governance documents applicable to NC KTZ JSC;
- a statistic analysis of the activities of the Board of Directors based on the 2022 results;
- interviews with each member of the Board of Directors by the Chairman of the Board of Directors and the Appointments and Emoluments Committee;
- mutual evaluation by the members of the Board of Directors.

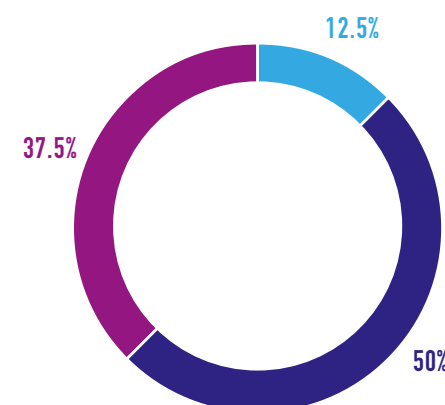
Based on the results of the self-evaluation, the Report on the Self-evaluation of the Board of Directors' Performance According to the 2022 Results was prepared. The Report was approved by the Resolution of the Board of Directors of NC KTZ JSC dated April 27, 2023 (minutes #4). The Report contains comments and proposals made by the members of the Board of Directors with the view of improving the performance of the Board of Directors and the system of corporate governance system of NC KTZ JSC. Based on the performance self-evaluation results, the Development Plan of the Board of Directors of NC KTZ JSC for 2023-2024 was approved.

In December 2023, the Board of Directors decided to carry out the performance self-evaluation of the Board of Directors of NC KTZ JSC according to the 2023 results, pursuant to the Methodic Recommendations on Evaluation of Performance of the Boards of Directors of the Samruk-Kazyna JSC companies.

The Report on the self-evaluation of the performance of the Board of Directors for 2023 was approved by a decision of the Board of Directors of NC KTZ JSC on April 25, 2024 (Minutes No. 4).

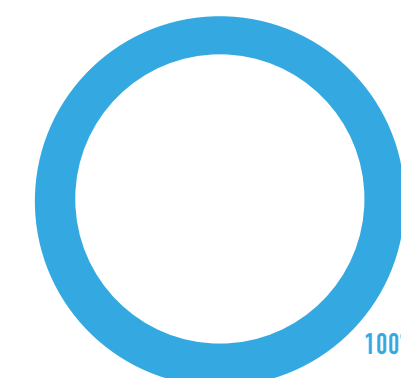
STRUCTURE OF THE BOARD OF DIRECTORS, IN %

GRI 2-9



- Chairperson of the Managing Board - 1
- Stewards for the Single Shareholder - 4
- Independent Directors - 3

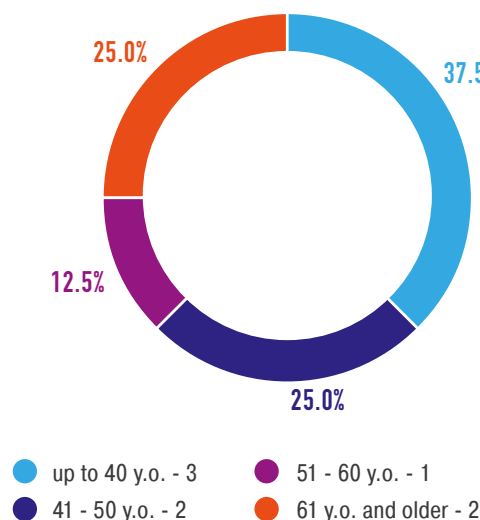
GENDER DIVERSITY OF THE MEMBERS OF THE BOARD OF DIRECTORS, IN %



- Men - 8

³⁹ Approved by Resolution of the Board of Directors dated September 15, 2022 (minutes #12)

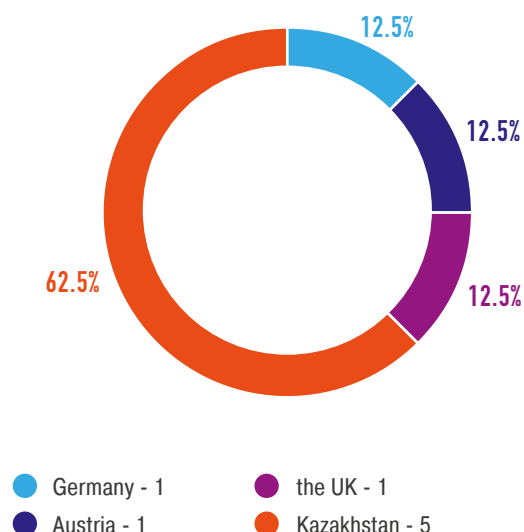
AGE OF THE MEMBERS OF THE BOARD OF DIRECTORS, IN %



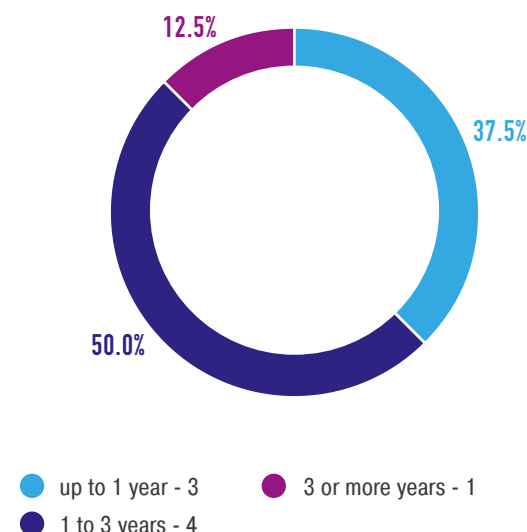
AVERAGE AGE OF THE MEMBERS OF THE BOARD OF DIRECTORS

47 YEARS

NATIONALITY OF THE MEMBERS OF THE BOARD OF DIRECTORS, IN %



TERM OF POWERS OF THE BOARD OF DIRECTORS, IN %



CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

During the reporting period, the composition of the Board of Directors underwent the following changes:

from April 26, 2023, the powers of N.Z. Akhanzaripov as a member of the Board of Directors were terminated ahead of schedule; A.A. Schierhuber was elected a member of the Board of Directors as the Independent Director;

from June 19, 2023, powers of N.T. Bidauletov as a member of the Board of Directors were terminated ahead of schedule; K.K. Irubayev was elected a member of the Board of Directors as a Steward for the Sole Shareholder;

from August 24, 2023, powers of N.N. Nurbayeva as a member of the Board of Directors were terminated ahead of schedule;

from August 31, 2023, A.K. Ryskulov was elected a member of the Board of Directors as a Steward for the Sole Shareholder;

from September 7, 2023, powers of Y.I. Lavrinenko as member of the Board of Directors, Chairman of the Board of Directors were terminated ahead of schedule; A.K. Ryskulov was elected the Chairman of the Board of Directors.

As of the end of 2023, the Board of Directors of NC KTZ JSC consisted of the following members: **GRI 2-9**

Full name	Date of election	Term of powers
Independent Directors		
J. (I.) McKay	07.10.2021	3 years
U. Vokurka	07.10.2021	3 years
A. Schierhuber	24.04.2023	Until the date of expiry of powers of the current composition of the Board of Directors
Representatives of interests of the Sole		
A.K. Ryskulov	31.08.2023	Until the date of expiry of powers of the current composition of the Board of Directors
K.K. Irubayev	19.06.2023	Until the date of expiry of powers of the current composition of the Board of Directors
Y.K. Berdigulov	18.02.2022	Until the date of expiry of powers of the current composition of the Board of Directors
G.K. Auganov	18.02.2022	Until the date of expiry of powers of the current composition of the Board of Directors
Chairman of the Managing Board		
N.Y. Sauranbayev	07.10.2021	3 years

The average term of powers of the Independent Directors (J. (I.) McKay, U. Vokurka, A. Schierhuber) is 1.8 years.

Average term of office of Independent Directors and Representatives of interests of the Sole Shareholder - 1.4 years.

The expiry date of the term of the Board of Directors is October 7, 2024.



AIDAR KAIRATOVICH RYSKULOV

Chairman of the Board of Directors, Steward for the Sole Shareholder

Is a member of the Board of Directors from 2023.

Year of birth: 1981

Nationality: Republic of Kazakhstan

Education:

- Karagandy State University named after Y.A. Buketov, majored in Finances and Credit;
- Nazarbayev University, Master of Business Administration (Executive MBA), joint program with the DUKE University.

Professional life stages:

- In different years, held various positions in the banking sector, was Deputy Director of the Investment Project Department at KazAgro National Management Holding JSC, Director – Financial Assets Management at Samruk-Kazyna JSC, has a great experience as a member of Boards of Directors of different entities.
- From 2019 to 2023 – Managing Director – Economics and Finances, Samruk-Energy JSC;
- From August 2023 – Managing Director – Economics and Finances, Samruk-Kazyna JSC.

Holds no shares in the Company, its vendors or competitors.



NURLAN YERMEKOVICH SAURANBAYEV

Member of the Board of Directors,
Chairman of the Managing Board

Is a member of the Board of Directors from 2021.

Year of birth: 1967

Nationality: Republic of Kazakhstan

Education:

- S.M. Kirov Kazakh State University, majored in Economics.

Professional life stages:

- In different years, held senior positions at Kazakhstan Temir Zholy RSE, NC KazMunaiGas JSC, the post of the Managing Director of SWF Samruk-Kazyna JSC, Vice-Minister of Industry and Innovations of the RoK, Deputy Minister of Defense of the RoK, Head of the Organizing Committee of the International Specialized Exhibition EXPO-2017.
- From 2017 to 2018 – Akim of Shymkent, South Kazakhstan Oblast.
- From 2019 to 2021 – Head of the Department of State Control and Organizational Territorial Operations of the Executive Office of the President of the RoK.
- From April 2021 till date – Chairman of the Managing Board of NC KTZ JSC.

Holds no shares in the Company, its vendors or competitors.



KUAT KAIRGILDENOVICH IRUBAYEV

Member of the Board of Directors,
Steward for the Sole Shareholder

Is a member of the Board of Directors from 2023.

Year of birth: 1979

Nationality: Republic of Kazakhstan

Education:

- M.V. Lomonosov Moscow State University, Russian Federation, majored in Mechanics. Applied Mathematics;
- Graduate School of Business under the Nazarbayev University, majored in Business Administration (for professional managers).

Professional life stages:

- In different years, held various positions at the National Bank of the Republic of Kazakhstan, BRK-Leasing JSC, SAPF Accumulating Pension Fund JSC, his core competence was risk management in different industries.
- From 2008 to 2015, worked at NC KTZ JSC as the Director of the Risk Management Department, a member of the Risk Committee.
- From 2018 till date – representative of Marsh to Astana.

Holds no shares in the Company, its vendors or competitors.



YERNAT KUDAIBERGENOVICH BERDIGULOV

Member of the Board of Directors,
Steward for the Sole Shareholder

Is a member of the Board of Directors from 2022.

Year of birth: 1987

Nationality: Republic of Kazakhstan

Education:

- University of Toronto, Canada, majored in State Policy and Foreign Relations;
- Diploma "Process Performance Management and Business Performance Management" (CIMA);
- University of Warwick, UK, Master of Business Administration (MBA).

Professional life stages:

- From 2010 to 2018, held the positions of Chief Specialist of the Business Administration Department of Semyzbay-U LLP, Project Manager at the Office of the Project for the introduction of the system of management statements of Samruk-Kazyna JSC, Counselor to the Chairman of the Managing Board for Finance and Economics, Director of the Departments for Analytical Support, Strategic Development, and Project Management of Samruk Energy JSC;
- From 2018 to 2019 – an Analyst at the Asset Management Directorate Samruk-Kazyna JSC;
- From 2019 to 2021 – Project Manager, Whiteshield Partners International Consulting Company;
- From 2021 to February 2022 – Co-Managing Director – Strategy, Sustainable Development and Digital Transformation, Samruk-Kazyna JSC;
- From February 2022 till date – Managing Director – Strategy and Asset Management, Samruk-Kazyna JSC.

Holds no shares in the Company, its vendors or competitors.



GIBRAT KAIRATOVICH AUGANOV

Member of the Board of Directors,
Steward for the Sole Shareholder

Is a member of the Board of Directors from 2022.

Year of birth: 1988

Nationality: Republic of Kazakhstan

Education:

- College of ARNA in Kokshetau, majored in Finances;
- Kazakh Economic University named after T. Ryskulov, majored in Finances;
- Taraz State University named after M.Kh. Dulaty, majored in Oil and Gas Engineering;
- Humanitarian and Technical Academy, majored in Master of Economics and Business.

Professional life stages:

- In different years, held positions of the Engineer of the Planning and Work Standardization Department, Engineering Center subsidiary of KazMunaiGas Exploration Production Joint Stock Company, the Leading Specialist of the Payroll and Work Standardization Department, NC KazMunaiGas JSC, Corporate University of Samruk Kazyna PU, Leading Engineer in Work Standardization of the HR Department, KazGerMunai JV LLP;
- From 2017 to 2020 – Deputy Director of the HR and Payroll Department, EmbaMunaiGas JSC;
- From 2020 to 2021 – Director of the Staff Relations Department, KarazhanbasMunai JSC;
- From 2021 to 2022 – Director of the Fund's HR Department;
- From February 2022 till date – Managing Director – Corporate Governance, Social-Labor Relationships and Health, Samruk-Kazyna JSC.

Holds no shares in the Company, its vendors or competitors.



ULF VOKURKA

**Member of the Board of Directors
Independent Director**

Is a member of the Board of Directors from 2021.

Year of birth: 1962

Nationality: Federal Republic of Germany

Education:

- Martin Luther University, Germany;
- Moscow State Institute of International Relations of the MIA of the USSR (MSIIR), Foreign Relations department.

Professional life stages:

- Worked for Deutsche Bank AG, Kazakhstan Holding for Management of State Assets "Samruk" JSC, and Metzler Asset Management GmbH.
- In different years, held positions of the Chairman of the Board of Directors of Kazpost JSC; Chairman and a member of the Managing Board of the Kazakhstan Foreign Investors' Council Association under the President of the RoK; the Chairman of the Managing Board and a member of the Board of Directors of Kazkommertsbank JSC, Chairman of the Managing Board of TsesnaBank JSC.
- From 2019 till date – a member of the Board of Directors of Nurbank JSC, an Independent Director of AIFC Authority JSC and KAZAKH INVEST JSC.

Holds no shares in the Company, its vendors or competitors.



ALEXANDER ANDREAS SCHIERHUBER

**Member of the Board of Directors
Independent Director**

Is a member of the Board of Directors from 2023.

Year of birth: 1988

Nationality: Republic of Austria

Education:

- Lauder Business School, Vienna, Republic of Austria, Master of Arts, International Management and Leadership;
- The London School of Economics and Political Science, England, Master of Science – MS, Global Business;
- Research projects in the context of the development of the infrastructure and logistics at the Vienna University of Economics and Business Administration, the Institute of Transport and Logistics.

Professional life stages:

- From 2017 to 2018 – Sales Manager in West Africa, GAZ Group (Nizhny Novgorod, Russia).
- From 2018 to 2022 – Managing Director, Breitspur Planungsgesellschaft mbH (BPG) at ÖBB Infrastruktur AG, Austria.
- From February to December 2022 – Managing Director, Rail Cargo Logistics, Russia; Senior Expert – Eurasia at ÖBB Rail Cargo Austria.
- From 2023 till date – Head of Business Development Global, Superfund Asset Management Company GmbH, as well as a member of the Managing Board of Superfund Japan Co., Ltd.

Holds no shares in the Company, its vendors or competitors.



JOHN IAN MCKAY

**Member of the Board of Directors
Independent Director**

Is a member of the Board of Directors from 2021.

Year of birth: 1955

Nationality: UK

Education:

- University of Stirling (education and learning English);
- Mediation and Conflict Management Certificate, Core Solutions, Edinburgh;
- Emeritus Professor, University of Stirling Management School.

Professional life stages:

- Has a considerable experience (from 2006) as a member of the Boards of Directors of Lothian Buses Ltd., Critiqom Ltd., worked at NHS Pay Review Body, UK, colleges of Scotland, the Edinburgh College, Ofcom Advisory Committee for Scotland, Security Industry Authority, etc.
- From 2012 till date – Founder and Director of Otherhand Ltd.
- From 2015 till date – a member of the Board of Directors of the International Council of the University of Stirling Management School; an Independent Chairman of Police Negotiating Board & SPCF.

Holds no shares in the Company, its vendors or competitors.

PROCEEDINGS OF THE BOARD OF DIRECTORS

In 2023, the Board of Directors held 17 meetings (versus 7 scheduled ones), including 16 meetings in presentia and 1 meeting in the form of absentee voting.

During the meetings held by the Board of Directors in 2023, 180 matters related to strategic aspects, reporting, corporate governance,

conclusion of a transactions, approval of internal documents, HR, activities of services subordinate to the Board of Directors and other matters pertaining to the Company's operations, were considered.

The average attendance of the meetings of the Board of Directors in 2023 was 88.5%.

COMMITTEES OF THE BOARD OF DIRECTORS

To improve performance of the Board of Directors and the corporate governance structure, the four Committees have been created under the Board of Directors:

- the Committee for Appointments and Emoluments;
- the Committee for Strategy and Finances;
- the Committee for Safety and Environment;
- the Auditing Committee.

The main objective of the Committees is to ensure a preliminary comprehensive examination of the matters being within their competence, and to prepare recommendations for the Board of Directors to make reasonable and weighted decisions.

The Committees consist of members of the Board of Directors having the professional expertise, competences and skills required for their successful work at the relevant Committee.

Proceedings of the Committees of the Board of Directors shall be in strict compliance with the relevant Provisions. According to the Provisions on the Committees, the Independent Directors shall be the Chairmans of the Committees of the Board of Directors.

In 2023, to reduce bureaucracy related to the corporate decision making processes and to improve performance of the Board of Directors, efforts were made to update all the Provisions on the Committees of NC KTZ JSC.

The regular attendance of the invited Samruk-Kazyna JSC representatives at the meetings of the Committees additionally contributed to the improvement of the efficiency of the Committees' proceedings. These ensured a deeper understanding of interests of all the stakeholders of the Company and helped make deliberate and well-balanced decisions.

FUNCTIONS AND OBJECTIVES OF THE COMMITTEES OF THE BOARD OF DIRECTORS

Committee	Objectives
Committee for Appointments and Emoluments	To consider matters related to the HR Policy, appointments, performance evaluation, remunerations and corporate social responsibility
Committee for Strategy and Finances	To consider matters pertaining to the strategic development, matters related to financial strength, as well as matters related to the investment strategy and asset management
Committee for Safety and Environment	To consider health and safety matters, matters related to the operation and operating activities of the Company, environment protection, traffic safety, and sustainable development
Auditing Committee	To consider matters related to the financial statements, external audits, risk management and internal controls system, corporate governance, internal audit, as well as compliance

PARTICIPATION OF THE MEMBERS OF THE BOARD OF DIRECTORS IN THE COMMITTEES

Full name	Committee for Appointments and Emoluments	Committee for Strategy and Finances	Committee for Safety and Environment	Auditing Committee
Aidar Kairatovich Ryskulov		+		
Nurlan Yermekovich Sauranbayev				
Yernat Kudaibergenovich Berdigulov		+		
Kuat Kaigildenovich Irubayev		+	+	
Gibrat Kairatovich Auganov	+		+	
Alexander Andreas Schierhuber		+	+	+
Ulf Vokurka	+	+		+
John (Ian) McKay	+	+		+

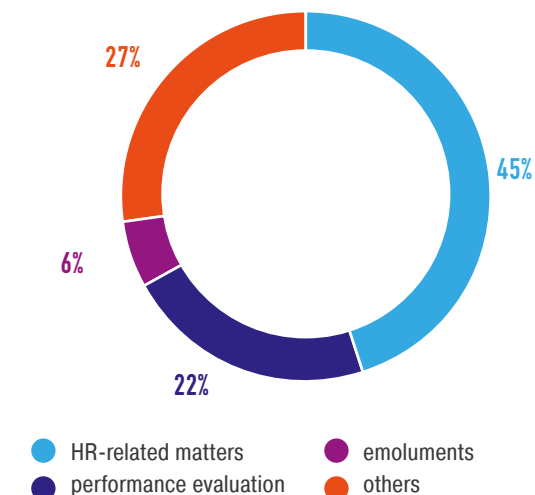
COMMITTEE FOR APPOINTMENTS AND EMOLUMENTS

Competences and powers of the Committee are described in the Provision on the Committee for Appointments and Emoluments.

Activities of the Committee in 2023

In 2023, the Committee held 12 meetings (versus 7 scheduled ones), where 102 matters were considered.

MATTERS CONSIDERED BY THE COMMITTEE DURING THE REPORTING PERIOD, IN %



Competences and powers of the Committee are described in the [Provision on the Committee for Appointments and Emoluments](#).

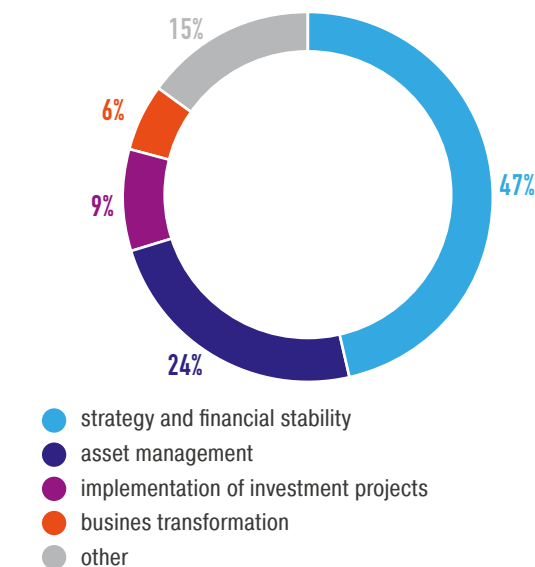
COMMITTEE FOR STRATEGY AND FINANCES

Competences and powers of the Committee are described in the Provision on the Committee for Strategy and Finances.

Activities of the Committee in 2023

In 2023, the Committee held 17 meetings (versus 7 scheduled ones), where 107 matters were considered.

MATTERS CONSIDERED BY THE COMMITTEE DURING THE REPORTING PERIOD, IN %



The Provision is published on the Company's corporate web-site at: see [Provision on the Committee for Strategy and Finances](#).

The Provision is published on the Company's corporate web-site at: see [Provision on the Committee for Safety and Environment](#).

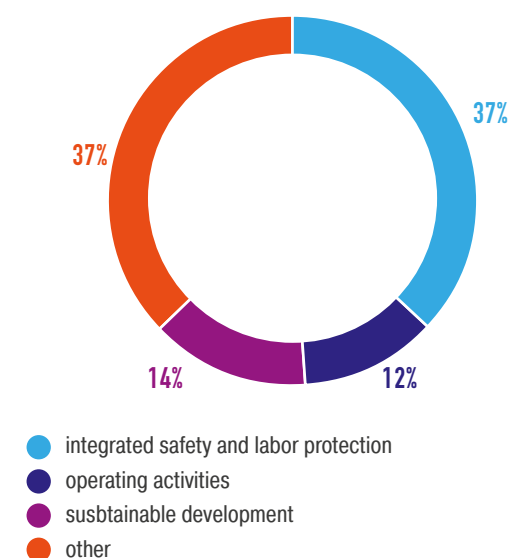
COMMITTEE FOR SAFETY AND ENVIRONMENT

Competences and powers of the Committee are described in the Provision on the Committee for Safety and Environment.

Activities of the Committee in 2023

In 2023, the Committee held 6 meetings (versus 5 scheduled ones), where 48 matters were considered.

MATTERS CONSIDERED BY THE COMMITTEE DURING THE REPORTING PERIOD, IN %



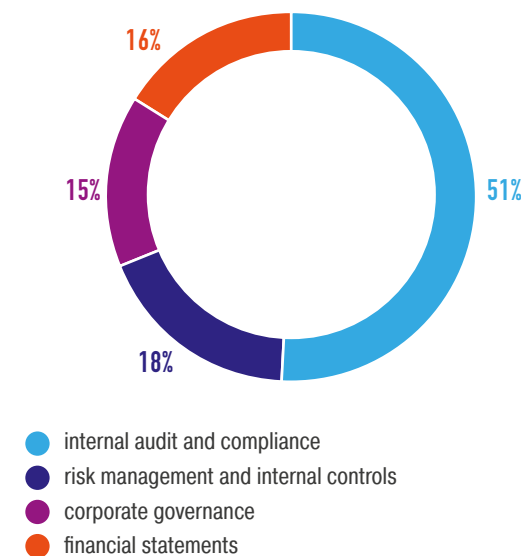
AUDITING COMMITTEE

Competences and powers of the Committee are described in the Provision on the Auditing Committee.

Activities of the Committee in 2023

In 2023, the Committee held 9 meetings (versus 8 scheduled ones), where 86 matters were considered.

MATTERS CONSIDERED BY THE COMMITTEE DURING THE REPORTING PERIOD, IN %



INTERACTIONS BETWEEN MEMBERS OF THE BOARD OF DIRECTORS AND STAKEHOLDERS

To safeguard the interests of the stakeholders, NC KTZ JSC discloses the information of any critical aspects of its activities in a timely and reliable manner through the Company's corporate web-site and other resources. The Board of Directors of the Company includes a number of Directors acting as stewards for the Sole Shareholder, who participate in the discussion of the matters during meetings of the Board of Directors.

In 2023, by the initiative of members of the Board of Directors and the Managing Board, business engagements and meetings were held regularly, including with the heads of the branch organizations.

On April 29 to 30, 2023, members of the Board of Directors of NC KTZ JSC, Y.I. Lavrinenko, N.Z. Akhanzaripov, J. (I.) McKay, and U. Vokurka visited the stations of Altynkol and Dostyk in order to familiarize themselves with activities of the production facilities.

On September 8 to 9, 2023, in liaison with the Chief Engineers supervising safety aspects at the Company and KTZ-Freight Transportation LLP, members of the Committee for Safety and Environment of the Board of Directors, A.A. Schierhuber and K.K. Irubayev visited the Karagandy division of KTZ-Freight

Transportation LLP in order to inspect the situation with the labor protection at the linear enterprises.

On November 10, 2023 members of the Committee for Safety and Environment of the Board of Directors, G.K. Auganov, K.K. Irubayev, and A.A. Schierhuber participated in the 5th International Industrial Safety Forum. During the Forum, the industrial safety thematic dialogue was held with the participation of the business partners and supervising heads of the KTZ NC JSC subdivisions of the network and regional levels. At the invitation of acting Chairman of the Committee for Safety and Environment of the Board of Directors, A.A. Schierhuber, as a part of the Forum, the representative of the Austrian Federal Railways (ÖBB) delivered the "Health and Safety Leadership" training.

On September 15, 2023, by the initiative of NC KTZ JSC and Samruk Business Academy, the HR Connect community was created to unite the HR Directors and experts and to discuss the trends in the training and development, share experience both in the online and offline formats. Members of the Board of Directors, G.K. Auganov and J. (I.) McKay, participated in the initiation meeting of the Community.

STRATEGIC SESSIONS IN 2023

On June 16, 2023, the annual strategic session was held at NC KTZ JSC. Members of the Board of Directors and the Managing Board participated in the event.

Matters related to the current situation and plans for the development of logistics and transit transport operations, were considered during the session. The potential changes in the model of the railway industry of the Republic of Kazakhstan subject to the international experience, as well

as the target business operations scheme of NC KTZ JSC were discussed.

According to the results of the strategic session, the Members of the Board of Directors raised a number of topical questions and set missions with the view of the further implementation of the logistics and transit transportation development process, as well as further development of KTZ-Freight Transportation LLP.

PLANS FOR CORPORATE GOVERNANCE FOR 2024 AND MID-TERM PLANS:

- to perform the performance self-evaluation of the Board of Directors of NC KTZ JSC according to the 2023 results;
- to prepare the new Succession Plan for the Board of Directors of NC KTZ JSC;
- to implement measures with the view of introducing the new Corporate Governance Code;
- to elaborate the new Plan for Improvement of the Corporate Governance System for 2024;
- to renew the compositions of the Boards of Directors and the Supervisory Boards

- of the major branch organizations of NC KTZ JSC depending on their terms and other instructions as required by the internal regulations of NC KTZ JSC;
- to take measures to improve the efficiency of corporate governance at the branch organizations of NC KTZ JSC;
- to update the internal regulations of NC KTZ JSC in accordance with the best corporate governance practices.

MANAGING BOARD

GRI 202-2

As a collective executive body, the Managing Board shall administer the day-to-day operations of the entity and ensure the compliance of the Company's operations with the specified strategic goals, the Development Plan and resolutions adopted by the Sole Shareholder and the Board of Directors.

The key objectives of the Managing Board include elaboration of the propositions on the Company's Strategy, implementation of the financial and economic policy, working out on the most

significant issues associated with the current economic operations, and coordination of the work of the subdivisions, improvement of efficiency of the control system and risk monitoring system, as well as safeguarding of the rights and legal interests of the Sole Shareholder.

The Managing Board seeks to ensure a rise in the long-term value and sustainable development of the Company.

COMPOSITION OF THE MANAGING BOARD

According to the Charter of NC KTZ JSC, it is within the competence of NC KTZ JSC's Board of Directors to determine the quantitative composition and terms of powers of the Managing Board, to elect members of the Managing Board,

as well to terminate their powers ahead of schedule. The appointment and early termination of powers of the Chairman of the Managing Board shall be within the Sole Shareholder's competence.

CHANGES IN THE COMPOSITION OF THE MANAGING BOARD

In 2023, no changes were made to the composition of the Managing Board.

As of the end of 2023, the Managing Board of NC KTZ JSC consisted of the following members:

Full name	Position
N.Y. Sauranbayev	Chairman of the Managing Board
K.Y. Almagambetov	member of the Managing Board, Deputy Chairman of the Managing Board
A.M. Akhmetzhanov	member of the Managing Board, Deputy Chairman of the Managing Board
S.Z. Keulimzhayev	member of the Managing Board, Chief of Staff
D.A. Kusherov	member of the Managing Board, Managing Director for Finance
B.P. Urynbasarov	member of the Managing Board, Managing Director for Operating Processes
Y.K. Koishibayev	member of the Managing Board, Deputy Chairman of the Managing Board for Logistics
Y.K. Nagaspayev	member of the Managing Board, Managing Director for New Projects



NURLAN YERMEKOVICH SAURANBAYEV

**Member of the Board of Directors,
Chairman of the Managing Board**

Is a member of the Managing Board from 2021.

Year of birth: 1967

Nationality: Republic of Kazakhstan

Education:

- S.M. Kirov Kazakh State University, majored in Economics.

Professional life stages:

- In different years, held senior positions at Kazakhstan Temir Zholy RSE, NC KazMunaiGas JSC, of the Managing Director of SWF Samruk-Kazyna JSC, Vice-Minister of Industry and Innovations of the RoK, Deputy Minister of Defense of the RoK, Head of the Organizing Committee of the International Specialized Exhibition EXPO-2017.
- From 2017 to 2018 – Akim of Shymkent, South Kazakhstan Oblast.
- From 2019 to 2021 – Head of the Department of State Control and Organizational Territorial Operations of the Executive Office of the President of the RoK.
- From April 2021 till date – Chairman of the Managing Board of NC KTZ JSC.



KANAT YESMUKHANOVICH ALMAGAMBETOV

Member of the Managing Board

Is a member of the Managing Board from 2021.

Year of birth: 1962

Nationality: Republic of Kazakhstan

Education:

- Almaty Institute of Railway Engineering, majored in Railway Operation;
- Kazakh Academy of Transport and Communications named after M. Tynyshpayev, majored in Railway Economics and Management.

Professional life stages:

- Worked his professional way from a shunter to the senior positions at Kazakhstan Temir Zholy RSE.
- In different years, held positions of the Director of NC KTZ JSC subsidiary -Akmola Transportation Branch, the Vice-President, the President of Kaztemirtrans JSC, Managing Director for Transportation Process, the Managing for Operations of NC KTZ JSC, and an Adviser to the President of NC KTZ JSC.
- From 2015 to 2018 – General Director of Union of Kazakhstan Transport Workers KAZLOGISTICS.
- From December 2018 till date – First Deputy Chairman of the Managing Board of NC KTZ JSC.



ANUAR MURATOVICH AKHMETZHANOV

Member of the Managing Board

Is a member of the Managing Board from 2021.

Year of birth: 1975

Nationality: Republic of Kazakhstan

Education:

- Karagandy State University named after Y.A. Buketov, majored in Foreign Economic Relations;
- Johns Hopkins University, majored in Foreign Finances.

Professional life stages:

- In different years, held senior positions at MNC KazMunaiTeniz JSC, NC KazMunaiGas JSC, Samruk Kazyna Holding JSC, KazGerMunai JV LLP; Deputy Karagandy Oblast Akim (Industry, SME Development, Industrialization and Investments); the Inspector, Executive Office of the President of the RoK; the Executive Secretary, Ministry of Defense and Aerospace Industry of the RoK, Ministry of Digital Development, Innovations and Aerospace Industry of the RoK.
- From 2020 to 2021 – First Vice-Minister of Digital Development, Innovations and Aerospace Industry of the RoK.
- From July 2021 to February 2022 – First Deputy Chairperson of the Managing Board for Transformation and Digitalization of NC KTZ JSC.
- From February 2022 to November 2023 – Deputy Chairman for Strategy of NC KTZ JSC.
- From November 2023 till date – Deputy Chairman of the Managing Board of NC KTZ JSC.



SERIK ZHETKERGENOVICH KEULIMZHAYEV

Member of the Managing Board

Is a member of the Managing Board from 2021.

Year of birth: 1966

Nationality: Republic of Kazakhstan

Education:

- Rostov People's Friendship Medical Institution, majored in Medical and Preventative Care, Overall Organization of Medical Functions.
- South Kazakhstan State University named after M. Auezov, majored in Oil, Gas and Coal Chemical Technology.
- Russian Presidential Academy of National Economy and Public Administration, Graduate School of Corporate Management (DBA).

Professional life stages:

- In different years, held position of the Chief Manager of the consulting company PricewaterhouseCoopers, held senior positions at the private companies and NC KazMunaiGas JSC.
- From April 2021 to February 2022 – Deputy Chairman of the Managing Board for Corporate and HR of NC KTZ JSC.
- From February 2022 till date – Chief of Staff, NC KTZ JSC.



DAIR ADILBEKOVICH KUSHEROV

Member of the Managing Board

Is a member of the Managing Board from 2021.

Year of birth: 1977

Nationality: Republic of Kazakhstan

Education:

- Indiana University, Bachelor of Finance;
- Kazakh State Academy of Management, majored in International Economics.

Professional life stages:

- In different years, held positions of the Deputy Director, Director of the Corporate Financing Department of Intergas Central Asia JSC, the Financial Director of KazTransOil JSC, Director of the Corporate Financing Department, Managing Director for Economics and Finance, Deputy General Director for Economics and Finance of KazTransGas JSC.
- From December 2018 to February 2022 – Deputy Chairman for Finance of the Managing Board, NC KTZ JSC.
- From February 2022 till date – Managing Director for Finance, NC KTZ JSC.



BAURZHAN PAZYLBEKOVICH URYNBASAROV

Member of the Managing Board

Is a member of the Managing Board from 2021.

Year of birth: 1970

Nationality: Republic of Kazakhstan

Education:

- Almaty Institute of Railway Engineering, majored in Organization of Railway Transportation and Traffic Control.

Professional life stages:

- In the course of his professional life, he initially was track operating controller at the Kyzyl-Orda station, West Kazakhstan railway. In different years, held different railway positions: Managing Director – Chief Engineer of NC KTZ JSC, the Managing Director for Field Operations of NC KTZ JSC; Acting President, Kaztemirtrans JSC; Vice-President and Chief Engineer, NC KTZ JSC.
- From 2017 to 2018 – Vice-President for Infrastructure Projects of NC KTZ JSC;
- From 2018 to 2020 – Managing Director for Infrastructure – Director of the NC KTZ JSC subsidiary – Directorate of Backbone Railway Network.
- From 2020 to 2021 – Deputy Chairman for Infrastructure of the Managing Board – Director of the NC KTZ JSC subsidiary, Directorate of Backbone Railway Network.
- From 2022 till date – Managing Director for Operating Processes, NC KTZ JSC.



YERLAN KHAMARDINOVICH KOISHIBAYEV

Member of the Managing Board

Is a member of the Managing Board from 2021.

Year of birth: 1985

Nationality: Republic of Kazakhstan

Education:

- American University in Dubai, Bachelor's program, majored in Finance and Banking;
- Kazakh Academy of Transport and Communications, Master's Program, majored in Logistics;
- Russian Presidential Academy of National Economy and Public Administration, MBA.

Professional life stages:

- In different years, held positions of the Assistant to the Finance Minister of the RoK, Director of the Investment Project Department of Samruk Kazyna Invest LLP, Vice-President of National Center for the Development of Transport Logistics JSC, and President of Center of Transport Services JSC.
- From 2015 to 2018 – Vice-President for Logistics of KTZ Express JSC.
- From 2018 to 2019 – Deputy Chairman of the Managing Board of Kazakhstan Institute of Industry Development JSC.
- From 2019 to 2021 – Deputy Kostanai Oblast Akim.
- From 2021 to February 2022 – Deputy Chairman for Logistics of the Managing Board of NC KTZ JSC.
- From February 2022 to May 2022 – Managing Director for Logistics of NC KTZ JSC.
- From May 2023 till date – Deputy Chairman for Logistics of the Managing Board, NC KTZ JSC.



ERSAIYN KAIRGAZIYEVICH NAGASPAYEV

Member of the Managing Board

Is a member of the Managing Board from 2021.

Year of birth: 1980

Nationality: Republic of Kazakhstan

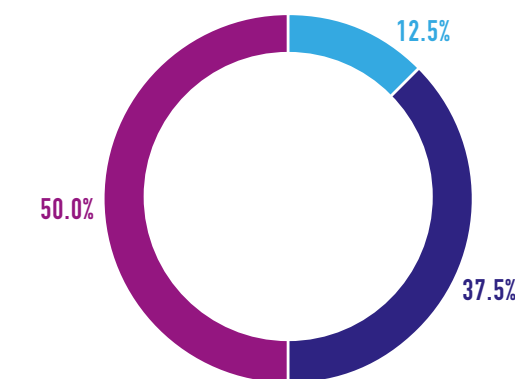
Education:

- Karaganda State University named after Buketov, majored in International Economic Relations.

Professional life stages:

- In different years, held positions of the Attache of the Department of Regional International Projects of the Investment Committee, Foreign Ministry of the RoK, Attache of Kazakhstan's Embassy to the RF (Moscow); Deputy Director of the Department of Transport Policy and International Cooperation, Ministry of Transport and Communications of the RoK; Chief of Staff, Aktau International Sea Trade Port RSE, Advisor to the Deputy Prime Minister of the RoK; Deputy Akim of the district named after Kazybek Bi, Karagandy; Shahtinsk Akim, Karagandy Oblast; Deputy Astana City Akim for Economics and Finance.
- In 2015 – Chairman of the Managing Board of SEC Astana JSC.
- From 2016 to 2020 – Deputy Director for Strategic Development, Novostroi Astana LLP.
- From April 2021 to February 2022 – Managing Director for Procurements, NC KTZ JSC.
- From February 2022 till date – Managing Director for New Projects, NC KTZ JSC.

AGE OF THE MEMBERS OF THE MANAGING BOARD, IN %



- 30-40 y.o. - 1
- 41-50 y.o. - 3
- 51 y.o. and older - 4

PROCEEDINGS OF THE MANAGING BOARD IN 2023

In 2023, the Managing Board of NC KTZ JSC held 36 meetings, where 267 matters were considered.

For the reporting period, the Company's Managing Board considered matters related to the operating activities, the implementation of the Development Strategy, solutions of the Sole Shareholder and the Board of Directors of NC KTZ JSC, etc.

In 2023, the Managing Board of NC KTZ JSC approved the following documents:

- the Policy for Business Continuity Management System of NC KTZ JSC;
- the Rules for Determining the Risk Appetite, Risk Tolerance, Key Risk Indicators of NC KTZ JSC;
- the Road Map of NC KTZ JSC for Improvement of the ESG Score for 2023–2024;

REMUNERATIONS OF THE COMPANY'S OFFICIALS

GRI 2-19, 2-20

Remunerations are paid to the members of the Managing Board of NC KTZ JSC according to the annual results in compliance with the Rules for Payment of Labor Remuneration and Bonuses to the Key Personnel, Employees of the Office of Corporate Ombudsperson, Employees of the Corporate Secretary Office, Internal Audit Service and Compliance Service, approved by the Resolution of the Board of Directors of NC KTZ JSC dated July 12, 2017 (minutes #5).

The said Rules are based on the following principles:

- a correlation between the remuneration and performance of the tasks for the benefit of NC KTZ JSC and its Sole Shareholder;
- a correlation between the amount of the remuneration and performance of NC KTZ JSC and effectiveness of its personnel.



AVERAGE AGE OF THE MEMBERS OF THE BOARD OF DIRECTORS

50 YEARS

- the Guidelines for the Ecology Management System of NC KTZ JSC and its branch organizations;
- the Dividend Policy of NC KTZ JSC as applicable to the branch organizations;
- the Rules of Creation and Development of the Talent Pool of NC KTZ JSC and its branch organizations;
- the Target Scheme of Operating Activities of NC KTZ JSC and the Road Map for Implementation of the Target Scheme of Operating Activities of NC KTZ JSC;
- the Plan for Implementation of NC KTZ JSC's Development Strategy until 2032;
- the Guidelines on Health and Occupational Safety Management System at NC KTZ JSC and its branch organizations;
- the Rules for Risk Identification and Assessment of NC KTZ JSC, etc.

The amount of the official salary of a Company employee shall be established by the Board of Directors according to the recommendations of the Committee for Appointments and Emoluments/Auditing Committee, subject to the official salaries' range. When the requirements for an employee's qualification are exceeded, the amount of his/her official salary may be raised above the minimum level. Individual deviations from the salary scale are allowed. These shall be documented in the relevant labor contract as special payroll terms.

In case of an annual paid annual leave, the employee shall be paid a bonification in the amount of two official salaries. To part-time employees, the bonification shall be paid proportionally. The key personnel may be paid one-time bonuses on the occasion of the national holidays, such as Independence Day

and the professional holiday, Day of Transport Workers, in a fixed amount, which shall not exceed 10 minimum salaries.

The remunerations based on the performance for the reporting period shall be paid according to the results of an operating efficiency evaluation carried out for the purposes of financial rewards for achievements and improved performance depending to the Key Performance Indicators and are to be calculated based on the actual overall fulfillment of the corporate and functional Key Performance Indicators (KPI).

The Key Performance Indicators maps indicating the actual values and calculations of the remuneration amounts shall be submitted in due order by the responsible subdivision to the Committee for Appointments and Emoluments and Board of Directors of the Company, for consideration.

In 2023, the corporate KPI of the Chairman and members of the Managing Board of NC KTZ JSC included the ESG indicators: traffic safety, industrial safety level, social stability rating, ESG score, and carbon footprint.

FULFILLMENT OF THE CORPORATE KPI IN 2023:

KPI name	Measuring unit	2023		KPI fulfillment
		Plan	Actual	
EBITDA margin	%	25.2	25.5	Target exceeded
Traffic safety	incidents/million train-kilometers	1.04	0.62	Target exceeded
Industrial safety level	Ratio/%	A1=0.17 A2=0.08 A3=26 A4=91	A1=0.17 A2=0.10 A3=37.3 A4=97	Fulfilled partially
Social stability rating	%	65	66	Target exceeded
ESG score	score	>30	54	Target exceeded
Financial rehabilitation	ratio	K1=4.9 K2=3.15 K3=1.44	K1=4.52 K2=2.37 K3=1.27	Fulfilled partially
Carbon footprint	%	-2.5	-5.1	Target exceeded
Implementation of the investment projects, including priority ones	%	80	80	Target achieved

CORPORATE KPI FOR 2024:

KPI name	Measuring unit	Plan
Industrial safety level	Ratio	A1=0.13 A2=0.07
Implementation infrastructural investment projects	%	80
Average service speed in the freight traffic	km/h	38.5
Temporarily abandoned trains	Trains per day on average	130
EBITDA margin	%	27.5

The remunerations based on performance for the reporting period are not permanent. They shall not be taken into account in the calculation of the average salary.

The decision to pay the remunerations to the key personnel shall be approved by the Board of Directors of NC KTZ JSC.

Pursuant to the Company's Charter, the amount of the remunerations payable to the members of the Board of Directors shall be in compliance with the resolution of the Sole Shareholder pursuant to the internal regulations of the Sole Shareholder. Members of the Board of Directors shall be paid solely a fixed remuneration. No additional remuneration shall be payable for their

participation in the Committees of the Board of Directors of NC KTZ JSC.

In 2023, the total amount of the remunerations, including salaries, paid to the members of the Managing Board and the Board of Directors was 790 million tenge.

INTERACTION WITH THE SOLE SHAREHOLDER

The information of the parent company's participation in any placements

On December 27, 2023, pursuant to the Resolution of the Board of Directors of NC KTZ JSC (minutes #4 dated April 27, 2023), one thousand (1,000) ordinary shares of NC KTZ JSC were placed, to the extent of the number of the authorized shares, at the offering price of twenty four million three hundred nine thousand five hundred and

eight tenge (KZT 24,309,508) per ordinary share, through the exercise of the Sole Shareholder's pre-emptive right;

As of 1 January 2024:

- The number of authorized ordinary shares was 502,040,458;
- The number of ordinary shares placed was 496,693,666;
- The authorized capital stock of NC KTZ JSC was 1,110,633,867,541 tenge.

DIVIDENDS

The goal of the Dividend Policy is to ensure a balance of interests of the Fund and the Company, predictability and transparency of the approach to the determination of the amount of dividends.

The key principles of the Dividend Policy are as follows:

- to ensure the guaranteed payment of the dividends to the Fund on the latter's shareholding;
- to ensure financial stability of the Fund and the Fund's Group;
- to ensure financing of the Fund's operations, including financing of the new types of activities and investment projects to be implemented against the Fund's assets;

- the Companies are required to finance their development costs, including their investment activities.

In 2023, the Managing Board of the Fund decided with regards to NC KTZ JSC not to pay any dividends to the Shareholder for 2022 (minutes #25/23 dated May 25, 2023).

The dividend yield in terms of basic earnings per share shall be calculated on the basis of the average weighted number of ordinary shares issued during the year. The amounts related to the ordinary shares and dilutive ordinary shares are equal, as the Company holds no dilutive instruments. In 2022-2023, the Company did not hold any antidilutive instruments either.

Particulars	2021	2022	2023
(Loss)/earnings per ordinary share (tenge)	240	70	269
Book value of a share (tenge) ⁴⁰	2,470	2,853	3,447

⁴⁰ The book value of the shares shall be calculated according to the KASE requirements.

FINANCIAL STATEMENTS

The financial statements of NC KTZ JSC and its branch organizations (hereinafter jointly referred to as the "Group") comply with requirements of the International Financial Reporting Standards (the "IFRS"), including requirements of IFRS (IAS) 1 – Presentation of Financial Statements.

The Company regularly reviews, analyzes and identifies any changes in the IFRS in terms of their effects on the Group's financial statements.

To ensure the timeliness of the closure of a period, accounting records and preparation of the Group's statements, the following regulations were approved and complied with: the Period Close-Out Regulation, the Operating Financial and Management Statements Preparation and Compilation Regulation, and the Regulation for Consolidation and Preparation of the Group's Consolidated Financial Statements.

The Company has prepared the checklist of information to be disclosed in the financial statements under the IFRS. When preparing its consolidated financial statements, the Group introduced the procedure for the review and coordination of the information to be disclosed in the financial statements with the concerned business subdivisions and branch organizations. Events and non-routine transactions, which have an effect on the Group's consolidated financial statements, are to be analyzed.

To organize an efficient operation of the business subdivisions and branch organizations of the Company, upon receipt of the information required for the preparation of the financial statements and conducting of an external audit, the Company approved its Regulation for Preparation of the Separate and Consolidated Financial Statements and Interaction with External Auditors in the Course of an Audit of Separate and Consolidated Financial Statements of NC KTZ JSC.

The Group's consolidated financial statements shall be approved for the release by the management, preapproved by the Auditing Committee of the Company's Board of Directors and are subject to the subsequent approval by the Board of Directors and the Shareholder.

The 2023 consolidated financial statements were audited by Deloitte LLP.

The Auditing Committee of NC KTZ JSC's Board of Directors shall, on an annual basis, consider if the external auditor is objective and independent, as well as the remuneration payable to the external auditor. Deloitte LLP had informed the Auditing Committee of the compliance with the independency obligations to the Group as required by the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants and ethical requirements as applicable to the audit of the Group's consolidated financial statements.



Gross Valeria, 8 years old

RISK MANAGEMENT AND INTERNAL CONTROLS

RISK MANAGEMENT SYSTEM

Risk management is an integral part of the strategic planning and corporate governance of the Company, as well as maintenance of its financial strength.

The Company's underlying risk management document is NC KTZ JSC's Risk Management and Internal Controls Policy.⁴¹

The Company has been introducing its corporate risk management (CRM) system in compliance with the COSO model.

The key principles of the Company's risk management process are as follows:

- the management's commitment and motivation
- systematization, structuredness and timeliness
- a part of the decision-making process
- facilitation of the achievement of goals
- improvement and development
- transparency and engagement
- a component of all the organizational processes

The CRM system is aimed at the achievement of an optimal balance between the rise in the value of the Company, its profitability and risks. The CRM system is the key component of the Corporate Governance System, which is supposed to ensure the timely identification, assessment and monitoring of all material risks, as well as the implementation of the proper and adequate measures to mitigate the risks.

the NC KTZ JSC Group, which is based on the establishment of the proper "tone at the top level," a high level of awareness and information of the risks, responsibility of the risk/risk factor owners, and active management of the timely reporting risks.

Roles and Responsibilities of CRM Participants

The Board of Directors of NC KTZ JSC shall supervise the efficiency of the risk management and internal controls by performing the following risk management functions:

- established (short-term and long-term) goals of the Company;
- approves principles and approaches to the CRM organization, requirements for the arrangement of internal controls and implementation of the control procedures, distribution of roles of the CRM participants in the context of the Company's risk management and internal controls;
- approves the Risk Appetite, Tolerance, Key Risks Indicators, the Risk Register and Map, the Risk Response Action Plan, and the consolidated reports of the Company's risks;
- approves the organization structure that shall comply with the Company's needs and ensure the efficient risk management;

The Company has set up a vertical process to manage the risks and operate the risk management system at all levels of management. Each officer shall ensure a proper consideration of the risks when making his/her decisions. The risks are assessed using the qualitative and quantitative instruments, which take into account the probability of the risk's occurrence and its relevant effect.

The CRM system functioning is ensured by the following seven interrelated processes:

- goal setting;
- risk management;
- identification of risks/risk factors;
- monitoring and reporting;
- risks/risk factors assessment and analysis;
- informing and communication;
- creation of the internal environment.

The implementation of the above components of the risk management process contributes to the development of the risk culture of

⁴¹ Approved by Resolution of the KTZ NC JSC Board of Directors dated October 28, 2022 (minutes #14).



The Policy is published on the Company's corporate web-site at: see [Risk Management and Internal Controls Policy of NC KTZ JSC](#).

- when approving decisions, ensures a proper consideration of matters being within the competence of the Company's Board of Directors, subject to the associated risks;
- takes adequate measures to make sure that the existing risk management and internal controls system meets the principles and approaches to the organization thereof established by the Board of Directors of the Company and operates efficiently, including, but not limited to, considers the Internal Audit Service's reports on the assessment of efficiency of the CRM and internal controls, analyzes external auditors' opinions on the improvement of the internal controls and risk management.

The Auditing Committee of the Board of Directors of NC KTZ JSC shall assist the Board of Directors of the Company in monitoring of reliability and efficiency of CRM and IC by performing the roles set forth by the local acts of the Company.

The Managing Board of the Company shall perform the following functions:

- ensures the implementation of the Risk Management Policy, elaboration and introduction of the risk management and internal controls internal regulations, updating thereof subject to the changes in the external and internal business environment;
- distributes powers, duties and responsibilities for the risk and internal controls management procedures between managers of various levels and business process owners;
- ensures the integration of the risk management and internal controls into all the business processes of the Company;
- approves the Risk Appetite, Tolerance, Risk Register and Map, Key Risk Indicators (KRI), Risk Response Action Plans, consolidated risk reports of the Company to be considered by the Board of Directors;
- continuously monitors the Risk Appetite of the Company at all the management layers, makes changes, if necessary, and creates the culture emphasizing the importance of the Risk Appetite.

The Internal Audit Service (IAS) of the Company shall assess the efficiency of the CRM and IC, inform the Managing Board and the Board of Directors of the Company of the existing shortcomings and prepare the recommendations to improve the CRM and IC of the Company in the context of the audit engagements being performed.

The Chief Risk Officer (CRO) shall organize and coordinate the Company's risk management and internal controls system by performing the following functions:

- ensures the implementation of the Risk Management Policy, elaboration and introduction of the internal regulations, updating thereof subject to the changes in the external and internal business environment;
- ensures formulation of the unified corporate culture, informing and training of

the Company's risk coordinators, arranges classes/workshops for the members of the Board of Directors and the Managing Board, as well as assesses the efficiency of the training and verification of the risk coordinators' knowledge.

- ensures the integration of the risk management and internal controls into all the business processes of the Company;
- organizes the formulation and approval of the Risk Appetite, Tolerance, Risk Register and Map, KRI, as well as prepares the Action Plans for Risk Response and Improvement of the Risk and Internal Controls Management Systems, the consolidated risk reports and reports on the implementation of measures to be considered by the Managing Board and the Auditing Committee, with subsequent approval thereof by the Board of Directors of the Company;
- ensures the timely formulation and approval of the Risk Appetite, Tolerance, Risk Register and Map, KRI, Action Plans for Risk Response, Improvement of CRM and IC, the consolidated risk reports and reports on the implementation of the action plans to be considered by the Managing Board and the Committee and approved by the Board of Directors of the Company;
- monitors the implementation of measures aimed to remedy the current shortcomings revealed in the course of elaboration of the Company's risks and internal controls flow-charts and matrixes;
- ensures the elaboration of the business continuity plans of the Company;
- informs of the current status of the risks, changes in the reference environment and measures aimed to improve the risk management.

The CRO functions shall be vested in one of the current members of the Company's Managing Board.

The Risk Management Department is the key business subdivision being in charge of risk management and internal controls, that shall organize the operation of the risk management system, ensure the elaboration and updating of the local regulatory acts concerning risk management and internal controls, render the methodological support to the other business subdivisions in terms of risk identification and assessment, and give recommendations.

The Risk Management Department shall report directly to the CRO.

The risk management and internal controls system is based on the **"Three Lines of Defence"** model.

The first Line of Defence (business functions) is represented by the business subdivisions acting through each employee, within his/her remit. When fulfilling their official duties, the Company's employees (risk owners) shall directly manage the risks and follow the control procedures within their remit.

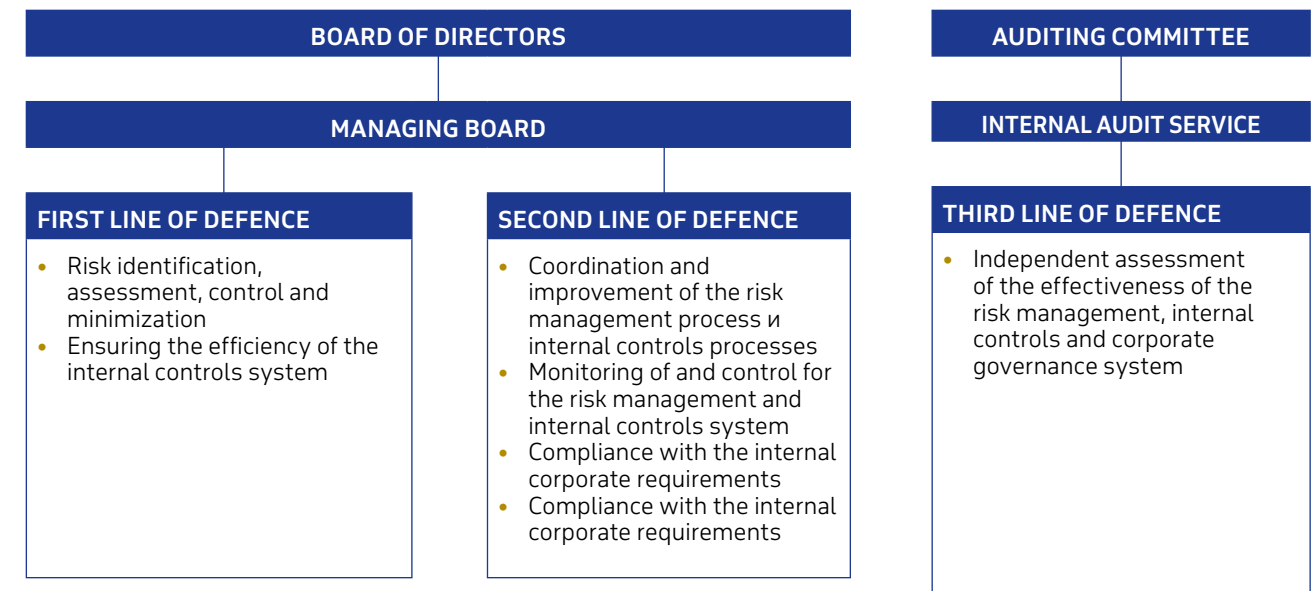
The second Line of Defence is represented by the Company's business subdivisions, including the Risk Subdivision, which shall perform the functions related to the monitoring, review, assessment, expert review of the activities of the first Line of Defence and the key risks, ensure and oversee the introduction of an efficient risk management, internal controls, business continuity practices, compliance with the laws, administrative rules/internal regulations and investigation of deceitful practices by performing the functions set forth by the local acts of the Company.

The third Line of Defence (independent guarantee) is represented by the Internal Audit Service of the Company, and shall perform an independent efficiency assessment and contribute to the improvement of the risk

management and internal controls, render support to the Auditing Committee and the Board of Directors of the Company, provide them with an independent assessment of the risk and internal controls management system's efficiency.

In 2022, in the result of the "Diagnostics of the Company's Corporate Governance System" audit conducted by the Internal Audit Service, NC KTZ JSC was assigned the "BB" rating for the "Risk management, internal controls and audit" component, including an assessment of the Company's risk culture.

In 2023, the Internal Audit Service of NC KTZ JSC did not assess the CRM performance, however, this procedure was scheduled for 2024.



Risk Appetite

The Company's risk appetite characterizes its own risk retention level, to the extent of which the Company can achieve its established strategic and operating goals, as well as determines the ceiling for the critical risks/risk factors, which the Company is ready to accept.

Development of the Risk Management System

The risk management and internal controls system is improved by taking measures aimed at the prevention of the risk realization and minimization of the implications thereof. Reports on the implementation of the preventive measures are prepared on a regular basis. The Company's top executive officers are permanently and directly involved in the risk management.

The Company's exposure to the risks is subject to a regular inspections on a quarterly basis, and according to the results thereof the quarterly consolidated risk management reports shall be prepared. The reports shall disclose the information regarding the key risks, realized risks, the preventive and reactive measures taken to minimize the risks, as well as regarding the anticipated risks.

The Board of Directors shall exercise the highest control for the Company's exposure to the risks.

In 2023, the Risk Management Reports according to the results of quarters 1, 2, 3 of 2023 were submitted to the Board of Directors for consideration (minutes #4 dated April 27, 2023, #11 dated September 9, 2023, and #16 dated December 7, 2023, respectively).

These Reports include a detailed analysis of critical risks. The number of such risks in each report may reach 13.

MEASURES TO DEVELOP AND IMPROVE THE CRM SYSTEM

The Company has been continuously improving the CRM and regularly improves its regulatory and methodical risk management framework.

In 2023, the Company implemented the following measures:

- approved the Rules for Risk Identification and Assessment of the Company, as amended;

- the Board of Directors considered and approved the risk reports (on a quarterly basis);
- the training workshops were organized for employees of the Risk Management and Internal Controls Department, with assistance from the risk managers of the branch organizations and risk coordinators of the subsidiaries and business subdivisions.

RISKS

The risk identification is important as a method to optimize the Company's expenses, as the identification of the risks, determination of the adequate measures to minimize the same and to eliminate the implications thereof with due advance allow to plan the sources and volumes of financing of such measures. Ultimately, these affect the efficiency of the Company's operations.

Risks are actively identified both in the course of regular stock-taking conducted annually when crating the Register, and during the current operating activities of the Company – on a quarterly basis when preparing the risk reports.

When a material risk which has not been included in the Register is identified, the risk owner shall inform the Risk Subdivision to that effect. The Risk Subdivision shall analyze the information received, and, if necessary, will include the new risk in the Risk Register. In addition, in the course of the inventory survey, the risk owners shall

identify the potential occurrences of the risk, whether actual or implied, negative trends indicating to the amplification of the risk, analyze the factors that have caused the risk, and assess the scale of the supposed loss.

The Register of Risks and the Risk Map of NC KTZ JSC shall be prepared and approved on an annual basis. The Risk Map is divided into the zones of exposure and zones of likeliness. According to the Risk Register approved by NC KTZ JSC for 2023, 58 risks were identified and assessed:

within the red zone – 16 risks;

within the orange zone – 23 risks;

within the yellow zone – 15 risks;

within the green zone – 3 risks.

The risks are assessed depending on each risk's position in the risk matrix:

	Risks of the highest priority, the potential damage caused by the realization of which varies between 75 and 100% or is 3 billion tenge and more;
	The second-priority risks; the potential damage caused by the realization thereof varies between 50 and 75% or is 1-3 billion tenge;
	The third-priority risks; the potential damage caused by the realization thereof varies between 25 and 50% or is 0.5-1 billion tenge;
	Risks which can cause damage varying between 0% to 25% or 0.2 and 0.5 billion tenge.

NC KTZ JSC RISK MATRIX FOR 2023



CRITICAL RISKS

CODE	DESCRIPTION OF THE RISK CATEGORY
FREIGHT TURNOVER RISKS	
CTR-1	Volume of domestic freight turnover
CTR-5	Risks associated with transshipping operations at the interstate division points
CTR-7	Risks associated with freight cars handling
CURRENCY RISK	
FX-1	Risk of national currency depreciation
OPERATING RISK	
OR-3	Lack of the locomotive fleet engaged in freight traffic
OR-10	Risk of increasing number of abandoned trains
OR-11	Lack of diesel fuel for the hauling operations
MACRO RISK (SUPER RISK)	
MR-1	Escalation of inflation
INFRASTRUCTURE RISK	
IR-1	Deterioration of the superstructure
CONTRACT RISK	
CCR-1	Risk of enforcement of the contracts
TRAFFIC SAFETY AND HEALTH RISK	
HTR-3	Risk to the life and health of the Company's personnel
HR RISKS	
HR-3	Employees' social discontent
RISK OF NON-ALLOTMENT OF SUBSIDIES	
SBR-1	Subsidies at the % rate of KTZ
SBR-2	Subsidies at the % rate of PL
SBR-3	Subsidies from RB and MEO for passenger transportation
RISKS OF SANCTIONS AND RESTRICTIONS (SUPER RISK)	
SR-1	Impact on the freight turnover (transit)

MEASURES TO REDUCE THE CRITICAL RISKS

Risk	Name of the risk	Measures
CTR	RISKS OF REDUCTION IN THE FREIGHT TURNOVER	- Elaborate and implement the freight containerization program - Develop the alternative routes (TITR) - Offer consignors the favorable tariff terms - Increase the service speed of the freight cars - Reduce the time of the cars' removal/ delivery from /to the loading areas - Plan the freight transportation, subject to the seasonal fluctuations to ensure the efficient use of the car fleet - Elaborate and implement the freight containerization program
FX	CURRENCY RISK	Decrease the share of the debt in hard currencies, restructure the loan portfolio
OR	OPERATING RISK	- Implement the measures to mitigate the risk of non-implementation of the investment projects; - Raise the tariffs of the services on a timely basis to a level that ensures coverage of the current costs and the required volume of capital investments; - Ensure the overall repair of the locomotive fleet in compliance with the Investment Program; - Use the car fleet efficiently
MR	MACRO RISK RISK OF INFLATION	- State subsidies allocated in the required amount - Timely submission of the application for an increase in the controllable locomotive traction tariff
IR	INFRASTRUCTURE RISK	- Carry out the overhaul repairs of the tracks in compliance with the overhaul schedule - Current maintenance of the track
CCR-1	CONTRACT RISK	- Attract the volumes in order to gain revenues with the view of servicing the loan under the Loan Agreement - Measures aimed at continuous search for customers to load the refrigerated containers
HTR	TRAFFIC SAFETY AND HEALTH RISK	- Monitor the safety measures - Behavioral Safety Dialogue training - Safe working practices training - Prohibition from operating of malfunctioning machinery and mechanisms - Timely repair, maintenance, and inspection of machinery and mechanisms
HR	HR RISKS	- Introduce the Corporate Incentive System for the key operating personnel - Create the Center of Labor Force Restructuring on the basis of the KTZ NC JSC subsidiary, Center for Assessment and Development of Railway Transport Personnel - Implement the early retirement program - Centralize the efforts aimed to recruit and employ the employees dismissed through natural decrease and minimization of the external hire (moratorium against external hire)
SBR	RISK OF NON-ALLOTMENT OF SUBSIDIES	Perform the works aimed at execution of supplementary agreements to subsidization contracts to ensure a reduction in the penalties for default or improper fulfillment of the contracts terms
SR	RISKS OF SANCTIONS AND RESTRICTIONS	- Apply to the sanction cause when signing the contracts - Check the nonresident counterparties for their inclusion in the sanction lists, when signing the contracts

ARISING RISKS

The Company analyzes the potential events, which could impact its operations, and assesses if they entail potential risks.

Furthermore, the Company distinguishes the two arising material long-term (3-5 years +) risks, which are expected to have a long-term substantial impact on its operations.

Name of the risk	Risk of the decline of the Caspian Sea level (Shallowing risk)	Risk of non-receipt /incomplete receipt of state subsidies
Description of the risk in the context of the Company's operations	The main reason for the decline in the sea level is the climate warming in the Central Asian region, as well as the decline in the level of the Volga Basin, the main source feeding the Caspian Sea. The decline of the sea level will result in a decrease in the operating capacity of the harbor berths, navigable waterways, aquatic areas of the ports, hydraulic structures and will cause a deterioration of the navigation safety.	Due to the social significance of the interregional passenger transportation and investment projects, the main source of financing is assets allocated from the Central Government Budget.
Potential impact of the arising risk on the Company's business	Failure to ensure a safe entry/exit of the vessels at the Aktau seaport (risk of the vessel grounding); Shutdown of the port's operations according to the authorized bodies' order due to the non-compliance of the operating properties of the depths of the aquatic areas of the seaport established by the design, because of the threat to navigation safety; Decrease in the transshipment volumes and, hence, loss of revenues due to the decrease in the canal draught at the Aktau seaport in the result of the decline of the Caspian Sea level.	Deterioration of the quality of the customer services of Passenger Transportation JSC, the shift of the customers to motor vehicles, the delayed implementation of the investment projects, the growth in expenses and the Company's liquidity gap in the course of implementation of the projects against internal funds
Description of measures to mitigate the risk	Implementation of the "Bottom dredging operations within the aquatic area of the Kuryk Seaport" project	Organization of communications with the Client, the Ministry of Industry and Infrastructure Development of the RoK. Working out and introduction of a new network of routes

RISK CULTURE

The risk management culture (risk culture) is the foundation for the effective risk management. It encompasses the beliefs, understanding, and knowledge related to risk management that are shared and applied by all officers and employees when they fulfill their duties.

The risk culture is a part of the Company's corporate culture and plays the key role in the risk identification, assessment, and management processes, from the strategy development to its implementation and performance monitoring.

The Company's risk culture is based on the four principles:

Tone at the top level: The Board of Directors, the Managing Board and the management of the Company shall set the tone from above and when making decisions, they shall consider

the optimal balance between the long-term value, profitability and risks associated both with the adoption of, and failure to adopt the decisions; the management encourages their subordinates to demonstrate the risk-oriented behavior. Every item of the agenda of the meetings of the Company's bodies shall be accompanied by a risk analysis and assessment of the compliance with the established Risk Appetite.

So, the risk assessment in the course of decision making is a crucial stage in presenting matters to the Managing Board and the Board of Directors for consideration. As to every matter presented in the materials (explanatory notes), the initiators thereof shall provide detailed explanations of the associated risks, both in terms of adopting the proposed decisions and in terms of rejecting them.

Prior to the implementation of any significant investment projects, the Company conducts a thorough risk analysis, impact assessment, and evaluation of potential consequences. In case if any risks are identified, corresponding measures are to be developed to mitigate them, including the decision may be made to abandon the project according to the precautionary principle.

Corporate governance: The Company's activities are aimed to create such a reference environment, which ensures the employees' understanding that the Risk Management Policy and all the internal regulations are binding upon them. All the officers and employees of the Company clearly understand their zone of risk management and internal controls responsibility and powers. Risk owners, within their remit, understand the risks, manage them and properly communicate the risks pursuant to the internal regulatory documents of the Company.

Decision making: The internal environment is characterized by the openness of communications and transparency of the information of the risks. This encourages an open and constructive discussion of the relevant risks and potential opportunities between the employees and officers of the Company and allows them to make efficient decisions together in response to any external challenges.

The incentive system used at all the levels is based on financial and non-financial stimuli for the key personnel and employees, by encouraging the proper attitude to the risks in the course of making managerial decisions. The incentive system is based on the identification of material risks and their efficient management, introduction of the new technologies and efficient solutions in the risk management.

Competence: The Risk Subdivision bolsters aspirations for the continuous development of

the risk culture, including using mechanisms of the bridging program for the new employees with tests and feedback to be issued. In addition, the risk management and internal controls documents are provided as a part of the onboarding process for the members of the Board of Directors and the Managing Board of the Company, etc.

The Risk Subdivision shall regularly conduct the polls and analyze their results while assessing the effect of the culture on the Company's processes. If necessary, anonymous risk culture polls are initiated among employees, and their results shall be submitted to the Board of Directors and the Managing Board with the view of taking adequate measures.

In 2023, to assess the level of the risk culture, the Company polled its employees and key personnel. The results of the analysis and assessment of the risk culture were submitted to the Board of Directors. The polls give an opportunity to find out any goosenecks in the risk management and implement measures to improve the risk culture, such as training for the key personnel and employees of the Company, joint risk identification during the training and making updates to the methodology.

Plans to Develop the Risk Management System for 2024:

- further development of the risk culture;
- updating of the internal risk management guidelines;
- elaboration of an automated risk management system;
- arrangement of the trainings for the risk coordinators.

SUSTAINABLE DEVELOPMENT RISKS

Amendments have been made to the Company's Risk Management and Internal Controls Policy, which amendments pertain to the ESG risks.

According to the Policy, in the context of its sustainable development, at all phases of the Policy implementation the Company pays special attention to the environmental, social and governance risks (the "ESG risks").

The Company's ESG risk management system consists of the following components:

- 1) adoption of a corporate governance required to ensure the efficient CRMS and IC;

- 2) understanding of the Company's business context and strategy;
- 3) identification of the ESG-risks;
- 4) ESG risks assessment and ranking;
- 5) response to the ESG risks;
- 6) review and revision of the ESG risks;
- 7) ESG risks-related communications and reporting.

MEASURES TO MITIGATE THE ESG RISKS

Name of the risk	Measures
HR RISKS	
Violations of the Labor Code of the RoK	Implement the training programs for the HR services' employees. Centralize the HR record management on the basis of the NC KTZ JSC subsidiary, Multifunctional Service Center (MFSC).
Employment-related corruption	Centralize completely the recruitment and employment processes on the basis of MFSC. Define the CEOs' liability for the acts of corruption committed by their subordinates. Make active efforts to inform the public of the procedures for the employees' hiring to the vacancies, in the media and social networks. Conduct a questionnaire survey of the office seekers while focusing on transparency of the competitive procedures, including on the potential corruption element. Send quarterly inquiries to the educational institutions with regards to the newly employed persons to verify the authenticity of the submitted diplomas. Take continuous measures to deliver anti-corruption workshops to responsible employees engaged in the personnel recruitment and hiring process.
Employees' social discontent	Employees' social discontent is highly probable: - due to low salaries Measures being taken: Efforts within the framework of the Commission for Elaboration of Decisions Concerning Conditions and Amounts of the Rise in Salaries within the NC KTZ JSC Group in 2021-2025. ILD-based bonus payment to track servicemen and foremen, passenger car attendants, as well as payment of bonuses according to the sectoral competitions' results. Introduce the Corporate Key Operating Personnel Incentive System with the view of improving the labor efficiency. Create the payroll fund provisions to pay the variable remunerations to the employees. - due to a headcount optimization Measures being taken: Implement the Early Retirement Program. Centralize the efforts aimed to recruit and employ the employees dismissed through natural decrease and minimization of the external hire (moratorium against external hire). Introduce the additional social measures related to the personnel migration (in case of a rotation, transfers to other regions). The program for the personnel's retraining and requalification, including for professions being of a high demand outside NC KTZ JSC, according to the job center's recommendations. Compensation instruments for the dismissed employees under the age from which they could retire earlier. Expansion of the service area of the Common Service Center. Launching of the outstaffing within NC KTZ JSC. Maximum employment of the dismissed personnel. - due to the working conditions and abuse of power by the managers at local level Measures being taken: Implement the "Favorable working conditions" program, in particular: - improve the sanitary and living conditions and provision of the lines (first of all employees working outdoors) with domestic appliances; - solve the issue related to the timely provision of the lines with stationeries; - improve efficiency of the sanatorium-resort therapy; - introduce instruments ensuring additional payments in case of accidents. To carry out the line manager performance assessment, including subsequent rotation of the managers. To implement the communication campaigns to eliminate the maletolts from the employees.

Name of the risk	Measures
ENVIRONMENTAL AND CLIMATIC RISKS	
Risk of the decline of the Caspian Sea level	Take the bottom dredging measures. Measure the depths (bathymetry).
Risks associated with the change in the physical parameters of the climate	Reduction in the environmental emissions through: - the implementation of the annual measures aimed at preserving the atmospheric air, protection of water and land resources. - the availability of the environmental activities management system. - the monitoring of the environmental impact.

INTERNAL CONTROLS SYSTEM

Internal Controls System (ICS) is an integral part of the CRM system. The ICS uses a COSO model and consists of the following five interrelated components:

- control medium;
- risk assessment;
- control procedures;
- information and communications;
- monitoring.

The ICS is aimed to ensure the reasonable confidence in achievement of the Company's goals in the three key domains:

- improvement of the operating activities' efficiency;
- preparation of the full and true financial statements;
- compliance with requirements of the laws of the Republic of Kazakhstan and internal documents of the Company.

The ICS is aimed at the review of business processes, the timely identification and analysis of any risks of the of the process level, which are inherent to the Company's activities, as well as determination and analysis of the review procedures to manage such risks.

Order #845 of the Managing Director for Finance of NC KTZ JSC dated November 9, 2023 approved the Guidelines for the Internal Controls System of NC KTZ JSC, as amended.

According to the said Guidelines for the Internal Controls System, in 2023 the Company elaborated and approved the risks and control matrixes and the flow charts for the processes "Procurements", "Treasury" of the central administrative office of NC KTZ JSC.

In addition, the business process ranking matrix and the work schedule for the elaboration of the flow charts, risk and control matrixes of the central administrative office and subsidiaries of NC KTZ JSC were approved in 2023.

As a part of this work, the training in basics of the introduction of the internal controls systems was delivered to the business process owners.

At the same time, the branch organizations of NC KTZ JSC: NC "Aktau Sea Commercial Port" JSC, Kedentransservice JSC, Passenger Transportation JSC, Kaztemirtrans JSC, KTZ-Freight Transportation LLP, Port Kuryk LLP, KTZ Express JSC, and KTZ-Passenger Locomotives LLP elaborated similar documents for the processes "Proceeds," "Procurements," "Accountancy," "Production," "Investments," and "Information Technologies."

Internal controls and Risk Management System as Applicable to the Preparation of the Consolidated Financial Statements

The internal controls and risk management system as applicable to the separate and consolidated financial statements of NC KTZ JSC covers all the management levels, internal processes and operations conducted by the subsidiaries, structural subdivisions and branch organizations of NC KTZ JSC.

The reliable and efficient operation of the internal controls and risk management system in the course of preparation of the financial statements requires an involvement of and continuous interactions with the officers and employees of all the levels of NC KTZ JSC and its branch organizations.

As to the preparation of the separate and consolidated financial statements of the Company, the internal controls and risk management system has the unified key properties:

- comprehensiveness: the internal controls and risk management functions when compiling the financial statements of the Company's subsidiaries and branch organizations whereas the control procedures are followed at all the levels of the financial statement preparation processes;
- continuity of the operation: the continuous and proper functioning of the internal controls system in the course of compilation of the information, which allows prevent any and identify any deviations from fairness of presentation on a timely basis;

- responsibility: all the subjects of the internal controls and risk management system shall bear responsibility for the proper compliance with the review procedures subject to their powers set forth by the internal regulations and internal regulatory documents of the Company;
- accountability of the internal controls system participants – the quality and timeliness of the task performance and fulfillment of obligations by each person involved in the internal controls and risk management system shall be monitored by a next superior participant;
- uniformity of the methodological framework – a single approach to the application of the standards by all the business subdivisions, branch and affiliate organizations;
- self-review/advance warning: the internal controls systems shall provide for self-reviewing. Some systems ensure an automated self-review, others require periodic checkups. The control systems shall be installed in order to ensure an automated

- warning and exclude any dependence on the checkup or an audit.
- continuous development and improvement – the internal controls and risk management procedures shall be aimed at the continuous detection of any defects and aspects to enhance, as well as at taking corresponding corrective actions.

Internal Controls and Risk Management System to Be Used When Considering the Consolidated Financial Statements

To eliminate the realization of the risks of unreliability and untimeliness in compilation of the financial statements, it is necessary to develop the control procedures for the business processes.

The control procedures shall be documented and shall ensure an adequate risk coverage. The material risks associated with a business process and control procedure shall be included in the Risks and Controls Matrix.

INTERNAL AUDIT SERVICE

The Internal Audit Service is a subdivision of NC KTZ JSC, which monitors the financial and economic activities of the NC KTZ JSC Group, assesses its internal controls, is in charge of risk management, compliance with the corporate governance documents, as well as providing consultations on the improvement of the operations of the NC KTZ JSC Group.

The 2023 annual audit plan of the Internal Audit Service included performance of the 15 audit engagements, which covered 24 entities to be audited. The engagements were fulfilled in full.

According to the results of the audit engagements fulfilled in 2023, 348 recommendations were given, including 178 ones or 51% complied with by the audited entities, 63 recommendations (18%) are being fulfilled, and the 107 (31%) recommendations have not become due.

As a part of the second Line of Defence Risk and internal controls management system,

the Company's management system is subject to the internal audit for compliance with the requirements of the international management system standards, such as ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, and ISO 50001:2018.

Plans for 2024

The 2024 audit plan of the Internal Audit Service provides for 18 audit engagements to cover 29 entities to be audited.

The internal audit top priorities in 2024 shall be as follows:

- creation of revenues and cost of the services rendered;
- investment activities;
- efficiency of management of the fleet of cars;
- implementation of the IT projects;
- procurement activities.

COMPLAINT FILING MECHANISMS GRI 2-25, 2-26

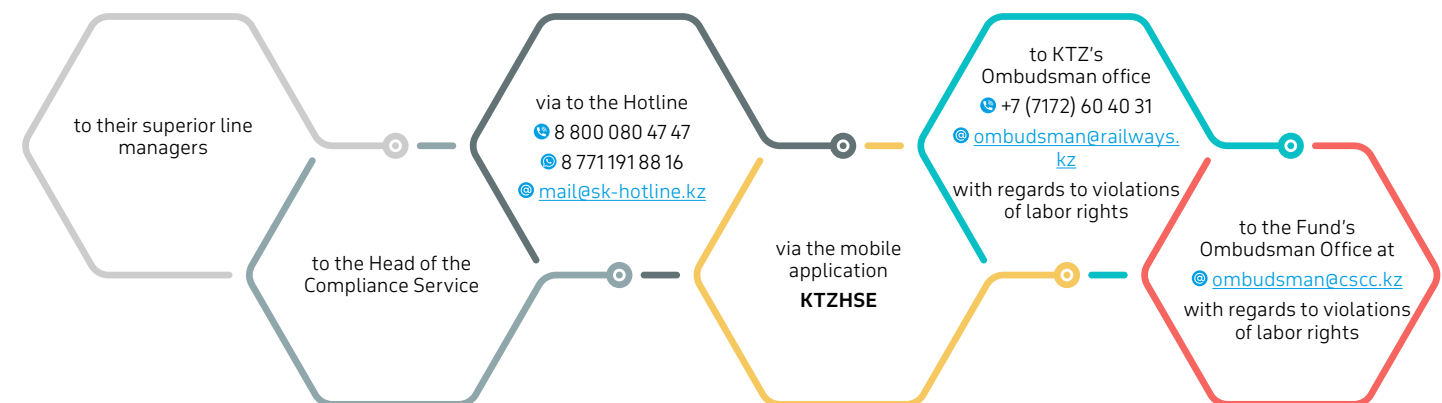
We appreciate openness and direct communications between our employees and other stakeholders. The creation of platforms of dialogues and channels to file complains is an essential component of our stakeholder management procedure.

The Company has developed mechanisms to consider the complaints and reports in order to assist in eliminating the adverse impact. They allow the Company to express its concerns about any alleged and actual adverse impact, including

those affecting human rights and responsible business conduct.

Employees and other persons may request a corporate ethics consultation using these mechanisms, and/or report any actual and alleged violations of the corporate ethics, human rights, unequal employment and working conditions, embezzlements, corruption practices used by the Company's employees or officers, health, safety and environmental risks.

THE COMMUNICATION CHANNELS TO BE USED BY THE COMPANY'S EMPLOYEES FOR THE PURPOSE OF SUBMITTING THEIR REPORTS AND FILING THEIR COMPLAINTS:



THE COMMUNICATION CHANNELS TO BE USED BY OTHER STAKEHOLDERS TO REPORT AND FILE THEIR COMPLAINTS:



CORPORATE ETHICS



The Code is an open document and is posted for review by interested parties on the Company's corporate website <http://www.railways.kz>.

In order to form and maintain ethical standards and norms in the Company, the Board of Directors approved the Code of Ethics and Conduct of NC JSC KTZ and its subsidiaries (Minutes dated September 20, 2019, No. 14).

The Code of Ethics and Conduct is aimed at improving the corporate culture and provides for the principles of conducting an open and honest business, standards and norms of ethics and behavior based on the proclaimed values, as well as the mission and strategy of the Company.

The Code covers the following issues:

- ethical behavior, since reputation is a key asset of the Company, and high standards of ethical behavior imply that all employees adhere to the principles of honesty, integrity, impartiality, respect in dealing with work colleagues, clients and business partners, as well as with other third parties, commitment to zero tolerance for any manifestations of corruption and bribery;
- prohibition of discrimination and harassment, as the Company strives to create such conditions and a climate in the team where all employees build relationships based on mutual respect for each other, behave correctly and professionally. Therefore, the Company does not tolerate any form of discrimination,

including discrimination on religious, racial, ethnic, gender, age and other grounds. The Company prohibits any form of behavior that is offensive, aggressive or hostile;

- Sustainable development, as the Company considers sustainable development as one of its strategic objectives. We aim to strengthen our financial position. At the same time, the criteria of production, investment and other financial decisions made in the Company are not exclusively economic in nature, they also take into account social, environmental indicators and principles of sustainable development;
- Conflict of interest, as conflict of interest management is one of the most important anti-corruption mechanisms. The Company pays great attention to preventing the realization of risks related to conflicts of interest and their settlement;
- Compliance with the Code. It is important that every employee or official respects the values proclaimed in the Company, as well as follows the standards of conduct in the performance of their official duties and has the opportunity to report violations that will become known by any means of information provided for by the Confidential Information Policy at NC KTZ JSC.

The provisions of the Code apply to all officials and employees of NC KTZ JSC and its subsidiaries, regardless of their position.

Business partners, customers, suppliers and other third parties who interact with the Company or represent the Company must adhere to the provisions of the Code.

The Compliance service informs the Board of Directors of NC KTZ JSC on a quarterly basis about the practice of compliance with the Code by employees of the group of companies of NC JSC KTZ.



Altybayeva Zhanar, 13 years old

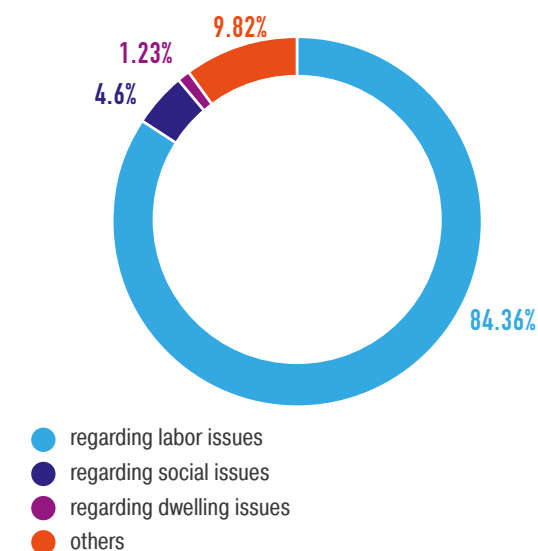
CORPORATE OMBUDSMAN

The Ombudsman of the Company shall be appointed by the Board of Directors. Pursuant to the Provision on the Corporate Ombudsman of NC KTZ JSC, the key functions of the Ombudsman shall include:

- assistance in the prevention and settlement of any conflicts between employees, groups of employees, suppliers, customers of the Company and its branch organizations, at an early stage;
- assistance in the Company and its subsidiaries' adherence to the principles and rules of the Business Ethics Code;
- review of the local acts of the Company and its branch organizations, which regulate the social and labor issues, participation in the elaboration and revision thereof;
- consulting parties to the labor or social conflicts on matters related to the conflict situations;
- submission of the report of his/her performance, any issues revealed, which are of a system and organizational nature and require adequate decisions, to the Board of Directors and its Committees;
- analysis of reports submitted by employees, a group of employees, suppliers, customers of the Company and its branch organizations, with the view of preventing any labor and social conflicts;
- mediation between the parties to a labor dispute, conflict to ensure the efficient communications and to settle the same;
- preparation of recommendations, measures to settle the system and organizational issues, to improve the social stability within the Company and its branch organizations;
- examination and introduction of the best global practices of the institute of corporate ombudspersons, etc.

For the reporting period, the Office of the NC KTZ JSC Corporate Ombudsman received verbal and written requests from 326 persons, including 279 ones received via the Hotline and 47 ones – through the Office of the Ombudsman.

INQUIRIES RECEIVED BY THE OFFICE OF THE CORPORATE OMBUDSMAN DURING THE REPORTING YEAR, IN %



Of the 326 received requests, 297 ones have been considered, 8 ones are being considered and 21 ones have been cancelled by the applicants.

The performance indicator of the 297 requests that have been considered was 93.39%. 79 requests were satisfied, explanations were given on the 151 ones, and 55 were rejected.

To prevent the conflict situations, meetings are held with the workforce, efforts are made to examine and identify the factors instigating conflicts between an employee and the Company, a customer and the Company, as well as to provide consultations and clarify the applicable laws.

In 2023, this work was performed by means of control examinations of the situation with the disciplinary practice, provision of employees with special clothes and footwear, timeliness and completeness of the harm compensations paid to the employees whose health was harmed in the course of fulfillment of their official duties, by sending letters of recommendation regarding matters of the labor, social and other laws, including concerning the employees' reports and on a meeting with the staff, on solving of the social and labor issues with the participation of a pool of the Company's mediators, as well as by making proposals with regards to the updating of the local acts.

CONFLICT OF INTEREST MANAGEMENT GRI 2-15

NC JSC KTZ has approved a Policy for the prevention and resolution of conflicts of interest of officials and employees of NC KTZ JSC⁴³, which provides for:

- requirements of the Law and internal documents of the Company on ethics and compliance;
- basic principles of conflict of interest management;
- mechanisms for timely and complete identification of conflicts of interest;
- procedure and possible measures to resolve the conflict of interests;
- responsibility of the Company's officials and employees for non-fulfillment of obligations to prevent conflicts of interest.

In accordance with the Rules of recruitment and transfer to certain positions in NC KTZ JSC and its subsidiaries⁴⁴, candidates for vacant positions related to the performance of organizational, administrative and economic functions must be checked for the presence or absence of affiliation and conflict of interest.

In 2023, 552 candidates for senior positions in NC KTZ JSC and its subsidiaries were checked for conflicts of interest.

As the results of the inspections, the Compliance Service identified conflicts of interest in relation to 436 applicants. A negative information background was revealed in relation to 14 candidates, 3 candidates did not meet the qualification requirements.

BUSINESS CONDUCT

In 2023, NC KTZ JSC approved the Policy of NC KTZ JSC for Ensuring Transparency and Integrity of Lobbying Practice. The Policy is aimed at preventing corruption, conflicts of interests and bona fide practices, which involve the influence on decision making, as well as at the introduction of principles to ensure openness and ethics while promoting the interests of NC KTZ JSC.

NC KTZ JSC determined the following principles: lawfulness, integrity, ethics, openness, good faith, and transparency.

To improve the employees' awareness of transparency and integrity of the Lobbying Practice, two online info sessions were held.

INFORMATION SECURITY AND DATA PROTECTION

NC KTZ JSC pays special attention to matters concerning ensuring the information security (IS), reliability and efficient operation of its information systems and production processes.

The information security management system (ISMS) is subject to the continuous improvement using the latest instruments and ways to ensure protection from IS threats.

The information security management system of NC KTZ JSC is certified according to ISO 27001:2013 standard.

The ongoing training of employees of NC KTZ JSC is aimed to improve their awareness of cyber security and the culture of the railway industry.

In 2023, to ensure a proper level of cyber security, the Company implemented the following measures:

- successfully underwent another inspection audit for the compliance with the Information Security Management System set forth by the international standard ISO 27001;

the audit was carried out by auditors from the international concern TUV Rheinland Group;

- based on the results of cyber training in the Company, technical sessions were held jointly with the State Technical Service JSC to raise awareness of information security issues;
- new information security features were introduced, as well as the best cyber security practices were adopted;
- the basic measures were implemented under the approved Road Map for the implementation of the Information Security Strategy of NC KTZ JSC for 2023–2026;
- a number of the Company's IS regulatory and standard documents were updated;
- an accredited company tested key information systems for compliance with information security requirements, including vulnerabilities;
- penetration testing (simulated hacker attacks) of the Company's information systems was conducted as part of the ISMS with the involvement of external experts;

- within the framework of the Rules for ensuring the continuous operation of assets related to information processing facilities of the NC KTZ JSC Group approved by Order No. 988-CZ dated December 12, 2022, testing of the continuity of operation and restoration of the performance of assets related to information processing facilities of the NC KTZ JSC Group was carried out at least semi-annually (July and December);
- urgent response to any faults in the operation of the IT services and incidents related to cybersecurity was organized.

During the reporting period of 2023, the Company did not identify or receive any confirmed complaints from customers, external parties or regulatory authorities regarding violations of customer data confidentiality.

GRI 418-1

No incidents related to information breaches were registered during the reporting period.

Plans for the Information Security Development for 2024

NC KTZ JSC will continue to monitor the compliance with the information security (IS) requirements within all the existing and pending IT-systems, as well as to take measures to improve the level of cyber security, awareness of the IS-related matters, and data privacy.

To ensure the continuous improvement of the information security management processes, the Company's attention will be focused on:

- improvement and replication of the processes of the integral information security management system pursuant to the Information Security Strategy of NC KTZ JSC for 2023–2026;
- implementation of the pilot measures to introduce the automated tools in order to protect the automated technological process management system;
- testing of the critical items of the information and communication infrastructure of NC KTZ JSC for the compliance with the information security requirements;
- creation of the own operative information security center;
- delivery of a training and testing of knowledge of the Company's employees as to awareness of IS;
- organization of cyber trainings, including through the Phishing letters;
- continued cooperation with "State Technical Service" JSC, the Committee for Information Security of the Ministry of Digital Development, Innovations and Aerospace Industry of the Republic of Kazakhstan on IS matters.



Yelubai Karakat, 12 years old

⁴³ Approved by the decision of the Board of Directors of NC KTZ JSC dated May 6, 2020 (Minutes No. 7).

⁴⁴ Approved by the decision of the Board of NC KTZ JSC dated July 13, 2022 (Minutes No. 02/26, question No. 1)

CONSOLIDATED FINANCIAL STATEMENTS

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Tleulnova Ulpan, 14 years old

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

STATEMENT OF MANAGEMENT’S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Management of Kazakhstan Temir Zholy National Company JSC (“the Company”) is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Company and its subsidiaries (collectively – “the Group”) as at 31 December 2023, and the consolidated results of its operations, consolidated cash flows and consolidated changes in equity for the year then ended, in compliance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board.

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and consolidated financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRSs;
- maintaining statutory accounting records in compliance with local legislation and IFRSs;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2023 were approved for issue by management on 13 March 2024, pre-approved by the Audit Committee of the Board of Directors of the Company and subject to further approval by the Board of Directors and the Shareholder.

On behalf of management of the Group:



Dair Kusherov
Finance Director

13 March 2024

Yelena Stankova
Chief Accountant

13 March 2024

Deloitte.

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36 Al Farabi Avenue
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Shareholder of Kazakhstan Temir Zholy National Company JSC

Opinion

We have audited the consolidated financial statements of Kazakhstan Temir Zholy National Company JSC (hereinafter – “the Company”) and its subsidiaries (together – “the Group”), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other 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 material accounting policy information.

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 2023, 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’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

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Why the matter was determined to be a key audit matter?	How the matter was addressed in the audit?
Assessment of impairment indicators of property, plant and equipment	
At each reporting date the Group assesses whether there is an indication that assets may be impaired. If any indication exists, the Group estimates the asset's recoverable amount.	We performed the following procedures: - evaluated the appropriateness of the management's identification of a single cash-generating unit; - evaluated whether the Group's analysis of impairment indicators of property, plant and equipment is accurate and complete and in accordance with the requirements of IAS 36 <i>Impairment of Assets</i>; - held meetings with management of the Group, examined internal communication to management and Board of Directors minutes in order to evaluate information consistency with the analysis provided by the management and to identify information that potentially might have effect on the impairment indicators analysis; - challenged relevance of management judgement in relation to freight turnover; - challenged relevance and completeness of factors used by management when analysing the impairment indicators with the assistance of our valuation specialists, where it was necessary; and - assessed the completeness and adequacy of disclosures in the consolidated financial statements.
The Group's property, plant and equipment, which is mainly represented by infrastructure and rolling stock, comprises 77% of the Group's total assets. Management defined that the Group represents a single cash-generating unit, which required significant management judgement.	
As at 31 December 2023, the management of the Group performed the assessment of external and internal impairment indicators that required management to apply significant judgement. As a result of the analysis, the management of the Group did not identify any events or circumstances occurred in 2023 that should be considered as impairment indicators of the Group's single cash-generating unit as at 31 December 2023.	
Due to the material amount of property, plant and equipment, the significance of the professional judgements described above and their potential impact on the consolidated financial statements we determined the assessment of impairment indicators of property, plant and equipment to be a key audit matter. Please refer to Notes 4 and 6.	
Liquidity and the going concern principle	
As at 31 December 2023, the Group's current liabilities exceeded its current assets by 382,665 million tenge. Current liabilities include borrowings of 354,115 million tenge due within twelve months after the reporting date.	Our audit procedures in respect of the going concern principle were mainly focused on a critical evaluation of the key assumptions made and conclusions reached by management and included the following:

Why the matter was determined to be a key audit matter?	How the matter was addressed in the audit?
As disclosed in Note 15, the terms of certain long-term loan agreements include certain covenants, whereby non-compliance may result in the loans becoming payable on demand.	- examined the correctness of classification of assets and liabilities as current and non-current; - analysed management's evaluation of the going concern principle and their plans to settle current liabilities, assessing the Group's committed and available funding and ensuring that the management's plans appropriately reflect the current and anticipated future economic environment; - assessed any mitigating actions available to management to improve the Group's liquidity and going concern position to the extent necessary, including an assessment of whether such actions are within the control of management; - analysed current and expected events and conditions, including financial and operating indicators, which could cast doubts on the Group's ability to continue as a going concern; - analysed the most recent cash flow forecast and the management downside scenarios affecting the Group's liquidity and its ability to settle obligations, including the ability to generate a sufficient level of cash flows from operating activities to serve and timely settle its borrowings, as well as the impact of possible exchange rate fluctuations on liabilities and revenues; - examined the documents supporting the availability of financing sources, including credit agreements, negotiations with financial institutions, Board of Directors' minutes and Letter of Support from the Shareholder; - analysed the terms of the loan agreements and related financial and non-financial covenants; - recalculated financial covenants as at the reporting date for mathematical accuracy; - evaluated external matters that could be an indicator of adverse events and conditions, which may impact the Group's operations; and - assessed the completeness and adequacy of information disclosed in the consolidated financial statements.
Due to the above matters, critical judgements are required by management in respect of the sufficiency of the Group's liquid assets and its ability to settle the current obligations in due course. Management's plans in respect of this matter are disclosed in Notes 2 and 31.	
Given the significance of the going concern conclusion to the consolidated financial statements, this is considered to be a key audit matter.	

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance 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.

Those charged with governance are 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 scepticism 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; and
- 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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.



Olga Belonogova
Engagement Partner
Qualified Auditor
of the Republic of Kazakhstan
Qualification Certificate
No. MF – 0000865
dated 13 August 2019



Daulet Khatbekov
Acting General Director
Deloitte LLP

State Audit License of the
Republic of Kazakhstan No. 0000015,
type MFU-2, issued by the Ministry of Finance
of the Republic of Kazakhstan
dated 13 September 2006

Almaty, Republic of Kazakhstan
13 March 2024

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (in millions of tenge)

	Notes	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,794,479	3,241,505
Goodwill		15,520	15,520
Intangible assets		13,824	14,416
Investments in joint ventures	7	1,579	165
Investments in associates	7	38,989	28,634
Deferred tax assets	18	60	63
Other non-current assets	8	650,038	200,967
Total non-current assets		4,514,489	3,501,270
Current assets			
Cash and cash equivalents	9	204,614	266,956
Inventories	10	64,362	45,029
VAT recoverable		49,618	37,809
Trade accounts receivable	11	16,326	14,773
Prepaid income tax		3,535	2,139
Contract asset		1,153	3,065
Other current assets	12	86,109	79,056
		425,717	448,827
Assets held for sale	13	-	45,825
Total current assets		425,717	494,652
Total assets		4,940,206	3,995,922
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,110,634	1,086,324
Foreign currency translation reserve		7,220	12,138
Retained earnings		623,698	348,377
Equity attributable to the Shareholder		1,741,552	1,446,839
Non-controlling interests		17,504	15,853
Total equity		1,759,056	1,462,692

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2023
(in millions of tenge)

	Notes	31 December 2023	31 December 2022
Non-current liabilities			
Borrowings	15	1,763,432	1,430,825
Deferred tax liabilities	18	411,888	357,491
Lease liabilities	16	54,555	38,861
Employee benefit obligations	17	37,396	37,406
Derivative financial instruments	31	35,719	564
Other non-current liabilities	21	69,778	55,000
Total non-current liabilities		2,372,768	1,920,147
Current liabilities			
Borrowings	15	354,115	256,506
Trade accounts payable	19	200,969	117,207
Contract liabilities	20	115,868	119,393
Lease liabilities	16	16,951	14,221
Other taxes payable		13,961	22,540
Employee benefit obligations	17	7,608	6,213
Other current liabilities	21	98,910	76,972
		808,382	613,052
Liabilities directly attributable to assets held for sale	13	-	31
Total current liabilities		808,382	613,083
Total liabilities		3,181,150	2,533,230
Total equity and liabilities		4,940,206	3,995,922

On behalf of management of the Group:


Dair Kusherov
 Finance Director

13 March 2024


Yelena Stankova
 Chief Accountant

13 March 2024

The notes below are an integral part of these consolidated financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(in millions of tenge, unless stated otherwise)

	Notes	2023	2022
Revenue and other income			
Revenue from freight transportation	22	1,682,550	1,283,513
Revenue from passenger transportation	22	101,682	88,421
Government grants	5	38,912	38,205
Other revenue	23	110,951	71,326
Total revenue and other income		1,934,095	1,481,465
Cost of sales	24	(1,498,583)	(1,204,233)
Gross profit		435,512	277,232
General and administrative expenses	25	(106,494)	(93,063)
Finance income	26	32,221	61,099
Finance costs	26	(208,365)	(144,860)
Foreign exchange loss	31	(14,124)	(34,143)
Gain on disposal of subsidiary not qualifying as discontinued operations	7,13	6,283	-
Share of the profit of associates and joint ventures	7	8,144	8,547
Impairment reversal/(impairment) of financial assets and contract assets		2,662	(5,702)
Impairment reversal/(impairment) of non-financial assets		1,149	(617)
Other profit and losses		4,395	(69)
Profit before tax		161,383	68,424
Corporate income tax expenses	18	(24,599)	(31,541)
Profit for the year		136,784	36,883
Other comprehensive (loss)/income, net of income tax:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement of employee benefit obligations	17	(540)	4,214
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value loss on cash flow hedging instruments		-	(2,445)
Reclassification of the loss on cash flow hedging instruments	14,22	-	54,442
Foreign exchange difference on translation of foreign operations		(4,918)	2,213
Other comprehensive (loss)/income for the year		(5,458)	58,424
Total comprehensive income for the year		131,326	95,307
Profit for the year attributable to:			
The Shareholder		133,508	34,887
Non-controlling interests		3,276	1,996
		136,784	36,883
Total comprehensive income attributable to:			
The Shareholder		128,058	93,309
Non-controlling interests		3,268	1,998
		131,326	95,307
Earnings per share, in tenge	27	269	70

On behalf of management of the Group:


Dair Kusherov
 Finance Director

13 March 2024


Yelena Stankova
 Chief Accountant

13 March 2024

The notes below are an integral part of these consolidated financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(in millions of tenge)

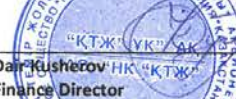
	Notes	2023	2022
Cash flows from operating activities:			
Profit for the year		136,784	36,883
Adjustments for:			
Income tax expenses recognised in profit or loss	18	24,599	31,541
Depreciation and amortisation		156,441	145,946
Finance costs	26	208,365	144,860
Finance income	26	(32,221)	(61,099)
Foreign exchange loss	31	14,124	34,143
Gain on disposal of subsidiary not qualifying as discontinued operations	7,13	(6,283)	-
(Impairment reversal)/impairment of financial assets and contract assets		(2,662)	5,702
(Impairment reversal)/impairment of non-financial assets		(1,149)	617
Post-employment benefits and other long-term employee benefit expenses	24,25	6,939	9,143
Share of the profit of associates and joint ventures	7	(8,144)	(8,547)
Reclassification of the loss on cash flow hedging instruments	14,22	-	54,442
Others		10,223	13,351
Operating income before changes in working capital and other balances		507,016	406,982
Change in trade accounts receivable		(12,823)	(5,032)
Change in inventories		(16,618)	379
Change in other current and non-current assets (including long-term VAT recoverable)		(99,338)	(76,159)
Change in trade accounts payable		73,511	20,219
Change in other taxes payable		(7,500)	3,706
Change in other liabilities and contract liabilities		4,296	32,929
Change in employee benefit obligations		(6,094)	(7,493)
Cash generated from operations before interest and income tax payments		442,450	375,531
Interest paid		(150,226)	(118,930)
Interest received		20,968	8,631
Income tax paid		(6,874)	(2,889)
Net cash flows from operating activities		306,318	262,343
Cash flows from investing activities:			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(811,830)	(340,353)
Proceeds from the sale of other non-current assets		1,354	1,932
Net proceeds from disposal of subsidiaries		11,948	-
Dividends received from associates		2,719	7,675
Investments acquired in associates and joint ventures		(5,201)	(70)
Capital contributions in joint ventures	7	(1,111)	(58)
Others		(581)	(1,426)
Net cash flows used in investing activities		(802,702)	(332,300)

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(in millions of tenge)

	Notes	2023	2022
Cash flows from financing activities:			
Share capital contribution	14	24,310	-
Proceeds from borrowings	15	808,731	1,137,878
Repayment of borrowings	15	(367,320)	(956,465)
Repayment of lease liabilities	15	(21,690)	(17,334)
Dividends paid to non-controlling interests in subsidiaries		(1,294)	-
Others		(8,466)	(2,397)
Net cash flows generated from financing activities		434,271	161,682
Net (decrease)/increase in cash and cash equivalents		(62,113)	91,725
Cash and cash equivalents at the beginning of the year	9	267,032	178,000
Effect of changes in foreign exchange rates on cash and cash equivalent balances held in foreign currency		(322)	(2,691)
Effect of changes in the allowance for expected credit losses		17	(2)
Cash and cash equivalents at the end of the year	9	204,614	267,032
Non-cash transactions:			
Purchase of property, plant and equipment from borrowed funds by direct bank transfer to the supplier	15	114,106	5,706
Advances paid for property, plant and equipment and contract liabilities arising from the disposal of subsidiary	13	40,000	-

On behalf of management of the Group:


Dar Kuserov
Finance Director

13 March 2024


Yelena Stankova
Chief Accountant

13 March 2024

The notes below are an integral part of these consolidated financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**
(in millions of tenge)

	Share capital	Hedging reserve	Foreign currency translation reserve	Retained earnings	Shareholder equity	Non-controlling interests	Total equity
As at 1 January 2022	1,086,085	(51,997)	9,925	214,574	1,258,587	13,855	1,272,442
Profit for the year	-	-	-	34,887	34,887	1,996	36,883
Other comprehensive income for the year	-	51,997	2,213	4,212	58,422	2	58,424
Total comprehensive income for the year	-	51,997	2,213	39,099	93,309	1,998	95,307
Issue of share capital	239	-	-	-	239	-	239
Other contributions (Note 14)	-	-	-	94,704	94,704	-	94,704
As at 31 December 2022	1,086,324	-	12,138	348,377	1,446,839	15,853	1,462,692
As at 1 January 2023	1,086,324	-	12,138	348,377	1,446,839	15,853	1,462,692
Profit for the year	-	-	-	133,508	133,508	3,276	136,784
Other comprehensive loss for the year	-	-	(4,918)	(532)	(5,450)	(8)	(5,458)
Total comprehensive (loss)/income for the year	-	-	(4,918)	132,976	128,058	3,268	131,326
Issue of share capital (Note 14)	24,310	-	-	-	24,310	-	24,310
Other contributions (Note 14)	-	-	-	142,345	142,345	-	142,345
Dividends	-	-	-	-	-	(1,617)	(1,617)
As at 31 December 2023	1,110,634	-	7,220	623,698	1,741,552	17,504	1,759,056

On behalf of management of the Group:


Dair Kuserov
Finance Director

13 March 2024


Yelena Stankova
Chief Accountant

13 March 2024

The notes below are an integral part of these consolidated financial statements.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
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1. GENERAL INFORMATION

Kazakhstan Temir Zholy National Company JSC (“the Company”) was created in the Republic of Kazakhstan (hereinafter – “Kazakhstan”) in accordance with Resolutions of the Kazakhstan Government (“the Ultimate Shareholder”) to establish a holding company for state railway industry assets management. The Company was registered on 15 May 2002. The consolidated financial statements include the results of the operations of the Company and its wholly controlled subsidiaries (collectively – “the Group”). The address of the Company’s registered office is 6 D. Kunayev Street, Astana, 010000, Republic of Kazakhstan.

Samruk-Kazyna Sovereign Wealth Fund JSC (“the Shareholder”) is the Company’s sole shareholder.

The Group operates the nationwide mainline railway network services to freight and passenger transportation; and operates, maintains and upgrades main railway infrastructure in Kazakhstan. To regulate the Kazakhstan rail industry, the government sets the tariffs for main railway network services, as well as for railway freight transportation services (according to the Kazakhstan Entrepreneurial Code) and passenger transportation on socially important routes, partially subsidising the cost through government grants. The level of regulated tariffs differs based on the type of freight transported. The government does not regulate international transit and container freight transportation tariffs.

The Kazakhstan Ministry of the National Economy’s Committee for the Regulation of Natural Monopolies (“CRNM”) approved main railway network service tariffs for 2021-2025 (Note 32), introducing differentiated mainline freight transportation tariffs for diesel locomotives on non-electrified track sections and electric locomotives on electrified track sections. Locomotive traction services were divided into diesel and electric traction. CRNM agreed to increase tariffs for services: main railway network for freight transportation by 28.4% on average from 27 April 2023 and locomotive haulage by 11.4% from 6 November 2023. As a result, the average annual increase of freight transportation tariff level for the year ended 31 December 2023 was 23.7% (2022: 6.2%).

From 1 January 2023, the authorised body, represented by the Ministry of Industry and Infrastructure Development agreed a 7% increase in passenger transportation tariffs for socially important interdistrict routes (2022: 7%).

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Also, the government expenses on major infrastructure projects and various socio-economic development programs have a significant impact on the country’s economy.

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The military and political conflict between Russian Federation (hereinafter – “Russia”) and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and restrict interaction with major financial institutions and many state enterprises.

In 2023, the average price for Brent crude oil was 83 USD per barrel (2022: 101 USD per barrel). According to preliminary estimates, the Kazakhstan’s gross domestic product (“GDP”) grew by 4.9% per annum in 2023 (2022: 3.2%). Inflation in the country declined in 2023 to 9.8% per annum (2022: inflation was 20.3% per annum).

In 2023, the National Bank of the Republic of Kazakhstan reduced the base rate from 16.75% to 15.75% per annum with a corridor of +/- 1.0 percentage points. In February 2024, the base rate further decreased to 14.75% per annum with a corridor of +/- 1.0 percentage points. However, the uncertainty still exists related to future development of the geopolitical risks and their impact on the economy of Kazakhstan.

Management of the Group is monitoring developments in the economic and political situation in Kazakhstan and the world and taking measures it considers necessary to support the sustainability and development of the Group’s business for the foreseeable future. The Group has liabilities denominated in foreign currencies, therefore, if the exchange rate increases, there is an increase in the foreign exchange loss. In general, the Group does not expect a significant negative impact from the current changes on the Group’s business and operations, as freight rail traffic, including international (transit) freight transportation has not been suspended in either Kazakhstan or other countries. During 2023, the volume of freight transportation in transit and export routes increased compared to the previous year.

However, the consequences of these events and related future changes may have a significant impact on the Group’s operations.

The State controls Group structure and determines the long-term railway operating strategy in Kazakhstan. The railway industry in Kazakhstan has been in a state of restructuring since 1997, which has involved changing the regulatory environment and creating conditions for attracting investment to the sector.

At the end of 2022, in accordance with the instructions of the President of Kazakhstan, the Concept for the Development of the Transport and Logistics Potential of Kazakhstan until 2030 (hereinafter – “the Concept”) was developed and approved by the Decree of the Government of the Republic of Kazakhstan, which presumes the transformation of the Group into a national transport and logistics entity, increasing logistics competencies, developing infrastructure and strengthening commercial activities abroad, changing the tariff policy taking into account the further liberalisation of the railway services market, introducing digitalisation and attracting private investments in the industry.

Implementation of the Group’s Development Strategy until 2032 will continue in accordance with the Concept. The Group will continue to work to improve efficiency of railway transportation, develop transit traffic, including alternative routes, optimise the structure of the corporate portfolio in line with the state privatisation program, digitalisation, improving customer satisfaction, guaranteeing train traffic safety, and implementation of ESG principles.

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2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance

The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

Going concern

The Group’s consolidated financial statements have been prepared on a going concern basis. This assumes the sale of assets and settlement of liabilities in the normal course of business for the foreseeable future. As at 31 December 2023, current Group liabilities exceeded its current assets by 382,665 million tenge (31 December 2022: 118,431 million tenge). As at 31 December 2023, current liabilities include borrowings of 354,115 million tenge that are payable within twelve months after the reporting date. At the same time, profit for the year ended 31 December 2023 amounted to 136,784 million tenge (2022: 36,883 million tenge), and cash inflows from operating activities amounted to 306,318 million tenge (2022: 262,343 million tenge).

Group management has assessed the Group’s needs for cash, as well as its scheduled debt repayments and development plans. Historically, the Group has financed major investment projects using funds from the government of Kazakhstan and through borrowings, in addition to cash from operating activities. To realise Kazakhstan’s transit potential, the Group continues to take measures to attract additional transit traffic and expand its influence on the multimodal transportation market. Management of the Group has been having discussions with investors to refinance borrowings due to be repaid within twelve months after the reporting date the possibility of and a positive decision from the discussions is considered to be high.

In assessing its going concern status, management also considered the Group’s financial position, expected future performance and cash flows from operations, tariff growth, its borrowings, available credit facilities, its capital expenditure commitments, exchange rates and other risks that the Group is facing. Besides that, the Group received a Letter of Support from the Shareholder regarding its intent and ability to render the Group continuous ongoing financial and operating support in the foreseeable future. After completing the relevant analysis and the available mitigating actions to management whereby management can carry out certain actions to improve the going concern and liquidity position of the Group, the management concluded that the Group has adequate resources to continue in operational existence and settle its liabilities (Note 31) and that the going concern basis is appropriate in preparing these consolidated financial statements.

Basis for measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at their revalued amount or fair value as at the reporting date.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by it and by the subsidiaries listed in Note 29. The Group’s investments in which it has significant influence are accounted for using the equity method. All intragroup transactions, balances, and unrealised gains and losses of the Group are eliminated on consolidation.

Functional and presentation currency

The Group’s consolidated financial statements are presented in Kazakhstan tenge (“tenge”). The assets and liabilities of foreign operations, where the functional currency is different to tenge, are translated into tenge at the exchange rate prevailing on the reporting date, while profit and loss items are translated into tenge at the weighted-average exchange rate for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange rate differences arising on translation are recorded to other comprehensive income. Upon disposal of an overseas enterprise, all accumulated exchange differences related to that specific overseas enterprise are recognised in profit or loss.

Tenge is not a fully convertible currency outside of Kazakhstan. Transactions in currencies other than the Group’s functional currency (foreign currencies) are recorded at the market rate effective at the transaction date using market rates set by the Kazakhstan Stock Exchange (“KASE”). For foreign currencies not quoted by KASE, exchange rates are set by the National Bank of Kazakhstan using cross-rates to the US Dollar (“US\$”) in accordance with quotations received from Reuters.

Monetary assets and liabilities denominated in foreign currencies are translated to the entity’s functional currency at the exchange rate effective at the reporting date. All differences arising from a change in exchange rates subsequent to the transaction date recognised in profit or loss, except for exchange differences from translation recognised in other comprehensive income and exchange differences on loans that are directly attributable to the acquisition, construction or production of an asset, meeting certain requirements included in the cost of this asset. Non-monetary items carried at fair value and denominated in foreign currencies are translated at the rates prevailing at the date when fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not translated. Foreign exchange gains or losses in profit or loss are presented separately in the consolidated statement of profit or loss and other comprehensive income.

The following table presents foreign currency exchange rates to tenge:

	31 December 2023	31 December 2022	Average rate for 2023	Average rate for 2022
US\$	454.56	462.65	456.31	460.48
Euros	502.24	492.86	493.33	484.22
Swiss Francs	541.08	501.19	508.16	482.60
Russian Roubles	5.06	6.43	5.40	6.96
UAE Dirham	123.78	125.99	124.25	125.38

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3. MATERIAL ACCOUNTING POLICIES

Adoption of new and revised standards

In the current year, the Group has applied the below amendments to IFRS and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2023. Their adoption has not had any significant impact on the disclosures or on the amounts reported in these consolidated financial statements.

- IFRS 17 *Insurance Contracts* (including the amendments);
- Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*;
- Amendments to IAS 8 *Definition of Accounting Estimates*;
- Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*;
- Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules*.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Description of the standard and interpretation	Applicable to annual periods beginning on or after
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	
Amendments to IFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 7 and IFRS 7 <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IAS 1 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IAS 21 <i>Lack of Exchangeability</i>	1 January 2025

Management does not expect that the adoption of standards above will have a significant impact on the consolidated financial statements of the Group in the future periods.

Material accounting policy information

Property, plant and equipment

Property, plant and equipment is stated at historical cost less subsequent accumulated depreciation and impairment losses. Depreciation is charged once the asset becomes available for its intended use.

Subsequent costs

The costs of the day-to-day servicing incurred during an asset’s useful life (regular maintenance to ensure the asset remains in a working condition) and repair expenses (technical inspections, maintenance contracts, etc.) are recorded in profit or loss when incurred.

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Costs are capitalised only if those costs qualify for recognition as assets in accordance with IAS 16 *Property, Plant and Equipment*.

Construction-in-progress

Construction-in-progress comprises costs directly related to the acquisition and construction of property, plant and equipment, including the appropriate allocation of directly attributable variable overheads incurred during construction. The carrying value of construction-in-progress is regularly reviewed for impairment.

Leases

The Group as lessee

For the lease contracts (or separate components of the contracts), under which the Group is granted the right to control the use of an identified asset (as defined by IFRS 16 *Leases*) for a certain period of time in exchange for consideration, the Group recognises a right-of-use asset and a corresponding lease liability at the inception of the contract. Non-lease components of the contracts are accounted for in accordance with other relevant standards.

In accordance with IFRS 16 *Leases*, the Group applies practical expedient for not recognising the lease for the lease contracts with lease term of less than 12 months at lease inception and without purchase option, for the leases with variable lease rates that do not depend on an index or rate and for the leases of low value assets (less than 2 million tenge). The Group recognises short-term leases and leases of low value assets as expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease payments are discounted by using the Group incremental borrowing rate, except when the rate is implicit in the lease and can be readily determined.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- lease payments change due to index or rate changes or a change in expected payments under a guaranteed residual value, in which cases lease liabilities are remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a floating interest rate change, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

At the commencement date, the Group measures the right-of-use asset at cost that includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred by the lessee. The right-of-use asset is subsequently measured according to the accounting policy that is applied for own assets, including for depreciation and amortisation and impairment measurement.

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The recognised right-of-use asset is depreciated over the shorter period of expected useful life of the underlying asset or lease term. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects the Group’s intent to purchase, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The Group presents lease liabilities in the consolidated statement of financial position as a separate line (Note 16), while right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned, i.e. within property, plant and equipment (Note 6) and intangible assets.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its property, plant and equipment items (Notes 6 and 23).

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are valued at the lower of cost or net realisable value. Costs comprise of charges incurred to bring the inventory to its present location and condition for its intended use. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. When inventories are released into production, sold or otherwise disposed of, they are valued at the weighted-average cost basis.

Financial instruments

Financial assets and liabilities are recognised in the Group’s consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value.

All recognised financial assets are measured subsequently either at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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Wherein:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI); and
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

For the years ended 31 December 2023 and 2022, the Group did not designate any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are further evaluated for impairment.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Gains or losses on insubstantial modification of financial liabilities at amortised cost are recognised in profit or loss. A gain or loss is determined as the difference between the carrying value at the date of modification and the present value of the estimated future cash flows discounted using an initial effective interest rate of the financial instrument.

A substantial modification should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Derivative financial instruments

The Group uses the currency swap derivative financial instrument to manage its currency risk on borrowings. These derivative financial instruments are not designated into hedging relationships.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately. The net gain or loss incorporates interest income on derivative financial instruments and is included in the finance income. The change in fair value of derivative financial instruments is reflected in finance income or finance loss (Note 26).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are presented as non-current assets or non-current liabilities if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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Equity

Share capital

Common shares are classified as equity. Costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from equity proceeds. All non-cash contributions to share capital are assessed at fair value as at the date of the contribution by an independent appraiser.

Consideration received for common shares yet to be legally registered is recognised as additional paid-in capital until they are registered, when any proceeds are transferred to share capital.

Other contributions

The Group enters into equity transactions with the Shareholder, such as asset transfers, adjustments for below market interest loans and others that would not relate to the acquisition of additional equity interest in the Group. The Group recognises such transactions through equity in retained earnings.

Government grants

Government grants are recognised when there is reasonable assurance that the subsidy will be received, and all corresponding conditions will be met.

Government grants are recognised in profit or loss on a systematic basis as expenses due to be compensated by the subsidies are recognised simultaneously in profit or loss. In particular, the government allows the Group to receive subsidies in the form of government grants to partially cover the cost of transporting passengers on socially important routes in Kazakhstan. Government grants are recognised on a systematic basis over the periods as the subsidies are used to cover carrier costs to transport passengers on socially important routes.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Revenue

The Group recognises revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognised less Value Added Tax (hereinafter – “VAT”) and rebates.

Revenue from freight transportation services

Freight transportation service revenue is recognised over time. The extent of completion of the freight transportation process is calculated as the ratio of transportation provided as at the reporting date to total transportation.

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The Group provides services on monthly 100% prepayment terms, as agreed in contracts with customers. Prepayments received from customers for transportation services not yet rendered are typically short-term and recognised as advances received within contract liabilities at the date of receipt.

Advances received from customers for domestic, international import, international export and international transit freight transportation services are recognised as deferred income within contract liabilities once transportation has started. Deferred income is credited to revenue of the reporting period as the services are provided.

There is no significant financing component in contracts with the Group's customers due to the short time elapsed between the transfer of the promised services to the customer and the moment the customer pays for these services.

Pursuant to the CRNM Order *on the Approval of a Temporary Decreasing Coefficient for Railway Freight Transportation Tariffs*, certain contracts envisage discounts dependent on the volumes of services consumed. Revenue from these services is recognised based on contractual prices less estimated discounts. The Group uses the expected value method to estimate the discount amount.

As at 31 December 2023 and 2022, the Group has no obligations to counterparties associated with provision of discounts.

The Group discloses handling service revenue in freight transportation service revenue and recognises it by the extent of completion of the services at the reporting date, as the performance obligation is satisfied over time and customers receive and use the benefits of the Group's performance simultaneously. The extent of service completion is calculated as the ratio of transportation volume, provided as at the reporting date to total transportation volumes.

Rolling stock handling services are provided, as a rule, based on prepayments, which are recognised as advances received within contract liabilities.

Additional charges related to the transportation process and other revenue from freight transportation are recognised over time.

Revenue from passenger transportation services

Revenue from passenger transportation services is recognised over time by the extent of completion of transportation at the reporting date. Proceeds from ticket sales are recognised as deferred income, accounted for as contract liabilities, which is transferred to revenue from the time of departure of a passenger. Prepayments received from customers for transportation services not yet rendered are recorded within advances at the time of their receipt. Upon receipt of applications for passenger transportation and issuing tickets, advances approximating the expected estimated revenue from the services are transferred to deferred income. Deferred income is similarly transferred to revenue as passengers depart.

Passenger transportation services are generally completed within several hours/days. An analysis of past experience has shown that passenger transportation in progress at the reporting date is insignificant.

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Other revenue

Other revenue includes penalties received, revenues from the sale of goods, materials, scrap metal, loading and unloading services and vehicle servicing.

Other revenue from the provision of services is recognised over time as the services are provided. When a performance obligation is not satisfied over time (sale of goods, materials and scrap metals and others), the performance obligation is satisfied at a point in time.

The Group when accounting for significant contracts under which the period between the transfer of the promised goods or services to the customer and the respective payment exceeds one year, adjusts the transaction price for the time value of money.

Sale and lease back transactions

The Group accounts for a transfer of an asset in a sale and leaseback transaction as a sale only if the transfer meets the requirements of IFRS 15 *Revenue from Contracts with Customers*.

Under IFRS 15, if a sale is to be recognised by the seller-lessee, then the right-of-use asset leased back is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. The seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the transfer of an asset by the seller-lessee does not meet the requirements of IFRS 15 to be accounted for as a sale of the asset, the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to proceeds for the transfer by applying IFRS 9 *Financial Instruments*.

Comparatives

Where necessary, comparative figures are adjusted to conform in presentation in the current year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, which are described in Note 3, management of the Group is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised in the consolidated financial statements and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the management of the Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control assessment

Subsidiaries are those entities controlled by the Group. The Group controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. Losses are attributed to non-controlling interests in full, even if this results in a debit balance ("deficit") (Note 29).

Under the trust management agreement with the Shareholder, the Company recognised Aktau Sea Commercial Port National Company JSC as a subsidiary because of the extensive authority given to the Company by the Shareholder. The trust management agreement of 100% shares gives it the practical ability to manage the relevant activities of the entity unilaterally. The Company is also entitled to receive residual returns in the entity.

Loans at a rate below the market interest rate

The Group receives loans from the Shareholder/Ultimate Shareholder at a rate below the market rate for similar loans in arm's length transactions. These loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The Group calculates the fair value (amortised cost) of these loans using market rates on governmental long-term treasury bonds with comparable maturities, given the Group's status as a monopolist in the Kazakhstan railway industry and 100% state ownership, and recognises an adjustment to the loan value (less the related deferred tax) within equity. When no comparable maturities exist, the Group extrapolates the most comparable market rates to the life of the loan received by the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

The benefit from government loans with an interest rate below the market, where the Group, upon receipt of loans, qualifying under certain criteria established by the State for all market participants, is recognised by the Group as a government grant. In other cases, the Group considers these loans as transactions with the ultimate Shareholder and accounts for the fair value adjustments of the loans received at a rate below market through equity.

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Cash-generating unit identification

The Group considers all segments as a single cash-generating unit (CGU) because under the Group's current operating model, cash flows for each segment are not considered sufficiently independent. Railway infrastructure is holistic and is not differentiated into freight and passenger transportation lines. Accordingly, there is no objective allocation of infrastructure assets for cash flows from freight and passenger transportation. Due to the specifics of freight transportation tariff regulation and the need to cross-subsidise passenger transportation, railway infrastructure cannot generate independent cash flows. Accordingly, the Group is treated as one CGU.

The Government of Kazakhstan, as the Company's Ultimate Shareholder, has approved a privatisation plan for certain Group entities and the Concept, which, if implemented, would result in a new interaction mechanism among its various business units. As the Group's restructuring processes have not been completed, these possible developments were not taken into account in the identification of CGUs for current year. Subsequent changes in the identification of CGUs may affect the carrying amount of the Group's assets.

Assessment of impairment indicators of property, plant and equipment

When assessing impairment indicators of property, plant and equipment the Group considers external and internal impairment indicators. The management of the Group considered external and internal impairment indicators to determine if any events or changes in circumstances demonstrate that the carrying amount of property, plant and equipment is not recoverable.

The assessment of whether there is an indication of assets impairment is based on a number of factors, such as a change in market rates, in growth expectations in the railway industry, future cash flow estimates, changes in the future availability of financing, technological obsolescence, discontinuance of service provision, current replacement costs and other changes in circumstances.

As at 31 December 2023, the Group performed the analysis of the above external and internal impairment indicators of property, plant and equipment, in particular changes in interest rates, an analysis of the achievement of actual indicators versus budgeted indicators, as well as an analysis of the transit freight turnover and changes in the exchange rate of tenge to the Swiss Franc, as the transit tariff is set in Swiss Franc.

The measurement of whether each external and internal factor is an indication of impairment requires significant management judgement. Management's key judgement is based on the fact that amid the current geopolitical situation and disruption of traditional transportation and logistics chains, the country's transit potential is a key factor in the promotion of transcontinental trade. In 2023, transit freight transportation traffic and revenue exceeded targets, while the Concept stipulating further development of the rail sector in Kazakhstan was also approved in December 2022.

The management of the Group did not identify any events that occurred in 2023 that could be considered as an indicator of the impairment of the single CGU as at 31 December 2023.

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Accounting treatment of financing arrangements with Industrial Development Fund JSC

The Group, represented by Passenger Transportation JSC and Tulpar Wagon Construction Plant LLP, entered into a number of trilateral purchase-sale and finance lease agreements with Industrial Development Fund JSC, which is under the common control of the ultimate Shareholder, to renew its passenger carriage fleet. Under the agreements, Industrial Development Fund JSC finances Tulpar Wagon Construction Plant LLP's construction of passenger carriages on a 100% prepayment basis for ownership with a further finance lease to Passenger Transportation JSC.

Management of the Group concluded that the transaction between Tulpar Wagon Construction Plant LLP and Industrial Development Fund JSC does not meet the requirements of IFRS 15 *Revenue from Contracts with Customers* to account for the asset sale at the Group level, as control over passenger carriages is not transferred to Industrial Development Fund JSC, but remains with the Group.

Industrial Development Fund JSC finances the construction of the carriages, but is limited in its ability to direct the subsequent use of and obtain all of the remaining benefits from the asset. Accordingly, the Group recognises the obligation that arose to Industrial Development Fund JSC before the loss of control over the Railway Passenger Coach Construction Plant LLP, separated from the Tulpar Wagon Construction Plant LLP (Note 13), as a financial liability (borrowing) according to IFRS 9 *Financial Instruments* and recognises passenger carriages and work-in-progress as property, plant and equipment items and construction in progress in accordance with IFRS 16.103 *Leases* (Note 3).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period for which there is a significant risk they may cause a material adjustment to the carrying amounts of assets and liabilities during the next financial year.

Impairment of property, plant and equipment

The Group performs an impairment indicators analysis of property, plant and equipment at each reporting date.

If any such an indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount. If the carrying amount exceeds the recoverable amount, an impairment is recorded. The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (WACC rate) that management believes reflects the current market assessment of the time value of money and the risks specific to the assets. The change in the estimated recoverable amount may result in an additional impairment or a reversal of the impairment being recognised in future periods.

Recoverability of VAT

At each reporting date, the Group estimates its provision for non-recoverable VAT incurred from the provision of international transportation services. The Group cannot charge VAT to customers and, accordingly, can only realise it from the tax authorities.

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In accordance with the Tax legislation of Kazakhstan, up to 70% of the accrued VAT receivable is subject to refund from the budget on a quarterly basis, after the submission of the tax declaration. The remaining part of the accrued VAT is subject to refund based on the results of the tax audit, within 5 years. During 2023, no VAT tax audits were carried out, accordingly, the VAT subject to refund based on the results of the tax audit was not refunded.

To assess VAT recoverability, the Group considers information from its internal tax department on projected VAT collection, correspondence with the tax authorities and historical recovery experience. Actual VAT amounts recovered could differ materially from Group estimates, which could affect future operating results significantly.

As at 31 December 2023, total VAT recoverable amounted to 204,656 million tenge (31 December 2022: 107,869 million tenge), of which 49,618 million tenge were classified as current assets (31 December 2022: 37,809 million tenge). The Group expects that the current portion of VAT will be refunded by tax authorities or offset against future VAT payable during 2024 and believes that the total VAT receivable is fully recoverable.

Depreciation of property, plant and equipment and amortisation of intangible assets

Property, plant and equipment and intangible assets are depreciated and amortised using the straight-line method over estimated useful lives, which along with residual values and depreciation methods are reviewed at each reporting date, and adjusted if appropriate. Changes are accounted for prospectively as a change in accounting estimates. Estimates of the useful lives and residual value of these assets are based on expected economic use, repair and maintenance programmes, activity levels, technological advancements and other business conditions. A change in these assumptions could result in significantly different depreciation amounts than those previously recognised.

The estimated useful lives applied by the Group are as follows (in years):

Buildings and structures	10-140
Rail track infrastructure	5-100
Machinery and equipment	3-35
Vehicles	4-40
Others	2-50
Intangible assets	1-10

Taxation

Kazakhstan legislative acts and regulations are not always clearly written. Instances of inconsistent opinions between local, regional and national tax authorities are possible. Where additional taxes are imposed by the tax authorities, fines and interest applied are significant; fines are generally assessed at 80% of additional taxes accrued, and interest is assessed at 19.69% of additional accruals or overdue taxes. As a result, fines and interest can exceed the amount of additional accrued taxes.

Because of the uncertainties disclosed above, the ultimate amount of taxes, fine and interest, if any, imposed may be in excess of the amount expensed to date and accrued as at 31 December 2023. Any differences between the estimated amount and the actual amount paid, if any, could have a significant impact on future operating results.

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Fair value of derivative financial instruments

In 2022, the Group entered into agreements with Societe Generale SA (France), Citibank London and J.P. Morgan Securities plc. (UK) cross-currency swap transactions to partially manage the exposure to foreign exchange risk of borrowings denominated in US Dollars. The Group pays a fixed amount of Swiss Francs in exchange for a fixed amount of US Dollars. Fair value of the derivative financial instruments was measured on expected discounted future cash flows based on forward exchange rates (observed at the reporting date) and contract forward rates, discounted at rates that reflect the credit risk of the Group and counterparties.

In estimating the fair value of derivative financial instruments, the Group uses market-observable data to the extent it is available. The valuation is particularly sensitive to the change in forward exchange rates observable at the end of the reporting period. Forward exchange rates are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Group's financial statements within the next year. As at 31 December 2023, the liability reflected as a fair value of derivative financial instruments was estimated of 35,719 million tenge using the market-observable forward exchange rates, which management believes are the most relevant.

As at 31 December 2023 and 2022, the management of the Group performed analysis and applied the most relevant forward exchange rates, however, uncertainty exists related to geopolitical and market risks (including currency risk) and their impact on the world economy and the economy of Kazakhstan, which is likely to result in significant adjustments to the fair value of derivative financial instruments in future periods (Note 31).

5. SEGMENT INFORMATION

The Group's operating segments are based on services provided. It has two reportable segments, namely freight transportation and passenger transportation. All other operating segments, including mainly utilities, loading and unloading services, and vessel servicing, which in aggregate do not exceed quantitative thresholds for disaggregation, are thus not separately disclosed and combined into "Others".

Management of the Group tracks a number of segment profitability elements, such as profit before income tax, profit for the year and gross profit. However, profit for the year is the primary measure used by management of the Group to allocate resources and assess segment performance.

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The Group does not have a specific pricing policy for inter-segmental sales.

	For the year ended 31 December 2023					Total
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	1,682,550	101,682	1,784,232	-	-	1,784,232
Transportation revenue from intersegment transactions	1,443	67,151	68,594	-	(68,594)	-
Government grants	-	38,912	38,912	-	-	38,912
Other income from third parties	86,988	5,353	92,341	18,610	-	110,951
Other income from intersegment transactions	35,982	798	36,780	9,679	(46,459)	-
Total revenue and other income	1,806,963	213,896	2,020,859	28,289	(115,053)	1,934,095
Cost of sales	(1,389,101)	(201,563)	(1,590,664)	(21,441)	113,522	(1,498,583)
Gross profit	417,862	12,333	430,195	6,848	(1,531)	435,512
General and administrative expenses	(94,722)	(9,592)	(104,314)	(3,585)	1,405	(106,494)
Finance income	36,847	1,440	38,287	1,122	(7,188)	32,221
Finance costs	(188,846)	(22,382)	(211,228)	(396)	3,259	(208,365)
Foreign exchange loss	(12,324)	(1,732)	(14,056)	(69)	1	(14,124)
Gain on disposal of subsidiary not qualifying as discontinued operations	6,283	-	6,283	-	-	6,283
Share of the profit of associates and joint ventures	8,144	-	8,144	-	-	8,144
Impairment reversal of financial assets and contract asset	2,487	11	2,498	28	136	2,662
Impairment reversal/(impairment) of non-financial assets	1,734	(373)	1,361	(212)	-	1,149
Other profit and losses	3,930	1,078	5,008	17	(630)	4,395
Profit/(loss) before tax	181,395	(19,217)	162,178	3,753	(4,548)	161,383
Corporate income tax (expense)/benefit	(34,229)	5,362	(28,867)	(509)	4,777	(24,599)
Profit/(loss) for the year	147,166	(13,855)	133,311	3,244	229	136,784
Other key segment information						
Capital expenditure	628,238	76,151	704,389	540	-	704,929
Depreciation of property, plant and equipment (Note 6)	139,365	16,172	155,537	1,647	(6)	157,178

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	For the year ended 31 December 2022					Total
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	1,283,513	88,421	1,371,934	-	-	1,371,934
Transportation revenue from intersegment transactions	1,756	60,263	62,019	-	(62,019)	-
Government grants	-	38,205	38,205	-	-	38,205
Other income from third parties	50,792	4,519	55,311	16,015	-	71,326
Other income from intersegment transactions	28,160	3,218	31,378	7,638	(39,016)	-
Total revenue and other income	1,364,221	194,626	1,558,847	23,653	(101,035)	1,481,465
Cost of sales	(1,119,582)	(167,634)	(1,287,216)	(16,729)	99,712	(1,204,233)
Gross profit	244,639	26,992	271,631	6,924	(1,323)	277,232
General and administrative expenses	(80,619)	(7,808)	(88,427)	(5,654)	1,018	(93,063)
Finance income	61,339	4,173	65,512	1,166	(5,579)	61,099
Finance costs	(140,242)	(10,871)	(151,113)	(478)	6,731	(144,860)
Foreign exchange (loss)/gain	(33,934)	(565)	(34,499)	113	243	(34,143)
Share of the profit of associates and joint ventures	8,547	-	8,547	-	-	8,547
Impairment losses on financial assets and contract asset	(5,511)	(32)	(5,543)	(153)	(6)	(5,702)
Reversals of impairment losses/(impairment losses) on non-financial assets	824	(1,405)	(581)	(36)	-	(617)
Other profit and losses	228	75	303	(342)	(30)	(69)
Profit before tax	55,271	10,559	65,830	1,540	1,054	68,424
Corporate income tax expense	(29,195)	(2,020)	(31,215)	(400)	74	(31,541)
Profit for the year	26,076	8,539	34,615	1,140	1,128	36,883
Other key segment information						
Capital expenditure	333,076	28,612	361,688	508	1,889	364,085
Depreciation of property, plant and equipment (Note 6)	130,408	14,657	145,065	1,614	(117)	146,562

Geographical information of the Group

The Group generates its revenue from customers in multiple geographical regions. The table below shows revenue based on customer country of domicile for each of the years ended 31 December:

Customer location	2023	2022
Kazakhstan	1,875,851	1,440,584
Russia	28,412	23,595
Germany	16,708	3,478
China	9,329	4,974
Others	3,795	8,834
	1,934,095	1,481,465

Practically all of the Group's non-current assets are in Kazakhstan.

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6. PROPERTY, PLANT AND EQUIPMENT

	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Others	Construction- in-progress	Total
Carrying value as at								
1 January 2022	1,205,831	305,435	266,902	1,071,704	3,960	12,437	172,020	3,038,289
Additions	324	583	5,922	1,241	7	1,370	339,433	348,880
Lease additions	-	363	-	13,910	-	686	-	14,959
Lease modifications	-	80	-	-	-	1,162	-	1,242
Disposals	(178)	(629)	(2,661)	(4,550)	(10)	(536)	(2,883)	(11,447)
Depreciation charge (Note 5)	(39,410)	(7,455)	(35,434)	(61,173)	-	(3,090)	-	(146,562)
Depreciation on disposal	166	408	2,525	4,265	-	527	-	7,891
Impairment	(92)	(40)	(112)	(269)	-	(840)	(73)	(1,426)
Transfer to assets classified as held for sale	-	(4,347)	(791)	(3)	-	(556)	(3)	(5,700)
Other movements and transfers ¹	124,838	944	9,269	242,726	2	(223)	(382,177)	(4,621)
Carrying value as at 31 December 2022	1,291,479	295,342	245,620	1,267,851	3,959	10,937	126,317	3,241,505
Cost	1,628,325	364,564	535,430	1,868,356	3,959	30,943	138,141	4,569,718
Accumulated depreciation and impairment	(336,846)	(69,222)	(289,810)	(600,505)	-	(20,006)	(11,824)	(1,328,213)
Carrying value as at 31 December 2022	1,291,479	295,342	245,620	1,267,851	3,959	10,937	126,317	3,241,505
Including:								
Right-of-use assets:								
Cost	-	2,115	37,728	73,901	-	9,219	-	122,963
Accumulated depreciation and impairment	-	(598)	(28,762)	(11,836)	-	(4,536)	-	(45,732)
Carrying value	-	1,517	8,966	62,065	-	4,683	-	77,231
Property, plant and equipment that are subject to operating lease (Group as the lessor) ²	-	234	3	90,395	-	-	-	90,632

¹ Other movements and transfers also include transfers to/from inventories.

² Comparative figures have been restated to be consistent with the current year.

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	Rail track infrastructure	Buildings and constructions	Machinery and equipment	Vehicles	Land	Others	Construction- in-progress	Total
Carrying value as at								
1 January 2023	1,291,479	295,342	245,620	1,267,851	3,959	10,937	126,317	3,241,505
Additions	591	653	11,408	39,776	2	1,399	603,471	657,300
Lease additions	-	48	1,073	45,237	-	1	-	46,359
Lease modifications	-	(76)	5,251	8,092	-	-	-	13,267
Disposals	(73)	(1,019)	(2,975)	(10,582)	(59)	(1,091)	(1,467)	(17,266)
Depreciation charge (Note 5)	(41,980)	(7,701)	(35,032)	(70,565)	-	(1,900)	-	(157,178)
Depreciation on disposal	57	492	2,742	10,528	-	1,089	-	14,908
Impairment reversal/(impairment)	29	(23)	(80)	254	-	(108)	(1,062)	(990)
Other movements and transfers ³	165,641	25,749	19,967	316,959	(31)	173	(531,884)	(3,426)
Carrying value as at								
31 December 2023	1,415,744	313,465	247,974	1,607,550	3,871	10,500	195,375	3,794,479
Cost	1,779,867	389,889	575,524	2,254,692	3,871	31,315	207,150	5,242,308
Accumulated depreciation and impairment	(364,123)	(76,424)	(327,550)	(647,142)	-	(20,815)	(11,775)	(1,447,829)
Carrying value as at								
31 December 2023	1,415,744	313,465	247,974	1,607,550	3,871	10,500	195,375	3,794,479
Including:								
Right-of-use assets:								
Cost	-	1,843	42,735	111,578	-	7,320	-	163,476
Accumulated depreciation and impairment	-	(845)	(36,823)	(6,803)	-	(3,900)	-	(48,371)
Carrying value	-	998	5,912	104,775	-	3,420	-	115,105
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	239	-	88,774	-	-	-	89,013

³ Other movements and transfers also include transfers to/from inventories.

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As at 31 December 2023, construction-in-progress mainly consists of project costs for the modernisation of the Dostyk-Moiynty railway transport corridor, to build the Zhezkazgan-Beineu, a ferry complex at the Kuryk port and other railway reconstruction infrastructure.

As at 31 December 2023 and 2022, the Group’s property, plant and equipment with a carrying amount of 10,881 million tenge and 11,172 million tenge, respectively, was used as collateral for specific borrowings.

For the year ended 31 December 2023, the Group recognised depreciation expenses on right-of-use assets of 14,181 million tenge (2022: 16,811 million tenge).

For the years ended 31 December 2023 and 2022, capitalised borrowing costs amounted to 26,591 million tenge and 5,673 million tenge, respectively. The Group’s average capitalisation rate varies between 3.25% and 19.35% (2022: between 3.88% and 8.82%).

As at 31 December 2023 and 2022, the cost of the Group’s fully depreciated property, plant and equipment in use was 372,174 million tenge and 359,365 million tenge, respectively.

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7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

			31 December 2023		31 December 2022	
Description	Primary activity	Main country of operation / country of registration	Carrying amount	Ownership interest	Carrying amount	Ownership interest
Associates						
United Transport and Logistics Company - Eurasian Rail Alliance JSC (UTLC ERA JSC)	Domestic and international rail transportation and freight forwarding	Russia	15,890	33.33%	16,959	33.33%
Transtelecom JSC	Telecommunication services	Kazakhstan	10,768	25%	8,502	25%
Chinese-Kazakhstan International Logistics Company in Lianyungang	International multimodal transportation	China	7,195	49%	3,173	49%
China-Kazakhstan International Trade and Logistics Company LLC (Xi'an)	International multimodal transportation, terminal services, etc.	China	5,136	49%	-	-
Others			-	40-47%	-	40-47%
Total investment in associates			38,989		28,634	
Joint ventures						
Private Company KPMC Ltd.	Organisation of container block trains and freight forwarding activities for land-sea freight routes	China/Kazakhstan	1,078	49%	-	-
KIF Warehouses LLP	Warehouse operations and supporting transport operations	Kazakhstan	497	50%	165	50%
Private Company Middle Corridor Multimodal Ltd.	Organisation of domestic and international freight transportation, multimodal, transport and logistics services on the Trans-Caspian International Transport route	Kazakhstan	4	33.33%	-	-
Total investment in joint ventures			1,579		165	

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Movements in investments in associates and joint ventures are as follows:

	2023	2022
Associates		
As at 1 January	28,634	26,793
Acquisition	5,196	-
Foreign exchange difference on translation of foreign operations	(4,588)	2,058
Share of profit	8,190	8,509
Impairment reversal	4,697	-
Dividends receivable	(3,140)	(8,726)
As at 31 December	38,989	28,634
Joint ventures		
As at 1 January	165	895
Acquisition	5	-
Fair value of the remaining interest upon loss of control over the subsidiary		
Private company KPMC Ltd.	1	-
Share of (loss)/profit	(46)	38
Contributions to charter capital	1,111	58
Impairment reversal/(loss)	343	(826)
As at 31 December	1,579	165

During 2023, the Group, represented by its subsidiary Kedentransservice JSC, made a cash contribution in the amount of 80,740,632 yuan (5,196 million tenge) to the charter capital of China-Kazakhstan Trade and Logistics Company LLC (Xi'an), the Group's share of ownership in the associate is 49%.

In October 2023, the Group, represented by its subsidiary KTZ Express JSC, sold to a third party a 51% interest in its subsidiary, Private Company KPMC Ltd., for 1,000 US Dollars (0.5 million tenge). The gain from the disposal of the subsidiary amounted to 1 million tenge. As a result, the Group lost control over this subsidiary and recognised the remaining 49% interest at fair value as an investment in joint venture. In December 2023, the Group made a cash contribution, without changing the share of ownership, in the amount of 1,111 million tenge to the charter capital of this entity.

In December 2023, the Group, represented by the Company, made a cash contribution in the amount of 5 million tenge to the charter capital of the Private Company Middle Corridor Multimodal Ltd., which was equally distributed between the Company, Azerbaijan Railways CJSC and Georgian Railway JSC. The Group's share in the joint venture is 33.33%.

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Summary financial information on significant associates as at and for the years ended 31 December:

	2023				
	China-Kazakhstan Trade and Logistics Company LLC (Xi'an)	Chinese-Kazakhstan International Logistics Company in Lianyungang	Aktau Marine North Terminal LLP	Transtelecom JSC	United Transportation and Logistics Company – Eurasian Railway Alliance JSC
Current assets	11,635	6,975	734	43,441	51,595
Non-current assets	-	21,998	35,215	146,464	54,398
Total assets	11,635	28,973	35,949	189,905	105,993
Current liabilities	34	1,447	5,347	114,014	20,564
Non-current liabilities	1,119	248	32,102	41,713	37,758
Total liabilities	1,153	1,695	37,449	155,727	58,322
Total net assets/(liabilities)	10,482	27,278	(1,500)	34,178	47,671
Ownership interest	49%	49%	40%	25%	33.33%
Net assets/(liabilities) attributable to the Group	5,136	13,367	(600)	8,545	15,890
Accumulated impairment	-	(6,172)	-	-	-
Net assets/(liabilities) attributable to the Group, inclusive of impairment	5,136	7,195	(600)	8,545	15,890
Accumulated unrecognised loss	-	-	(600)	-	-
Adjustment to the carrying amount of investments in a change to investee net assets (fair value adjustment of the concessional loan from another shareholder)	-	-	-	2,223	-
Carrying amount of investment	5,136	7,195	-	10,768	15,890
Revenue	153	10,588	3,912	84,186	298,970
(Loss)/profit and total comprehensive (loss)/income for the year	(54)	334	6,887	9,063	17,362
Recognised share of the Group in (loss)/profit	(26)	163	-	2,266	5,787

	2022			
	Chinese-Kazakhstan International Logistics Company in Lianyungang	Aktau Marine North Terminal LLP	Transtelecom JSC	United Transportation and Logistics Company – Eurasian Railway Alliance JSC
Current assets	6,176	1,084	61,012	56,344
Non-current assets	23,946	36,896	162,120	66,242
Total assets	30,122	37,980	223,132	122,586
Current liabilities	1,170	11,046	114,510	30,930
Non-current liabilities	295	35,321	83,508	40,778
Total liabilities	1,465	46,367	198,018	71,708
Total net assets/(liabilities)	28,657	(8,387)	25,114	50,878
Ownership interest	49%	40%	25%	33.33%
Net assets/(liabilities) attributable to the Group	14,042	(3,355)	6,279	16,959
Accumulated impairment	(10,869)	-	-	-
Net assets/(liabilities) attributable to the Group, inclusive of impairment	3,173	(3,355)	6,279	16,959
Accumulated unrecognised loss	-	(3,355)	-	-
Adjustment to the carrying amount of investments in a change to investee net assets (fair value adjustment of the concessional loan from another shareholder)	-	-	2,223	-
Carrying amount of investment	3,173	-	8,502	16,959
Revenue	5,545	4,298	83,904	385,409
(Loss)/profit and total comprehensive (loss)/income for the year	407	11,034	(10,950)	33,140
Recognised share of the Group in (loss)/profit	200	-	(2,737)	11,046

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8. OTHER NON-CURRENT ASSETS

	31 December 2023	31 December 2022
Advances paid for property, plant and equipment	463,044	101,631
VAT recoverable	167,275	81,883
Investment property	8,379	8,496
Others	4,290	907
Less: allowance for non-recoverable VAT	(12,237)	(11,823)
Less: allowance for advances for property, plant and equipment	(1,616)	(1,056)
Total other non-financial assets	629,135	180,038
Restricted cash	14,175	14,010
Loans issued	3,938	6,865
Loans to employees	3,819	1,623
Bonds of commercial banks and other credit institutions, and other debt securities	1,432	1,399
Long-term trade accounts receivable (Note 11)	26	39
Others	1,144	598
Less: allowance for expected credit losses on loans issued	(3,092)	(3,113)
Less: allowance for expected credit losses on other non-current financial assets	(539)	(492)
Total other financial assets	20,903	20,929
	650,038	200,967

Restricted cash is mostly amounts in Euros used as security on loans from HSBC Continental Europe. The restriction on cash will be released once the loans have been repaid.

As at 31 December advances paid for property, plant and equipment included:

	31 December 2023	31 December 2022
Passenger carriages supply	163,034	-
Construction of the railway	133,923	-
Electric locomotive supplies	90,447	72,753
Diesel locomotive supplies	61,262	9,075
Railroad switch supplies	9,981	5,240
Rail purchases	-	9,959
Others	4,397	4,604
	463,044	101,631

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9. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Short-term bank deposits in tenge	60,761	68,187
Short-term bank deposits in US\$	6,365	-
Short-term bank deposits in other currencies	165	-
Cash in tenge current accounts	120,497	186,774
Cash in US\$ current bank accounts	13,075	7,642
Cash in Russian Rouble current bank accounts	1,245	3,309
Cash in Euro current bank accounts	782	474
Cash in bank accounts in other currencies	1,731	599
Petty cash	9	4
Less: allowance for expected credit losses on cash and cash equivalents	(16)	(33)
	204,614	266,956
Cash included in assets classified as held for sale	-	76
	204,614	267,032

As at 31 December 2023, the weighted average interest rate on cash in current accounts was 0.68% in tenge and 1.5% in other currencies (31 December 2022: 0.22% in tenge and 1.64% in other currencies).

Short-term tenge and foreign currency bank deposits are placed for three months and less, depending on the Group's cash needs. As at 31 December 2023, the weighted average interest rate on short-term bank deposits was 15.26% in tenge, 3% in US\$ and 12% in other currencies (31 December 2022: 16.18% in tenge).

As at 31 December 2023, cash placed by the Group on current accounts in Kazpost JSC, a related party of the Group, amounted to 112,141 million tenge (31 December 2022: 162,854 million tenge) (Note 31). In addition, the Group places cash and cash equivalents in banks and other financial institutions rated from A+ to B-. Based on this, the Group believes that its cash and cash equivalents credit risk as at 31 December 2023 is low.

The allowance for expected credit losses on cash and cash equivalents is based on 12-month expected credit losses, which matches their maturity date.

10. INVENTORIES

	31 December 2023	31 December 2022
Fuel and lubricants	20,028	6,034
Track structure materials	18,786	14,647
Materials and supplies	13,452	12,481
Spare parts	8,421	8,311
Construction materials	1,559	1,478
Others	4,135	3,562
	66,381	46,513
Less: allowance for inventories	(2,019)	(1,484)
	64,362	45,029

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11. TRADE ACCOUNTS RECEIVABLE

	31 December 2023	31 December 2022
Trade accounts receivable	20,316	22,405
Less: allowance for expected credit losses	(3,964)	(7,593)
	16,352	14,812
Current portion of trade accounts receivable	16,326	14,773
Long-term portion of trade accounts receivable (Note 8)	26	39
	16,352	14,812

As at 31 December 2023, trade accounts receivable arising from contracts with customers amounted to 19,369 million tenge (31 December 2022: 21,149 million tenge), expected credit losses on these trade accounts receivable amounted to 3,574 million tenge (31 December 2022: 6,873 million tenge).

12. OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Other taxes prepaid	44,328	43,120
Advances paid	25,736	24,821
Prepaid expenses	2,448	1,795
Others	5,494	5,451
Less: allowance for the impairment of advances paid and other current non-financial assets	(6,396)	(5,938)
Total other non-financial assets	71,610	69,249
Restricted cash	6,789	6,096
Claims, interest and fines	3,974	4,136
Due from employees	1,665	1,751
Others	5,191	2,024
Less: allowance for expected credit losses on other current financial assets	(3,120)	(4,200)
Total other financial assets	14,499	9,807
	86,109	79,056

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13. ASSETS AND LIABILITIES OF DISPOSAL GROUP
Railway Passenger Coach Construction Plant LLP

On 13 December 2022, the Group, represented by its subsidiary Kaztemirtrans JSC, entered into a sale agreement with a third party for a 100% interest in the charter capital of Railway Passenger Coach Construction Plant LLP. As at 31 December 2022, the Group classified the assets and liabilities of Railway Passenger Coach Construction Plant LLP in a disposal group held for sale at the lower of their carrying amount and fair value less costs to sell. As at 31 December 2022, assets and liabilities with intragroup elimination amounted to 45,825 million tenge and 31 million tenge, respectively. Since this subsidiary did not represent a significant line of business for the Group, the Group did not classify the financial result of the subsidiary as a discontinued operation. On 27 January 2023, the Group completed the sale of its interest and lost control over the subsidiary.

The assets and liabilities of Railway Passenger Coach Construction Plant LLP as at the date of disposal are presented as follows:

	27 January 2023
Assets	
Property, plant and equipment	5,666
Cash and cash equivalents	52
Other current assets	40,049
Total assets	45,767
Liabilities	
Contract liabilities ⁴	40,000
Trade accounts payable	20
Other taxes	3
Other current liabilities	26
Total liabilities	40,049
Net assets disposed	5,718

The result of the disposal of a subsidiary is presented as follows:

	2023
Proceeds from disposal of subsidiary	12,000
Net assets disposed	(5,718)
Result of disposal of Railway Passenger Coach Construction Plant LLP	6,282

⁴ Prior to disposal intra-group obligations under an agreement with a subsidiary Passenger Transportation JSC for the supply of passenger carriages.

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14. EQUITY

As at 31 December 2023 and 2022, share capital was presented as follows:

	No. of shares authorised for issue	No. of shares issued and paid for	Share capital, millions of tenge
As at 1 January 2022	502,040,458	496,692,665	1,086,085
Shares issued	-	1	239
As at 31 December 2022	502,040,458	496,692,666	1,086,324
Shares issued	-	1,000	24,310
As at 31 December 2023	502,040,458	496,693,666	1,110,634

The Company's share capital was established through a series of share issuances in exchange for either cash or property, plant and equipment, intangible assets or shares. The Shareholder is entitled to dividends, a part of the Company's assets in the event of liquidation, and preference in purchasing the Company's shares or other securities convertible into Company shares.

Contributions
Share issuance

During 2023, the Group issued 1,000 shares that was paid in cash of 24,310 million tenge by the Shareholder.

Other contributions

In 2023, the Group recognised an adjustment to loans received from Shareholder at rates lower than market to fair value of 177,932 million tenge (2022: 118,380 million tenge) less the deferred tax effect of 35,587 million tenge (2022: 23,676 million tenge) (Notes 15 and 18).

Hedging reserve

On 7 August 2015, the Group hedged cash flows to reduce the risk of changes in tenge equivalent revenue denominated in Swiss Francs. The principal from Eurobonds issued on 20 June 2014 on the Swiss stock exchange and maturing on 20 June 2022 is used as hedging instrument, which is separately identifiable and reliably estimated. A highly probable revenue stream forecast relating to transit transportation in Swiss Francs, in particular, first sales received in the period from 1 January to 20 June 2022, is the hedged item in this hedging relationship.

As at 31 December 2022, hedge accounting was discontinued due to the receipt of revenue from freight transportation in international (transit) route, which was the hedged item, accordingly, the cumulative deferred loss attributable to this hedging instrument was reclassified from other comprehensive income to revenue from freight transportation in the amount of 54,442 million tenge (Note 22).

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15. BORROWINGS

Borrowings, including accrued interest, which is accounted for at amortised cost consisted of the following:

	31 December 2023		31 December 2022	
	Amount	Weighted average effective interest rate (%)	Amount	Weighted average effective interest rate (%)
<i>Fixed interest rate borrowings</i>				
Loans received	333,852		300,748	
- in tenge	223,035	8.69	231,551	11.34
- in Euros	59,611	5.31	69,197	6.57
- in Russian Roubles	51,206	5.94	-	-
Debt securities issued	1,079,764		1,052,191	
- in tenge	707,590	11.41	563,621	10.20
- in US\$	372,174	6.43	363,221	6.30
- in Swiss Francs	-	-	125,349	3.25
<i>Floating interest rate borrowings</i>				
Loans received	518,138		152,426	
- in tenge	122,925	18.83	152,426	15.01
- in Euros	139,143	5.32	-	-
- in Swiss Francs	256,070	3.55	-	-
Debt securities issued	185,793		181,966	
- in tenge	185,793	19.02	181,966	16.64
	2,117,547		1,687,331	
Current portion of borrowings	354,115		256,506	
Non-current portion of borrowings	1,763,432		1,430,825	
	2,117,547		1,687,331	

The following borrowings presented on discounted basis, excluding debt securities, should be repaid as follows:

	31 December 2023	31 December 2022
During the year	122,037	103,431
1-2 years	78,270	64,263
2-3 years	79,637	35,363
3-4 years	75,027	34,863
4-5 years	73,445	28,920
Over 5 years	423,574	186,334
	851,990	453,174

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Loans received*The Shareholder*

In May 2023, the Group, represented by the Company, under a loan agreement with the Shareholder concluded on 19 May 2023, received borrowings in the total amount of 162,600 million tenge to finance the acquisition of passenger carriages. Interest is paid annually at 0.05%. Principal is paid annually until full repayment in 2053. The loan was received at a below market interest rate and the fair value of the loan received was calculated based on the market rate of 11.59%. The Group recognised an adjustment to fair value of borrowings in the amount of 139,498 million tenge, net of deferred tax in the amount of 27,900 million tenge through equity in retained earnings as other contributions (Note 14).

Citibank Kazakhstan JSC

In June 2023, the Group, represented by a subsidiary KTZ-Freight Transportation LLP, within the framework of a Master agreement with Citibank Kazakhstan on short-term loans, concluded on 30 November 2009, received borrowings in the total amount of 13,000 million tenge with an interest rate of 17.7%. The principal is repayable in full in June 2024.

ForteBank JSC

In 2023, the Group, represented by the Company, under the credit line agreement with ForteBank JSC concluded on 13 June 2022, received 36,100 million tenge with an interest rate of 17.5% to 18% and maturity up to six months. The Group made full early repayment of loans received.

HSBC Continental Europe

In 2023, the Group, represented by its subsidiaries KTZ-Freight transportation LLP and KTZ-Passenger locomotives LLP, under the Master Framework Agreement with HSBC Continental Europe, together with HSBC Bank Plc and HSBC Kazakhstan Subsidiary Bank JSC, and with the support of the COFACE export-credit agency, dated 31 May 2012 to finance the acquisition of freight and passenger locomotives for a total of 880,877,000 Euros and its addendums, borrowed 4,350,789 Euros (2,137 million tenge) (including the COFACE premium). Loan interest is paid semi-annually at EUR CIRR + 0.4% margin, which is fixed at each tranche date. Principal is repaid semi-annually until full repayment in 2031.

Societe Generale and Natixis

In 2023, the Group, represented by its subsidiaries KTZ-Freight transportation LLP and KTZ-Passenger locomotives LLP, under the Master Framework Agreement with Societe Generale and Natixis under the guarantee of export credit agency BPIfrance dated 23 February 2023 to finance the acquisition of freight and passenger locomotives for a total amount of 627,110,893 Euros, borrowed 329,415,953 Euros (162,473 million tenge) (including the BPIfrance premium). Loan interest is paid semi-annually at Euribor 6m + 1.15% margin. Principal is repaid semi-annually until full repayment in 2034.

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Halyk Bank of Kazakhstan JSC

In 2023, the Group, represented by the Company and its subsidiary KTZ-Freight transportation LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 26 February 2015, borrowed 89,000 million tenge with an interest rate of 18.5% to 18.75% and a maturity of up to one year. The Group has made full/partial early repayment of loans received in the total amount of 70,000 million tenge.

In 2023, the Group, represented by its subsidiary KTZ-Freight transportation LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 22 October 2022, received 3,156 million tenge to finance the acquisition of freight diesel and electric locomotives. Interest is repaid quarterly at the interest rate of "base rate of the National Bank of the Republic of Kazakhstan + 2% margin". Principal is repayable in semi-annual installments until full repayment in 2032.

In 2023, the Group, represented by its subsidiary KTZ-Passenger locomotives LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 20 October 2022, received 10,034 million tenge to finance the acquisition of passenger diesel and electric locomotives. Interest is repaid quarterly at the interest rate of "base rate of the National Bank of the Republic of Kazakhstan + 2% margin". Principal is repayable in semi-annual installments until full repayment in 2029.

Eurasian Development Bank ("EDB")

In 2023, the Group, represented by its subsidiary KTZ-Freight transportation, under the loan agreement with EDB dated 11 May 2023 to finance the acquisition of freight diesel locomotives for a total amount of 17,685,350,000 Russian Roubles borrowed 10,045,278,800 Russian Roubles (50,345 million tenge). Loan interest is paid semi-annually at 7.8%. Principal is repaid semi-annually until full repayment in 2034.

Citibank and Santander

In November 2023, the Group, represented by the Company, under the credit agreement with Citibank and Santander and the guarantee of MIGA, dated 19 September 2023 to finance the acquisition of electric locomotives, passenger carriages, capital and current repairs of railway tracks, borrowed 513,491,580 Swiss Francs (264,633 million tenge) (including the MIGA premium). Loan interest is paid semi-annually at SARON 6m + 0.95%. Principal is repaid semi-annually until full repayment in 2033. The grace period for repayment of principal debt is 1 year.

Early repayment of non-current borrowings

In 2023, the Group, represented by its subsidiaries KTZ Express JSC and KTZ-Passenger locomotives LLP, under loan agreement with Eurasian Bank for Reconstruction and Development, dated 18 September 2014 made an early repayment of borrowings received in the amount of 8,095 million tenge.

In 2023, the Group, represented by its subsidiary KTZ-Freight transportation LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 22 October 2022, made an early partial repayment of borrowings received of 18,262 million tenge.

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In 2023, the Group, represented by its subsidiary KTZ-Passenger locomotives LLP, under the credit line agreement with Halyk Bank of Kazakhstan JSC, concluded on 20 October 2022, made an early partial repayment of borrowings received of 6,483 million tenge.

Debt securities issued

As at 31 December, debt securities issued include:

	Repayment date	Exchanges	2023	2022
Debt securities, by price ⁵				
2% Eurobonds (100%) in US\$	28 October 2025	KASE	372,174	363,221
11.5% Bonds (100%) in tenge	3 October 2034	KASE	308,433	308,433
8.74% Bonds (100%) in tenge	12 June 2043	KASE	136,146	-
TONIA Compounded 6M + 3% margin (19.96%) Bonds (100%) in tenge	22 July 2024	KASE	129,491	128,216
	30 December 2042			
7.37% Bonds (100%) in tenge	15 November 2024	KASE	100,855	94,097
9.25% Bonds (100%) in tenge		KASE	76,831	76,831
Inflation rate + 2.52% (18.52%) Bonds (100%) in tenge	25 April 2026	KASE	56,302	53,750
	12 September 2034			
11.5% Bonds (100%) in tenge	23 July 2027	KASE	41,380	41,380
11% Bonds (100%) in tenge	20 August 2034	KASE	26,184	26,184
2% Bonds (100%) in tenge		KASE	17,761	16,696
3.25% Eurobonds (100%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	-	84,925
3.25% Eurobonds (104.238%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	-	40,424
Total debt securities issued			1,265,557	1,234,157
Current portion of debt securities issued			232,078	153,075
Long-term portion of debt securities issued			1,033,479	1,081,082
			1,265,557	1,234,157

In June and December 2023, the Group, represented by the Company, to implement the project “Modernisation of the railway transport corridor Dostyk-Aktogay-Moiynty-Zharyk-Zhezkazgan-Saksaulskaya-Kandyagash-Aktobe-Iletsk (construction of second tracks of the Dostyk-Moiynty railway section)”, issued bonds on the Kazakhstan Stock Exchange in favour of the Shareholder in the amount of 73,709 million tenge and 100,000 million tenge, respectively, with a coupon rate of 8.74% per annum and a maturity date in 2043. Coupon payment - twice a year. The bonds were issued with a coupon rate below the market rate and the fair value was calculated based on the market rate of 11.59% and 12.25%, respectively. The Group recognised an adjustment to fair value of the bonds in the amount of 38,434 million tenge, net of deferred tax in the amount of 7,687 million tenge through equity in retained earnings as other contributions (Note 14).

The fair value of borrowings and debt securities is presented in Note 31.

⁵ Percentages in brackets represent the cost of issuing bonds/Eurobonds from par value (at premium/with discount or at par)

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Credit agreements and breaches of credit agreements

In accordance with arrangements with HSBC Continental Europe regarding financial and non-financial covenants, the Group should comply with the covenant that the Company has any two of three corporate ratings (S&P, Fitch, Moody's) of at least BB. As at 31 December 2023, this covenant was met.

Loan agreements with Societe Generale and Natixis include financial covenant Net Debt to Equity (at the same time, concessional loans from the Shareholder should not exceed 50% of the total debt) calculated based on the annual consolidated financial statements of the Group. As at 31 December 2023, this covenant was met.

Loan agreement with EDB includes certain financial covenants such as Debt to EBITDA and Interest coverage ratio calculated semi-annually based on the consolidated results of the Group. In addition, the Group should comply with the covenant that the Company has any two of three corporate ratings (S&P, Fitch, Moody's) of at least BB. As at 31 December 2023, these covenants were met.

Loan agreement with Citibank and Santander under the MIGA guarantee includes compliance certain financial covenants such as EBITDA to interest expense and Total debt to EBITDA (with the share of subsidiaries' debt to third parties not exceeding 35% of total debt) calculated based on the consolidated results of the Group. As at 31 December 2023, these covenants were met.

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Reconciliation of changes in liabilities and cash flows from financing activity

	2023		
	Borrowings and debt securities issued	Lease liabilities (Note 16)	Total
As at 1 January	1,687,331	53,082	1,740,413
Changes due to cash flows from financing activities			
Loan principal payments	(367,320)	-	(367,320)
Proceeds from borrowings	808,731	-	808,731
Lease liability payments	-	(21,690)	(21,690)
Total changes due to cash flows from financing activities	441,411	(21,690)	419,721
Other changes			
Effect of changes in foreign currency exchange rates	13,862	43	13,905
Cash flow hedging	-	-	-
Acquisition of property, plant and equipment through borrowings directly transferred to the supplier	114,106	-	114,106
New lease agreements	-	24,334	24,334
Adjustment to the fair value of loans received from the Shareholder at rates lower than market (Note 14)	(177,932)	-	(177,932)
Interest costs and discount amortisation, including capitalised	188,583	8,995	197,578
Interest paid	(144,301)	(6,252)	(150,553)
Other changes	(5,513)	12,994	7,481
Total other changes attributable to liabilities	(11,195)	40,114	28,919
As at 31 December	2,117,547	71,506	2,189,053

	2022		
	Borrowings and debt securities issued	Lease liabilities (Note 16)	Total
As at 1 January	1,577,212	59,798	1,637,010
Changes due to cash flows from financing activities			
Loan principal payments	(956,465)	-	(956,465)
Proceeds from borrowings	1,137,878	-	1,137,878
Lease liability payments	-	(17,334)	(17,334)
Total changes due to cash flows from financing activities	181,413	(17,334)	164,079
Other changes			
Effect of changes in foreign currency exchange rates	30,789	383	31,172
Cash flow hedging	2,445	-	2,445
Acquisition of property, plant and equipment through borrowings directly transferred to the supplier	5,706	-	5,706
New lease agreements	-	7,301	7,301
Adjustment to the fair value of loans received from the Shareholder at rates lower than market (Note 14)	(118,380)	-	(118,380)
Interest costs and discount amortisation, including capitalised	139,366	8,321	147,687
Interest paid	(113,137)	(6,438)	(119,575)
Other changes	(18,083)	1,051	(17,032)
Total other changes attributable to liabilities	(71,294)	10,618	(60,676)
As at 31 December	1,687,331	53,082	1,740,413

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16. LEASE LIABILITIES

As at 31 December, the Group's lease liabilities included:

	2023		2022	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Up to one year	18,461	16,951	14,966	14,221
2-5 years inclusive	47,066	26,930	39,458	23,717
Over 5 years	100,304	27,625	62,242	15,144
Total	165,831	71,506	116,666	53,082
Less unearned interest	(94,325)	-	(63,584)	-
Present cost of lease liabilities	71,506	71,506	53,082	53,082
Less amounts due within 12 months		(16,951)		(14,221)
Amount due after 12 months		54,555		38,861

As at 31 December 2023, interest calculations are based on effective interest rates of between 2.5% and 21.69% (31 December 2022: 1.69%-21.69%).

Lease liabilities are mainly denominated in tenge, except for lease liabilities for other equipment, which are denominated in US\$.

Finance lease agreements (hereinafter – “lease agreements”) with Industrial Development Fund JSC
Flat carriages

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 flat carriages with a total value of 47,391 million tenge (taking into account the additional agreement dated 29 September 2023) and at interest of 15% per annum, of which 10% per annum is subsidised by the State. The grace period for the principal is 2 years. The Group acts as the lessee.

In 2023, within the framework of the agreement, the Group received 393 flat carriages and recognised right-of-use assets of 9,683 million tenge for 32 years and a lease liability of 4,759 million tenge for 15 years.

Passenger carriages

In December 2022, the Group, represented by its subsidiary Passenger transportation JSC, under the implementation of the investment project “Purchase of passenger carriages”, entered into an agreement for the lease of 11 passenger carriages with a total value of 7,427 million tenge and an interest rate of 1.5% per annum. The grace period for the principal is 6 years. The Group acts as a lessee.

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In 2023, under this agreement, the Group received 6 passenger carriages and recognised right-of-use assets of 4,043 million tenge for 28 years and a lease liability of 2,581 million tenge for 20 years.

In September 2023, the Group, represented by its subsidiary Passenger Transportation JSC, entered into an agreement for the lease of 100 passenger carriages with a total value of 65,796 million tenge and an interest rate of 13.15% per annum, of which 10% per annum is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee.

In 2023, under this agreement, the Group received 38 passenger carriages and recognised right-of-use assets of 24,402 million tenge for 40 years and a lease liability of 10,832 million tenge for 15 years.

Freight open wagons

In July 2023, the Group, represented by its subsidiary Kaztemirtrans JSC, entered into an agreement for the lease of 3,000 open wagons with a total value of 88,125 million tenge and an interest rate of 13.15% per annum, of which 6% per annum is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee.

In 2023, under this agreement, the Group received 242 open wagons and recognised right-of-use assets of 7,109 million tenge for 22 years and a lease liability of 5,040 million tenge for 14 years.

Lease agreements and their violation

The requirements of the Group's lease agreements, represented by the subsidiaries KTZ Express JSC, Passenger transportation JSC and Kaztemirtrans JSC, with Industrial Development Fund JSC, incorporate restrictive terms with respect to changing legal status through voluntary liquidation; concluding a transaction or several transactions where the value exceeds 10-25% of the carrying amount of assets; subleasing lease subjects or a part of them. In the event of a default as defined by the lease agreements, the lessor is entitled to demand the indisputable requisition of lease items.

17. EMPLOYEE BENEFIT OBLIGATIONS
Post-employment defined employee benefits and other long-term employee benefits

Under Kazakhstan law, pension contributions are the responsibility of employees, and the Group has no current or future obligations to make payments to employees following their retirement, apart from those described below.

In 2019, the Group introduced Early Retirement Rules (“Rules No. 1”) to meet a plan to reduce the number of Group employees over the next 5 years. Rules No. 1 apply to employees who have less than 5 years before they reach the statutory retirement age.

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In 2021, the Group approved Rules for the payment of compensation to employees of the Company and its subsidiaries (“Rules No. 2”) to meet a plan to reduce headcount. Rules No. 2 determine the procedure for paying compensation to employees whose positions are affected by reductions and with whom employment agreements have been terminated by agreement of the parties.

Employee retirement compensation and other long-term employment benefits are paid in accordance with Rules No. 1 and Rules No. 2 and a collective agreement for 2021-2023 between the Group and its staff.

Pursuant to these documents, the Group provides the following benefits under an unfunded scheme:

Post-employment defined employee benefits:

- a one-time retirement payment;
- a one-time payment for the early employment agreement termination that depends on work experience in the industry, in accordance with Rules No. 1;
- a payment of between 70 thousand tenge and 200 thousand tenge per month payable either as a one-time payment for the whole period until the retirement age or on a monthly basis in accordance with Rules No. 1;
- a benefit payment depending on work experience in the industry over six months – twenty four months from the date of the termination of an employment agreement of between 70 thousand tenge and 200 thousand tenge per month, in accordance with Rules No. 2;
- financial support to pensioners for the holidays;
- vouchers for sanatorium-resort treatment to pensioners;
- funeral aid of pensioners;
- a one-time payment to pensioners on special anniversaries;
- the reimbursement for denture treatment costs to pensioners;
- the reimbursement of railway ticket costs to pensioners.

Other long-term employee benefits:

- financial support for sanatorium-resort treatment to employees;
- financial assistance on denture treatment to employees;
- a one-time payment to employees on anniversaries;
- the reimbursement of railway ticket expense to employees.

The programs are unfunded. Group policy towards these programs does not assume the accumulation of assets to cover obligations. The programs do not require employee contributions.

	31 December 2023	31 December 2022
Non-current portion of employee benefit obligations	37,396	37,406
Current portion of employee benefit obligations	7,608	6,213
Total liabilities as at the end of the year	45,004	43,619

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Movement in the present value of obligations for the years ended 31 December is as follows:

	2023	2022
Total liabilities at the beginning of the year	43,619	46,183
Current service cost	1,888	1,347
Past service cost	-	218
Interest costs	4,624	4,804
Actuarial loss on other long-term employee benefits	427	2,774
Total expenses recognised in profit or loss	6,939	9,143
Actuarial revaluation recognised in other comprehensive income:	540	(4,214)
- change in financial assumptions	(330)	(25)
- experience-based adjustments	(922)	(4,219)
- change in demographic assumptions	1,792	30
Payments made for the year	(6,094)	(7,493)
Total liabilities as at the end of the year	45,004	43,619

Post-employment defined benefits and other long-term employee benefits recognised in profit or loss during the years ended 31 December are as follows:

	2023	2022
Cost of sales (Note 24)	6,611	8,745
General and administrative expenses (Note 25)	328	398
Total recognised in profit or loss for the year	6,939	9,143

The Group’s obligations were estimated based on published statistical data regarding mortality and actual Group data concerning employee and pensioner headcount, age, gender and years of service, and turnover, as well as expectations that all employees granted with early retirement option under the Rules No. 1, will exercise when reach minimum age, i.e. 5 years before the official retirement age. Average longevity after the retirement age for acting and former retired employees is 14.6 years for men and 18.7 years for women.

Other significant actuarial assumptions as at the reporting date for the consolidated statement of financial position are as follows:

	2023	2022
Discount rate	11.9%	10.6%
Expected annual growth in material aid in the future	5.2% (average)	4.1% (average)
Expected annual minimum salary growth in the future	6.6% (average)	4.9% (average)
Expected annual future growth in rail ticket cost	5.9% (average)	5.5% (average)

According to an actuarial sensitivity analysis, the maximum increase in employee benefit obligations is 8.9% caused by an inflation rate increase of 1%, and 8.3% caused by a discount rate decrease of 1%.

The above analysis may not reflect actual changes in post-employment defined employee benefit obligations, as changes in assumptions separate from each other are unlikely (some assumptions are interrelated).

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In addition, for the sensitivity analysis, the present value of post-employment defined employee benefit obligations was calculated using the projected unit credit method as at the reporting date. The same method was applied when calculating post-employment defined employee benefit obligations reflected in the consolidated statement of financial position.

The methods and assumptions used in the sensitivity analysis do not differ from those used in prior years.

18. CORPORATE INCOME TAX

Corporate income tax expenses for the years ended 31 December included:

	2023	2022
Current income tax expenses	6,013	4,249
Adjustment of income tax for prior years	(227)	1,224
Income tax paid withheld	-	471
Deferred income tax expense	17,450	13,105
Change in unrecognised deferred tax assets, including for tax losses carried forward	1,363	12,492
	24,599	31,541

The table below provides a reconciliation of income tax expenses based on accounting profit before tax at the statutory rate against income tax expenses reported for the years ended 31 December:

	2023	2022
Profit before tax	161,383	68,424
Official tax rate	20%	20%
Calculated tax expense at the official rate	32,277	13,685
Tax effect of non-deductible expenses/(non-taxable income) for tax calculation purposes, and other effect:		
Adjustment of income tax for prior years	(227)	1,224
(Non-taxable income)/non-deductible expenses	(8,814)	4,140
Change in unrecognised deferred tax assets, including for tax losses carried forward	1,363	12,492
Income tax expense recognised in profit or loss	24,599	31,541

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Deferred tax balances calculated by applying the statutory tax rate in effect at the respective reporting dates to temporary differences between the tax basis for assets and liabilities and amounts reported in the consolidated financial statements are as follows:

	31 December 2023	31 December 2022
Deferred tax assets:		
Tax losses carried forward	125,893	111,009
Accrued employee liabilities	7,135	5,712
Derivative financial instruments	7,036	-
Financial guarantee contract liabilities	5,707	5,999
Accounts receivable	3,959	5,999
Discount on loan accounts receivable	580	1,449
Other	4,694	5,865
	155,004	136,033
Less: deferred tax assets offset against deferred tax liabilities	(154,944)	(135,970)
Deferred tax assets	60	63
Deferred tax liabilities:		
Property, plant and equipment and other non-current assets	(457,336)	(414,171)
Fair value adjustment to borrowings received from the Shareholder at rates below market	(109,488)	(79,277)
Other	(8)	(13)
	(566,832)	(493,461)
Less: deferred tax liabilities offset against deferred tax assets	154,944	135,970
Deferred tax liabilities	(411,888)	(357,491)
Total net deferred tax liabilities	(411,828)	(357,428)
	2023	2022
Net deferred tax liabilities as at the beginning of the year	(357,428)	(308,155)
Recognised in profit or loss	(18,813)	(25,597)
Recognised in equity (Note 14)	(35,587)	(23,676)
Net deferred tax liabilities as at the end of the year	(411,828)	(357,428)

The Group has not recognised deferred tax assets relating to the portion of tax losses carried forward. Management believes it is improbable that there will be sufficient taxable income available in the future against which any such deferred tax assets can be utilised. As at 31 December 2023, the total tax effect of unrecognised tax losses carried forward amounted to 420 million tenge (31 December 2022: 20,743 million tenge). These tax losses carried forward expire in 10 years from the date they were incurred.

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19. TRADE ACCOUNTS PAYABLE

	31 December 2023	31 December 2022
Accounts payable for services provided	92,628	65,252
Accounts payable for inventories received	56,961	27,108
Accounts payable for the supply of property, plant and equipment	46,789	21,100
Other accounts payable	4,591	3,747
	200,969	117,207

As at 31 December, trade accounts payable were denominated in the following currencies:

	2023	2022
Tenge	174,516	99,615
US\$	10,018	11,494
Euros	9,542	4,463
UAE Dirham	5,899	-
In other currencies	994	1,635
	200,969	117,207

The average turnover period for accounts payable is 38 days (2022: 35 days).

20. CONTRACT LIABILITIES

	31 December 2023	31 December 2022
Advances received on contracts with customers	105,103	102,035
Deferred income	10,765	17,358
	115,868	119,393

Revenue recognised in the reporting period, which was included in the balance of advances received and deferred income at the beginning of the year amounted to 100,494 million tenge (2022: 90,290 million tenge).

Contract liabilities as at 31 December 2023 will be recognised as revenue within 12 months after the reporting date.

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21. OTHER LIABILITIES

	31 December 2023	31 December 2022
Deferred income (government grants)	44,804	27,803
Obligatory pension contributions, social insurance contributions and obligatory medical insurance contributions	12,530	11,325
Advances received	10,015	12,738
Provisions	2,611	2,460
Others	3,397	2,077
Total other non-financial liabilities	73,357	56,403
Provisions for unused vacation and other employee benefits	36,225	28,712
Financial guarantee contract liabilities	28,536	29,997
Salary payable	15,511	10,006
Others	15,059	6,854
Total other financial liabilities	95,331	75,569
	168,688	131,972
Current portion of other liabilities	98,910	76,972
Non-current portion of other liabilities	69,778	55,000
	168,688	131,972

As disclosed in Note 28, the Group has provided financial guarantees to banks on loans received by Nursultan Nazarbayev International Airport JSC and Aktobe Rail and Section Mill Plant LLP and an associate Transtelecom JSC, and has recognised obligations under financial guarantee agreements. As at 31 December 2023, liabilities under financial guarantee agreements amounted to 15,315 million tenge for Nursultan Nazarbayev International Airport JSC, 13,202 million tenge for Aktobe Rail and Section Mill Plant LLP and 19 million tenge for Transtelecom JSC (31 December 2022: 15,549 million tenge for Nursultan Nazarbayev International Airport JSC, 14,067 million tenge for Aktobe Rail and Section Mill Plant LLP and 381 million tenge for Transtelecom JSC).

Provisions include provisions for agreements under which as at 31 December 2023, there is a high probability that an outflow of resources embodying economic benefits will be required to settle the liabilities. Provisions were recognised through other profit or losses.

As at 31 December 2023 and 2022 provisions for unused vacation and other employee benefits are reclassified as financial liabilities as they represent liabilities arising from the performance of contracts.

As at 31 December 2023 and 2022, other financial liabilities were primarily denominated in tenge.

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22. REVENUE

In 2023 and 2022, revenue from freight transportation included:

	2023	2022
Revenue from contracts with customers:		
International (transit) routes	655,888	447,507
Domestic routes	439,857	361,723
International (export) routes	274,069	220,322
International (import) routes	185,758	149,848
Additional charges related to the transportation process	60,675	54,684
Other revenue from freight transportation	66,303	49,429
	1,682,550	1,283,513

In 2022, the Group received international (transit) freight transportation revenue, which is the cash flow hedged item, therefore, the accumulated loss in the amount of 54,442 million tenge attributable to the hedging instrument was reclassified from other comprehensive income to freight transportation revenue (Note 14).

Revenue from freight transportation is recognised over time.

In 2023 and 2022, revenue from passenger transportation included:

	2023	2022
Revenue from contracts with customers:		
Passenger transportation	89,866	78,732
Other revenue from passenger transportation	11,816	9,689
	101,682	88,421

Revenue from passenger transportation of 1,449 million tenge, attributable to portion of other revenue from passenger transportation, was recognised at a point in time (2022: 1,229 million tenge), and 100,233 million tenge was recognised over time (2022: 87,192 million tenge).

23. OTHER REVENUE

	2023	2022
Revenue from the sale of goods and provision of other services	49,615	40,527
Revenue from the lease of carriages	45,953	17,492
Revenue from fines	10,475	8,656
Revenue from the lease of other property, plant and equipment	4,908	4,651
	110,951	71,326

Revenue from the sale of goods and the provision of other services mainly consists of revenue from loading and unloading services, vehicle servicing and the sale of materials and scrap metal.

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The Group leases out carriages and other property, plant and equipment under operating lease agreements. Accounts receivable under operating leases are payable within one year. Operating leases do not include an extension or early termination option. The Group is not exposed to currency risk as a result of operating leases, as all leases are denominated in tenge. The lessee does not have an option to purchase carriages and other property, plant and equipment at the end of the lease term.

Revenue from fines is mainly represented by interest from the late dispatch of freight from destination stations and for a breach of contracts.

Revenue of 21,479 million tenge is recognised at a point in time (2022: 17,391 million tenge), and of 38,611 million tenge – over time (2022: 31,792 million tenge).

24. COST OF SALES

	2023	2022
Staff costs, including taxes, contributions and provisions for unused vacations	616,248	466,220
Repairs and maintenance	230,486	189,532
Fuel and lubricants	219,739	162,723
Depreciation and amortisation	151,593	141,425
Work and services of a production nature	76,025	70,134
Electricity	64,980	52,397
Materials and supplies	58,190	49,292
Property tax and other taxes, excluding social tax and social contributions	27,655	26,200
Employee benefit expenses and other long-term employee benefits (Note 17)	6,611	8,745
Utilities and building maintenance	5,891	3,998
Telecommunication services	2,631	3,244
Other costs	38,534	30,323
	1,498,583	1,204,233

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Staff costs, including taxes, contributions and provisions for unused vacation	67,433	57,033
Property tax and other taxes, excluding social tax and social contributions	7,853	9,583
Depreciation and amortisation	4,698	4,376
Various third party services	4,299	3,843
Expenses to hold celebrations and cultural and mass events	2,717	2,352
Business trip expenses	1,945	1,607
Consulting, audit and legal services	1,561	310
Repairs and maintenance	1,310	365
Lease expenses	936	1,222
Membership fee	855	839
Utilities and building maintenance	752	1,012
Telecommunication services	659	610
Insurance	583	570
Banking services	431	439
Expenses to maintain social sphere facilities	405	492
Materials	329	313
Employee benefit expenses and other long-term employee benefits (Note 17)	328	398
Other expenses	9,400	7,699
	106,494	93,063

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26. FINANCE INCOME AND COSTS

Finance income	2023	2022
Interest on cash and cash equivalents	12,209	10,059
Interest income on derivative financial instruments recognised at fair value through profit or loss (Note 31)	10,491	-
Interest rate state subsidies on financial liabilities	2,220	31,398
Guarantees issued	1,427	647
Income from written-off non-amortised portion of the premium on early repayment of bonds	-	16,890
Other finance income	5,874	2,105
	32,221	61,099
Finance costs	2023	2022
Interest costs and loan discount amortisation	161,945	133,660
Change in fair value of derivative financial instruments recognised at fair value through profit or loss (Note 31)	35,182	564
Lease interest expenses	8,995	8,321
Other finance costs	2,243	2,315
	208,365	144,860

27. EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted average number of common shares issued during the year. Basic and diluted per share data are the same, as there are no dilutive instruments outstanding. During 2023 and 2022, the Company had no outstanding antidilutive instruments.

	2023	2022
Weighted average of common shares	496,692,677	496,692,666
Profit for the year attributable to the Shareholder (million tenge)	133,508	34,887
Earnings per common share (tenge)	269	70
Net assets excluding intangible assets, goodwill and non-controlling interests	1,712,208	1,416,903
Quantity of common shares in circulation (registered)	496,693,666	496,692,666
Carrying amount of one share (tenge)⁶	3,447	2,853

28. FINANCIAL AND CONTINGENT LIABILITIES**Investment liabilities**

As at 31 December 2023, the Group had investment liabilities, including the modernisation of the Dostyk-Moiynty railway transport corridor, liabilities under lease agreements with Industrial Development Fund JSC, overhaul of railway tracks and carriages, acquisition of freight and passenger electric locomotives, freight and passenger diesel locomotives, passenger carriages for a total amount of 1,867,649 million tenge (31 December 2022: 1,881,358 million tenge).

⁶ Carrying amount of shares is calculated in accordance with KASE requirements.

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Liabilities under lease agreements with Industrial Development Fund JSC

In August 2017, the Group, represented by its subsidiary KTZ Express JSC, entered into lease agreements with Industrial Development Fund JSC to lease 1,995 platform carriages for 29,700 million tenge for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee. As at 31 December 2023, platform carriages with a total value of 23,984 million tenge had not been delivered. The Group is working on the addendum to the lease agreement to reduce the volume of supply to the actually delivered quantity as at 31 December 2023 in the amount of 5,716 million tenge.

In November 2020, the Group, represented by its subsidiary KTZ Express JSC, entered into an agreement to lease 2,000 platform carriages for 47,391 million tenge, for 15 years and interest rate of 15% per annum, 10% of which is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee. As at 31 December 2023, the commitment for the undelivered platform carriages was 5,077 million tenge.

In September 2023, the Group, represented by its subsidiary Passenger transportation JSC, entered into an agreement for the lease of 100 passenger carriages with a total value of 65,796 million tenge. The lease term is 15 years, with an interest rate of 13.15% per annum, of which 10% per annum is subsidised by the State. The grace period for the principal is 5 years. The Group acts as a lessee. As at 31 December 2023, the commitment for the undelivered passenger carriages was 40,947 million tenge.

In August 2023, the Group, represented by its subsidiary Kaztemirtrans JSC, entered into an agreement for the lease of 3,000 open wagons with a total value of 88,125 million tenge. The lease term is 14 years, with an interest rate of 13.15% per annum, of which 6% per annum is subsidised by the State. The grace period for the principal is 2 years. The Group acts as a lessee. As at 31 December 2023, the commitment for the undelivered open wagons was 81,016 million tenge.

Other contractual liabilities

As at 31 December 2023, the Group, represented by its subsidiary KTZ Express JSC, has an agreement in place to provide freight handling and freight storage services in the future. The agreement stipulates that the Group has to acquire a minimum volume of freight storage services for 10 years and make substantial payments for those services.

Management of the Group believes that the service period under the Agreement with Aktau Marine North Terminal LLP has not yet commenced, because the Group has not been notified about the commencement date of commercial operations and service period, and the parties have not begun executing the obligations under the Agreement. Management of the Group believes that as at 31 December 2023, the outflow of resources embodying economic benefits under this agreement is not highly probable.

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Contingent liabilities

Litigation

The Group is subject to various legal proceedings related to its business operations, such as property damage claims. The Group does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Group’s consolidated financial position, results of operations or cash flows.

Contingent liabilities related to the Kazakhstan tax system

Due to the uncertainties inherent in the Kazakhstan tax system, the ultimate amount of taxes, fines and late payment interest may exceed the amount expensed as at 31 December 2023 and 2022. It is not possible to determine the value of any unasserted claims that may be charged, if any, or the likelihood of any unfavourable outcome.

The Group’s management believes that its interpretation of the Kazakhstan relevant legislation is appropriate and the Group’s tax positions will be sustained. However, tax authorities may take a different position on the interpretation of the effective Kazakhstan tax legislation, which may have a significant impact on the Group’s consolidated financial statements.

Insurance

The insurance market is still in the early stages of development in Kazakhstan and, in common with other state-owned enterprises, the Group does not, with the exception of obligatory passenger insurance with regard to personal injury, death and loss or damage to passenger property, maintain any insurance against the risk of damage to any of its properties, assets or equipment (including infrastructure, rolling stock and stations) nor against business interruption or third party liability in respect of property or environmental damage arising from accidents to the Group’s property or relating to the Group’s operations. The Group maintains the required insurance coverage under policies purchased from commercial insurance operators in Kazakhstan.

Environmental protection

Legislation on environmental protection in Kazakhstan is in the process of development and therefore is subject to constant changes. From 1 July 2021, amendments to the Environmental Code of Kazakhstan (“the Code”) has become effective. This Code includes set of principles aimed at minimising the consequences of environmental damage to the activities of entities and/or the full restoration of the environment to its original state. Depending on the level and risk of negative impact on the environment, assets are classified into four categories, where the asset that have a significant negative impact on the environment are classified to the first category. In accordance with the Code, management has analysed and classified the Group’s assets that belongs to rail track infrastructure into the second category. The sea port assets in Aktau city were also classified to the second category. The remaining assets of the Group were classified into the third and fourth categories. The Group’s management believes that its interpretation of the relevant legislation of the Republic of Kazakhstan is appropriate.

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No provision has been made in these consolidated financial statements as the Group’s management assesses that there are no potential asset retirement and land reclamation obligations that could have a material effect on the consolidated financial position, results of operations or cash flows of the Group.

Guarantees

As at 31 December 2023, guarantees were presented as follows:

Creditor	Purpose of the guarantee	Guarantee issue date	Guarantee period	Guarantee amount, million tenge
Development Bank of Kazakhstan JSC	Execute the obligations of the associate Aktobe Rail and Section Mill Plant LLP to finance the construction of a rail and section mill plant in Aktobe	4 July 2013	until 2033	17,125
	Execute the obligations of Nursultan Nazarbayev International Airport JSC to finance its modernization in Astana	28 March 2018	until 2033	22,408
Development Bank of Kazakhstan JSC	Execute the obligations of an associate Transtelecom JSC for the implementation of the project ACS of Energy Dispatching Traction	30 June 2014	until 2024	1,497

Note 21 discloses the carrying value of these guarantees.

As at 31 December 2023 and 2022, there were no cases of using the financial guarantees listed above.

Financial guarantee agreements with Industrial Development Bank of Kazakhstan JSC provide for the Company’s compliance with certain financial covenants, such as debt to EBITDA and interest coverage ratio on an annual basis. As at 31 December 2023 these terms have been met.

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29. SUBSIDIARIES

Information on the composition of the Group is provided below:

Subsidiary ⁷	Activities	Country	Ownership interest, %	
			31 December 2023	31 December 2022
1. Kaztemirtrans JSC	Freight carriage operation	Kazakhstan	100	100
2. Passenger Transportation JSC	Passenger transportation	Kazakhstan	100	100
3. KTZ-Freight Transportation LLP	Freight transportation and locomotive haulage	Kazakhstan	100	100
4. KTZ Express JSC	Multimodal transportation	Kazakhstan	100	100
	Freight forwarding services, handling rolling stock, terminal services	Kazakhstan	100	100
5. Kedentransservice JSC	Utilities	Kazakhstan	100	100
6. Temirzholsu JSC		Kazakhstan	100	100
7. Militarised Railway Security LLP	Security	Kazakhstan	100	100
8. Aktau Sea Commercial Port National Company JSC ⁸	Vessel loading and unloading work, vessel servicing	Kazakhstan	100	100
	Freight transshipment and vessel servicing	Kazakhstan	100	100
9. Port Kuryk LLP			100	100
10. KTZ-Passenger Locomotives LLP	Locomotive rolling stock services	Kazakhstan	100	100
	Bond issues to finance KTZ Group projects and operations	Russia	-	100
11. KTZ Finance LLC			-	100

In January 2023, the Group completed the liquidation of its subsidiary KTZ Finance LLC.

30. RELATED PARTY TRANSACTIONS

For the purpose of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other or exercise significant influence over the other party when making financial or operational decisions. In addition, parties under common control within the Group are considered to be related. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions that might not be necessarily available to unrelated parties, and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties.

⁷ First level subsidiaries, some of which include subsidiaries that have non-controlling interests.

⁸ In November 2013, the Shareholder transferred a 100% ownership interest in National Company Aktau Sea Commercial Port JSC to the Group's trust management. National Company Aktau Sea Commercial Port JSC is recognised as a Group subsidiary although the Group does not legally hold shares in it.

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The nature of related party relationships for those related parties with which the Group entered into significant transactions or had significant balances outstanding as at 31 December are detailed below.

		Shareholder	Associates	Companies making up the Shareholder group	Other related parties ⁹
Amounts due from related parties for goods, services and non-current assets, including advances paid	2023	-	3,374	146	3,214
	2022	-	2,178	1,192	31
including allowances for expected credit losses and impairment of advances paid	2023	-	(425)	(100)	(60)
	2022	-	(1,657)	(95)	(1)
Amounts due to related parties for goods, services and non-current assets, including advances received	2023	-	14,217	38,903	13,399
	2022	-	21,927	4,845	14,437
Cash on current accounts	2023	-	-	112,141	-
	2022	-	-	162,854	-
Restricted cash	2023	-	-	-	202
	2022	-	-	-	208
Loans received	2023	768,615	-	-	125,449
	2022	588,984	-	-	74,949
Lease liabilities	2023	-	9,831	-	58,445
	2022	-	13,865	-	32,677
Financial guarantee contract liabilities	2023	-	19	-	15,315
	2022	-	381	-	15,549

⁹ Other related parties include other commercial entities under common control and significant influence of the State.

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Related party transactions for the years ended 31 December are presented as follows:

		Shareholder	Associates	Joint ventures	Companies making up the Shareholder group	Other related parties ⁹
Sale of goods, services and non-current assets	2023	-	72,316	-	22,635	83,862
	2022	-	118,984	-	12,795	58,680
Recovered/(accrued) allowances for expected credit losses and impairment of advances paid	2023	-	1,233	-	(4)	(12)
	2022	-	(1,623)	-	(82)	-
Purchase of goods, services and non-current assets	2023	-	33,215	-	124,842	33,999
	2022	-	26,978	-	50,571	9,842
Receipt of loans	2023	336,309	-	-	-	-
	2022	603,762	-	-	-	-
Repayment of loans received	2023	1,175	-	-	-	4,629
	2022	31,175	-	-	-	1,077
New lease agreements (Group as lessee)	2023	-	1,121	-	-	23,213
	2022	-	95	-	-	6,928
Lease payments	2023	-	20,944	-	-	3,675
	2022	49	15,827	-	-	6,926
Finance income	2023	-	362	-	-	234
	2022	-	143	-	-	59
Finance costs	2023	34,564	2,523	-	-	14,482
	2022	14,561	2,632	-	-	11,387
Dividends due	2023	-	2,891	-	-	-
	2022	-	8,726	-	-	-
Share capital contribution	2023	24,310	5,196	1,116	-	-
	2022	239	-	58	-	-

In 2023, the Group received a loan from the Shareholder in the amount of 162,600 million tenge (Note 15) (2022: 30,000 million tenge).

In 2023, the Group issued bonds in favour of the Shareholder in the amount of 173,709 million tenge (Note 15) (2022: 882,978,000 US Dollars (410,903 million tenge) and 162,859 million tenge).

As at 31 December 2022, the Group has borrowings from Industrial Development Fund JSC, Development Bank of Kazakhstan JSC and EDB for a total of 125,449 million tenge (31 December 2022: 74,949 million tenge).

As at 31 December 2023 and 2022, the Group issued guarantees on certain borrowings of an associate, other related and third parties to ensure the execution of bank obligations (Notes 21 and 28).

As at 31 December 2023, Group borrowings from the Shareholder were mainly received at rates below market varying from 0.075% to 8.74% and maturity varying from 13 to 50 years and at initial recognition were reflected at fair value at rates from 5.4% to 13.99%.

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Transactions with Shareholder group companies, associates and joint ventures and other related parties mainly comprise transactions with KazMunaiGas National Company JSC (diesel fuel and gasoline), Transtelecom JSC (telecommunication services), Kazakhtelecom JSC (communication services), Kazatomprom National Nuclear Company JSC (electricity), KEGOC JSC (electricity), Kazpost JSC (postal services, cash deposits), Kazakhstan Engineering National Company JSC (engineering production) and Samruk-Energo JSC (electricity). The Group also provides freight transportation services and lease of rolling stock to Shareholder group companies, associates and joint ventures, as well as other related parties.

Compensation to key management personnel of the Group

As at 31 December 2023, key management personnel comprise members of the Group's Management Board and Board of Directors, totalling 16 persons (31 December 2022: 16 persons). Total compensation to key management personnel included in personnel costs in the consolidated statement of profit or loss and other comprehensive income comprised 790 million tenge for the year ended 31 December 2023 (2022: 577 million tenge). Compensation to key management personnel mainly consists of contractual salary costs, including related taxes and contributions, unused vacation allowance and other performance-based payments.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's principal financial instruments consist of loans, debt securities issued (bonds), lease liabilities, derivative financial instruments, cash and cash equivalents as well as trade accounts receivable and trade accounts payable and other financial assets and liabilities. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the Shareholder by optimising debt and equity balance. The Group's overall strategy remains unchanged from 2022.

There are no mandatory minimum capital requirements for the Group.

The Group's equity structure includes net debt (loans, debt securities and lease liabilities less cash and cash equivalents) and Group's equity (which comprises share capital, foreign currency translation reserve, retained earnings and non-controlling interests).

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Financial risk management objectives

Risk management is an essential element of the Group's operations. The Company monitors and manages financial risks relating to the Group's operations through internal risk reports which analyse risk exposure by the degree and size of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), liquidity risk and cash flow interest rate risk. A description of the Group's risk management policies in relation to those risks presented below.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group manages market risk through periodic estimates of potential losses that could arise from adverse changes in market conditions.

Interest rate risk

The interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on the Group's investments and/or increasing cash outflow on its loans and debt securities. The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which its financial instruments are held, and by maintaining a balance between its loans with fixed and floating interest rates.

The Group's exposure to the interest rate risk mainly relates to its loans and debt securities issued with floating interest rates.

The following table shows the sensitivity of the Group's profit before tax and equity to possible changes in interest rates on borrowings (through the effect on interest for floating interest rate borrowing) with all other variables remaining constant.

	31 December 2023		31 December 2022	
	Interest rate increase / (decrease) in basis points ¹⁰	Effect on pre-tax profit/equity	Interest rate increase / (decrease) in basis points ⁹	Effect on pre-tax profit/equity
Tenge borrowings	397/(397)	(11,483)/11,483	245/(245)	(7,786)/7,786
Euros borrowings	397/(397)	(5,461)/5,461	-	-
Swiss Francs borrowings	397/(397)	(10,124)/10,124	-	-

Currency risk

The Group undertakes transactions denominated in foreign currencies, consequently, exposing itself to exchange rate fluctuations.

¹⁰ 1 basis point 0.01%

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A significant portion of the Group's short-term and long-term foreign currency debt is denominated in US\$, Swiss Francs and Euros. A change in the tenge value against the US\$, or any other foreign currency in which debt is denominated will result in a foreign exchange gain or loss. During 2023, the Group incurred a foreign exchange loss of 14,124 million tenge, of which a major portion is attributable to borrowing as disclosed in Note 15 (2022: 34,143 million tenge).

The following table reflects the sensitivity of the Group's profit before tax and equity to potential changes in the US\$, Euro, Russian Rouble, Swiss Francs and other exchange rates, provided all other parameters remain constant.

	31 December 2023		31 December 2022	
	Exchange rate increase/ (decrease)	Effect on pre-tax profit	Exchange rate increase / (decrease)	Effect on pre-tax profit
US\$	14%/(14%)	(50,417)/50,417	21%/(21%)	(76,838)/76,838
Euros	13%/(13%)	(25,100)/25,100	18%/(18%)	(10,616)/10,616
Russian Roubles	29%/(29%)	(14,311)/14,311	22%/(22%)	624/(624)
Swiss Francs	17%/(17%)	(43,048)/43,048	25%/(25%)	(31,511)/31,511
In other currencies	17%/(17%)	(569)/569	25%/(25%)	207/(207)

In October-November 2022, the Group entered into agreements with Societe Generale SA (France), Citibank London and J.P. Morgan Securities plc. (UK) cross-currency swap transactions to manage the exposure to foreign exchange risk of borrowings denominated in US Dollars. Borrowings represent interest and principal payments on USD denominated Eurobonds in the amount of 882,978,000 US Dollars with a coupon rate of 2% per annum and maturity in October 2025 and the holder is the Shareholder.

The Group pays a fixed amount of Swiss Francs in exchange for a fixed amount of US Dollars. The payment of these fixed amounts in Swiss Francs is a manage of the foreign exchange risk of borrowings, as the Group has a share of revenue denominated in Swiss Francs. These derivative financial instruments are not designated into hedging relationships.

During 2023, as part of the cross-currency swap transactions, the Group received cash from J.P. Morgan Securities plc. (UK), Societe Generale SA (France) and Citibank London in the amount of 17,478,556 US Dollars (8,146 million tenge) and 4,485,525 Swiss Francs (2,345 million tenge) (Note 26).

As at 31 December 2023, the fair value of derivative financial instruments, accounted at fair value through profit or loss, under agreements with Societe Generale SA (France), Citibank London and J.P. Morgan Securities plc. (UK) in the amount of 78,578,766 US Dollars (35,719 million tenge) was recognised within non-current liabilities (31 December 2022: within other long-term assets of 58,693 US Dollars (27 million tenge) and within non-current liabilities of 1,220,034 US Dollars (564 million tenge)). The change in fair value of derivative financial instruments for the year ended 31 December 2023 was recognised in finance costs of 35,182 million tenge.

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Credit risk

Credit risk arising from a party's inability to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the Group's obligations to that party. It is the Group's policy to enter into financial instruments with a range of creditworthy parties. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

Credit risk concentrations may arise from exposure to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

As at 31 December 2023, cash held by the Group on current accounts in Kazpost JSC, a related party of the Group (54.8% of cash and cash equivalents). In addition, cash and cash equivalents are mainly held in Halyk Bank of Kazakhstan JSC with a credit rating of BB+ 'stable' (26.2% of cash and cash equivalents).

The Group has procedures in place to ensure that sales are only made to customers with the appropriate credit history and that an acceptable credit exposure limit is not exceeded. Credit risk is minimised by the fact that the Group operates on a prepayment basis with the majority of its customers.

In addition, the Group is exposed to credit risk on financial guarantees provided to banks. The maximum risk of the Group in this regard is equal to the maximum amount that the Group will be obliged to pay in the event of claims for guarantees disclosed in Note 28.

Liquidity risk

The Group manages short-term, mid-term and long-term financing liquidity risk in accordance with Shareholder requirements. The Group manages liquidity risk by maintaining adequate reserves, bank loans and accessible credit lines by constantly monitoring projected and actual cash flows and comparing the maturity of financial assets and liabilities.

As at 31 December 2023, the Group has credit lines available in Halyk Bank of Kazakhstan JSC and ForteBank JSC with undrawn balances totalling 131,000 million tenge (31 December 2022: in Halyk Bank of Kazakhstan JSC and ForteBank JSC for the total amount of 95,500 million tenge).

The Group controls and monitors compliance with the covenants set by the Shareholder and credit/guarantee agreements on a regular basis.

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The following tables reflect the contractual terms of the Group's financial liabilities. The table was prepared using undiscounted cash flows on financial liabilities based on the earliest date at which the Company can be required to pay. The table includes both interest and principal cash flows.

	Up to 1 month	1-3 months	3 months– 1 year	1-5 years	Over 5 years	Total
2023						
<i>Interest-free:</i>						
Accounts payable	190,389	195	10,385	-	-	200,969
Other liabilities	15,511	36,225	15,059	-	-	66,795
<i>Interest-bearing:</i>						
Borrowings	44,504	14,034	412,197	1,258,817	2,257,050	3,986,602
Lease	3,250	1,310	13,901	47,066	100,304	165,831
Derivative financial instruments	-	-	(10,364)	49,442	-	39,078
Financial guarantees	-	3,064	3,783	35,314	36,728	78,889
	253,654	54,828	444,961	1,390,639	2,394,082	4,538,164
2022						
<i>Interest-free:</i>						
Accounts payable	106,170	745	10,292	-	-	117,207
Other liabilities	10,006	28,712	6,854	-	-	45,572
<i>Interest-bearing:</i>						
Borrowings	28,341	14,723	319,327	1,241,732	1,512,975	3,117,098
Lease	3,556	4,523	6,887	39,458	62,242	116,666
Derivative financial instruments	-	-	(6,626)	8,280	-	1,654
Financial guarantees	-	2,088	3,839	33,353	45,938	85,218
	148,073	50,791	340,573	1,322,823	1,621,155	3,483,415

The amounts presented in the table of financial guarantee agreements reflect the maximum amounts that the Group will be obliged to pay in the event of claims under guarantee agreements. As at reporting date the Group believes that with probability of more than 50% no payments under these agreements will be required. At the same time the given estimate may change if there is a change in the probability of claims under guarantee agreements. This probability is determined by the probability of default of counterparty's account receivable.

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The following table reflects the expected maturity of the Group's financial assets. It was prepared based on undiscounted contractual cash flows for financial assets, including interest received on these assets, except when the Company expects the cash flow in a different period.

	Up to 1 month	1-3 months	3 months – 1 year	Over 1 year	Unspecified maturity ¹¹	Total
2023						
<i>Interest-bearing:</i>						
Short-term deposits	67,233	-	-	-	7	67,240
Interest on short-term deposits	106	-	-	-	-	106
Cash and cash equivalents	1,110	-	-	-	9	1,119
Loans issued	777	-	3,615	1,191	3,092	8,675
<i>Interest-free:</i>						
Cash and cash equivalents	136,220	-	-	-	-	136,220
Restricted cash	-	-	6,788	14,175	1	20,964
Trade accounts receivable	15,107	1,184	35	26	3,964	20,316
	220,553	1,184	10,438	15,392	7,073	254,640
	Up to 1 month	1-3 months	3 months – 1 year	Over 1 year	Unspecified maturity ¹⁰	Total
2022						
<i>Interest-bearing:</i>						
Short-term deposits	68,123	-	-	-	24	68,147
Interest on short-term deposits	330	-	-	-	-	330
Cash and cash equivalents	6,327	-	-	-	10	6,337
Loans issued	-	-	-	5,562	3,113	8,675
<i>Interest-free:</i>						
Cash and cash equivalents	192,466	-	-	-	-	192,466
Restricted cash	-	-	6,096	14,010	-	20,106
Trade accounts receivable	14,212	509	52	39	7,593	22,405
	281,458	509	6,148	19,611	10,740	318,466

Fair value of financial instruments

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgement is needed to arrive at a fair value, based on current economic conditions and the specific risks attributable to the instrument.

The following methods and assumptions are used by the Group to estimate the fair value of these financial instruments:

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates their fair value due to the short-term maturity of these financial instruments.

¹¹ Amounts with unspecified maturities represent the amounts which were provided for expected credit losses

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Financial assets and liabilities

For assets and liabilities maturing within 12 months, the carrying value approximates fair value due to the relatively short-term maturity of these financial instruments.

For financial assets and liabilities maturing in over 12 months, the fair value represents the present value of estimated future cash flows discounted at year-end market rates.

Derivative financial instruments

Fair value of the derivative financial instrument was measured on expected discounted future cash flows based on forward exchange rates (observed at the reporting date) and contract forward rates, discounted at rates that reflect the credit risk of the Group and counterparties.

Borrowings

The fair value for bank loans was estimated by discounting the scheduled future cash flows of individual loans through estimated maturity using prevailing market rates as at the respective year-end for debt with a similar maturity and credit-rating profile. The Group's bank loans are mostly provided by international financial institutions and foreign banks. Although interest rates on these borrowings are lower than interest rates of private commercial credit institutions in Kazakhstan, they are treated as the market interest rate for this lender category. The fair value of debt securities issued (bonds) has been determined based on market prices at the reporting date.

Fair value of the Group's financial assets and financial liabilities not regularly measured at fair value (but fair value is mandatorily disclosed)

As at 31 December 2023 and 2022, the fair value of financial assets and financial liabilities, except for loans issued, borrowings and debt securities was not significantly different from carrying value. The carrying value and fair value of financial instruments as at 31 December is presented as follows:

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans issued	4,577	4,257	3,752	2,895
Other financial assets	22,037	20,320	21,202	21,250
Borrowings	851,990	821,326	453,174	411,124
Debt securities	1,265,557	1,182,596	1,234,157	1,214,807

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Fair value hierarchy

The Group estimates fair value using the following fair value estimate hierarchy, taking into account the materiality of data used to generate the given estimates:

- level 1: quotes on an active market (uncorrected) in relation to identified financial instruments;
- level 2: data differing from quotes attributable to level 1, and available directly (i.e. quotes) or indirectly (i.e. data generated from quotes). This category includes instruments estimated using market quotes on active markets for similar instruments, market quotes for similar instruments on market not treated as active, or other estimation methods, all of whose data used is directly or indirectly based on observable primary data;
- level 3: data that is not available. This category includes instruments estimated using information not based on observable primary data. Moreover, any such unobservable data has a significant impact on an instrument's estimation. This category includes instruments estimated based on quotes for similar instruments that require the use of material unobservable quotes or judgements to reflect the different between instruments.

The table below provides an analysis of financial instruments as at 31 December 2023 broken down into the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:				
- loans issued	-	4,257	-	4,257
- other financial assets	-	20,247	-	20,247
Financial assets recognised at fair value through profit of loss:				
- other financial assets	-	-	73	73
Total	-	24,504	73	24,577
Financial liabilities recognised at amortised cost:				
- debt securities	-	564,075	-	564,075
- debt securities from the Shareholder	-	618,521	-	618,521
- bank loans	-	752,077	-	752,077
- loans from the Shareholder	-	69,249	-	69,249
Financial liabilities recognised at fair value through profit of loss:				
- derivative financial instruments	-	35,719	-	35,719
Total	-	2,039,641	-	2,039,641

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The table below provides an analysis of financial instruments as at 31 December 2022, broken down into the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:				
- loans issued	-	2,895	-	2,895
- other financial assets	-	21,177	-	21,177
Financial assets recognised at fair value through profit of loss:				
- other financial assets	-	27	73	100
Total	-	24,099	73	24,172
Financial liabilities recognised at amortised cost:				
- debt securities	-	695,718	-	695,718
- debt securities from the Shareholder	-	519,089	-	519,089
- bank loans	-	349,888	-	349,888
- loans from the Shareholder	-	61,236	-	61,236
Financial liabilities recognised at fair value through profit of loss:				
- derivative financial instruments	-	564	-	564
Total	-	1,626,495	-	1,626,495

The fair values of the financial assets and financial liabilities in levels 2 and 3 have been determined using generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the counterparty credit risk and market forward exchange rates for derivative financial instruments.

During 2023, the Group has reconsidered market-observable inputs for the fair value of debt securities issued and determined that debt securities should be classified in level 2, as there were no observable transactions on the market in which these financial instruments were traded and, as a result, comparative information on fair value and hierarchy level has been restated.

The correction of the fair value and hierarchy levels did not result in any changes to the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity.

32. EVENTS AFTER THE REPORTING DATE
Tariff for the mainline railway network services

In February 2024, the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan approved the maximum level of tariff for 2024-2025 in the form of an index to tariffs for mainline railway network services of 3.0 for the transportation of goods from stations of Kazakhstan in all export directions, as well as for the transportation of goods in directions between EAEU member states, passing through connecting stations of Kazakhstan.

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(in millions of tenge, unless stated otherwise)

Borrowings received

In January 2024, the Group, represented by the Company, under a loan agreement with the Shareholder concluded on 21 October 2010, to finance the construction of railways "Khorgos-Zhetygen" and "Uzen-Turkmenistan Border" for a total amount of 30,000 million tenge, signed an additional agreement to extend the repayment period until 2044 and change the interest rate from 2% to 9.25%. Interest on the loan is repaid in semi-annual payments. Due to a significant change in the terms of the loan, the Group recorded the transaction as a derecognition of the original financial liability and recognition of a new financial liability.

In February-March 2024, the Group, represented by the subsidiary KTZ-Freight transportation LLP, under a loan agreement with EDB concluded on 11 May 2023, to finance the purchase freight diesel locomotives for a total amount of 17,685,350,000 Russian Roubles, borrowed 2,334,466,200 Russian Roubles (11,547 million tenge). Loan interest is paid semi-annually at 7.8%. Principal is repaid semi-annually until full repayment in 2034.

In February 2024, the Group, represented by its subsidiaries KTZ-Freight transportation LLP and KTZ-Passenger locomotives LLP, under the Master Framework Agreement with Societe Generale and Natixis under the guarantee of export credit agency BPIfrance dated 23 February 2023 to finance the acquisition of freight and passenger locomotives for a total amount of 627,110,893 Euros, borrowed 35,650,241 Euros (17,386 million tenge) (including the BPIfrance premium). Loan interest is paid semi-annually at Euribor 6m + 1.15% margin. Principal is repaid semi-annually until full repayment in 2034.

ABOUT THE REPORT GRI 2-3

This Integrated Annual Report includes a Sustainability Report and contains information on the Company's financial and operational results, its development strategy, risk management system and corporate governance. The Report also covers detailed information on initiatives in the field of sustainable development, including social and environmental responsibility, efficient use of resources and other aspects.

Our financial statements have been prepared using the following standards:

- International Standard for Sustainable Development Reporting Global Reporting Initiative (GRI);
- Standards of the SASB (Sustainability Accounting Standards Board) Sustainability Accounting Standards Board;
- Recommendations of the Working Group on Financial Disclosure Related to Climate Change at the TCFD Financial Stability Board (The Task Force on Climate-related Financial Disclosures).

The report covers data for the period from January 1 to December 31, 2023, as well as previous periods and forecast values, in order to demonstrate the dynamics of changes in indicators in various areas of our Company's activities.

In comparison with the previous report for 2022, there have been changes in this Report with respect to individual indicators, detailed explanations of the changes are given in the text of the Report.

GRI 2-4

All sustainability reports are available on the Company's website: <https://railways.kz/en/investors/annual-reports/>



This Report was approved by the decision of the Board of Directors of NC KTZ JSC from 29 may 2024 of the year.

INFORMATION PERIMETER GRI 2-2

The boundaries of the Report correspond to the annual reporting cycle of the Company. **The list of organizations included in the consolidated financial statements of NC KTZ JSC** is presented by the following organizations: "Passenger Transportation" JSC, "Vagonservice" JSC, "Kedentransservice" JSC, "TRANSPORT HOLDING OF KAZAKHSTAN" LLP, "KTZ Express" JSC, "KTZ EXPRESS SHIPPING" LLP, Xinjiang KTZ International Logistics Co. Ltd" (China), "KTZ Express Hong Kong" (China) LLC, "KTZE – Khorgos Gateway" LLP, "Kaztemirtrans" JSC, "Kazakhstan Temir Zholy Finance B.V." (Kingdom of the Netherlands) LLC, "Kazakhstan Car Building Company" LLP, "Tulpar Car Building Plant" LLP, "Temirzholsu" JSC, "Temirzholsu-Aktobe" LLP, "Temirzholsu-Mangistau" LLP, Temirzholsu-Kyzyl-Orda LLP, Temirzholsu-Kokshetau LLP, Temirzholsu-Karaganda LLP, Temirzholsu-Pavlodar LLP, Temirzholsu-Almaty LLP, Temirzholsu-Arys LLP, Temirzholsu-Kostanay LLP, Temirzholsu-Ayagoz LLP, KTZ-Freight transportation" LLP, "KTZ-Passenger locomotives", Paramilitary Railway Security LLP, Port Kuryk LLP, National Company Aktau Commercial Sea Port JSC, are also included in the equity method of participating associates and joint ventures: China-Kazakhstan (Xi'an) Trade and Logistics Company LLC, China-Kazakhstan International Logistics Company Lianyungang LLC (China), Aktau Sea Northern Terminal LLP, KIF Warehouses LLP, Private Company KPMC Ltd, Dosjan temir joly JSC, "United Transport and Logistics Company-Eurasian Railway Alliance" JSC, the private company Middle Corridor Multimodal Ltd, Transtelecom JSC.

As part of the disclosure of indicators in the field of sustainable development, organizations with a

participation rate of more than 51% that have a significant impact on environmental and social aspects are analyzed, among them: Passenger Transportation JSC, Vagonservice JSC, Kedentransservice JSC, TRANSPORT HOLDING OF KAZAKHSTAN LLP, China-Kazakhstan (Xi'an) Trade and Logistics Company LLC, KTZ Express JSC, KTZ EXPRESS SHIPPING LLP, Xinjiang KTZ International Logistics Co.Ltd (China), KTZ Express Hong Kong LLC (China), "KTZE – Khorgos Gateway" LLP, "Kaztemirtrans" JSC, "Kazakhstan Car Building Company" LLP, "Tulpar Car Building Plant" LLP, "Temirzholsu" JSC, "Temirzholsu-Aktobe" LLP, "Temirzholsu-Mangistau" LLP, "Temirzholsu-Kzyl-Orda" LLP, "Temirzholsu-Kokshetau" LLP, Temirzholsu-Karaganda LLP, Temirzholsu-Pavlodar LLP, Temirzholsu-Almaty LLP, Temirzholsu-Arys LLP, Temirzholsu-Kostanay LLP, Temirzholsu-Ayagoz LLP, KTZ-Freight Transportation LLP, KTZ-Passenger Locomotives LLP, Paramilitary railway Security", Port Kuryk LLP, National Company Aktau Commercial Sea Port JSC.

Environmental and social indicators do not include China-Kazakhstan (Xi'an) Trade and Logistics Company LLC, Xinjiang KTZ International Logistics Co.Ltd (China), China-Kazakhstan International Logistics Company Lianyungang LLC (China), Aktau Sea Northern Terminal LLP, KIF Warehouses LLP (KIF Veerhusis)", "Private Company KPMC Ltd", "Kazakhstan Temir Zholy Finance B.V." (Kingdom of the Netherlands) LLC, "Dosjan temir joly" JSC, "United Transport and Logistics Company-Eurasian Railway Alliance" JSC, the private company Middle Corridor Multimodal Ltd, Transtelecom JSC.

Name of the organizations	2-7	2-8	2-9	3-1	3-2	2-27	2-30	201-1	201-4	203-1	203-2	204-1	205-1	205-2	205-3	302-1		302-3	302-4	303-3	303-4	303-5	304-1	304-2	304-3	304-4	305-1	305-2	305-4	305-5	305-7	306-1	306-2	306-3	401-1	401-2	401-3	403-8	403-9	404-1	404-3	405-1	406-1	418-1		
"Passenger Transportation" JSC	+	+				+	+			+	+	+	+	+	+	+		+	+	+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
"Vagonservice" JSC	+					+	+			+	+	+	+	+	+	+		+		+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
"Kedentransservice" JSC	+					+	+			+		+	+	+	+	+		+		+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	
KAZAKHSTAN TRANSPORT HOLDING LLP	+											+																							+	+	+	+	+					+		
"KTZ Express" JSC	+	+				+	+			+	+	+	+	+	+	+		+		+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
"KTZ EXPRESS SHIPPING" LLP	+						+					+	+		+					+	+	+										+	+	+	+	+	+	+	+	+					+	
Xinjiang KTZ International Logistics Co.Ltd (China)	+						+						+		+																			+	+	+	+	+						+		
KTZ Express Hong Kong LLC (China)	+						+						+		+																			+	+	+	+	+	+						+	
KTZE - Khorgos Gateway LLP	+						+			+		+	+		+	+		+		+	+	+					+	+			+	+	+	+	+	+	+	+	+	+		+			+	+
Aktau Sea Northern Terminal LLP													+		+																														+	
KIF Warehouses LLP (KIF Veerhouses)													+		+																														+	
Kaztemirtrans JSC	+					+	+			+	+	+	+	+	+												+	+						+	+	+	+	+	+	+	+	+	+	+	+	
"Kazakhstan Temir Zholy Finance B.V." (Kingdom of the Netherlands) LLC																																						+	+					+		
"Kazakhstan Carriage Building Company" LLP	+						+								+																				+	+	+	+	+						+	
"Tulpar Wagon Building Plant" LLP	+						+					+		+																					+	+	+	+	+						+	
Temirzholsu JSC	+	+				+	+			+		+	+	+	+	+		+	+	+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Temirzholu-Aktobe LLP	+					+	+			+		+	+	+	+	+		+	+	+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Temirzholsu-Mangystau LLP	+					+	+			+		+	+	+	+	+		+	+	+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Temirzholsu-Kyzyl-Orda LLP	+					+	+			+		+	+	+	+	+		+	+	+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Temirzholsu-Kokshetau LLP	+					+	+			+		+	+	+	+	+		+	+	+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Temirzholsu-Karaganda LLP	+					+	+			+		+	+	+	+	+		+	+	+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Temirzholsu-Pavlodar LLP	+					+	+			+		+	+	+	+	+		+	+	+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Temirzholsu-Almaty LLP	+					+	+			+		+	+	+	+	+		+	+	+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Temirzholsu-Arys LLP	+					+	+			+		+	+	+	+	+		+	+	+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Temirzholsu-Kostanay LLP	+					+	+			+		+	+	+	+	+		+	+	+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Temirzholu-Ayagoz LLP	+					+	+			+		+	+	+	+	+		+	+	+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
KTZ-freight Transportation LLP	+	+				+	+			+	+	+	+	+	+	+		+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
KTZ-passenger locomotives LLP	+	+				+	+			+		+	+	+	+	+		+	+								+	+	+	+	+	+			+	+	+	+	+	+	+	+	+	+	+	+
Paramilitary railway guard LLP	+					+	+			+	+	+	+	+	+	+		+		+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Port Kuryk LLP	+					+	+			+	+	+	+	+	+	+		+		+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Dosjan temir joly JSC																																														
United Transport and Logistics Company-Eurasian Railway Alliance JSC											+																																			
NC Aktau Commercial Sea Port JSC	+	+				+	+			+	+	+	+	+	+	+		+		+	+	+					+	+			+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Aktau Sea Northern Terminal LLP													+		+																														+	

INTERACTION WITH STAKEHOLDERS GRI 2-29

To ensure effective interaction with the government, business and the public, our Company adheres to the principles of transparency and information openness. We strive to establish a dialogue with all stakeholders to better understand their needs and take into account their interests.

Stakeholder engagement is an integral part of our business, and we pay special attention to maintaining trusting relationships with our employees, trade unions, customers, suppliers, government agencies and other stakeholders.

Interaction with stakeholders is based on the following principles:

- Respect and consideration of the interests, opinions and preferences of stakeholders.
- Regular and timely informing of stakeholders.
- Responsible fulfillment of the obligations assumed.

In order to identify the Company's stakeholders, all groups of people and organizations that may influence or be influenced by the Company's activities are identified. This process involves assessing the degree of influence, interests, and importance of each stakeholder group to the Company.

Key stakeholders:

- shareholder;
- employees;
- trade unions;
- partners;
- government agencies;
- suppliers;
- population;
- MEDIA;
- clients;

- financial institutions.

The purpose of interaction with the Company's stakeholders is to establish trust relationships, understand interests and expectations, ensure transparency and openness in relationships, improve reputation and strengthen market positions through effective stakeholder management.

We strive to ensure that our dialogue with stakeholders is productive and useful for all participants.

The Company has adopted a Sustainable Development Policy for NC KTZ JSC, one of the objectives of which is to create an effective stakeholder engagement management system for the Company and its subsidiaries.

The main methods of interaction with stakeholders, as well as the stakeholder map, are reflected in detail in the Sustainable Development Policy of NC KTZ JSC.

The Company defines the following channels of communication with stakeholders: the official website, press releases and responses to media inquiries, personal and general meetings, conferences and industry events, surveys and questionnaires, the Company's social networks, annual corporate reports, as well as feedback channels.

To identify key stakeholders, the Company identifies groups of people and organizations with whom it interacts in the course of its activities, describing the contributions of stakeholders and their interests.



Aynaguzova Aigerim, 7 years old

Nº	Stakeholders	Input from stakeholders	Needs and expectations of stakeholders
1	Shareholder	Allocation of financial resources, replenishment of authorized capital	Profit growth, timely payment of dividends, increase in the value of the
2	Government agencies	State regulation	Tax revenues, economic growth, social objectives, compliance with legal requirements
3	Associations/Associations	Execution of agreements / treaties / memorandums	Commercial interests
4	Trade unions	Promotion of social stability, regulation of labor relations	Respect and protection of employees' rights
5	Partners	Joint implementation of projects Transfer of technologies, competencies and innovations	Commercial interests
6	Suppliers and contractors	Supply network and value chain efficiency Value chain Timely and quality performance of work and services	Commercial interests
7	Customers	Company loyalty Financial resources through the purchase of goods and services	Commercial interests, meeting the needs for transportation and logistics services, ensuring the safety of transportation of both cargo and passengers, and reducing the impact on the environment
8	Investors and creditors	International grants Preferential financing of projects Credit lines	Timely payment of principal and remuneration, return on investment. Placement of free cash on deposit accounts, maintenance of special accounts, participation in the implementation of the Company's programs, social and environmental responsibility, transparency in the Company's financial and non-financial reporting
9	Competitors	Opportunities for future development	Increasing market share
10	MASS MEDIA	Constructive cooperation Favorable public opinion	Publications and informing about the Company's activities, commercial interests
11	Public associations	Incentivizing the application of high standards in operations Loyalty and cooperation	Realization of goals and objectives of public associations
12	Population	Support at the point of delivery activities	Employment opportunities, job creation and support for economic development, solving social problems, minimizing harmful environmental impact on the environment, transparency of the Company's operations, social programs and initiatives the Company undertakes for charity and support of local communities
13	Employees	Human resources Loyalty	Fair and competitive remuneration, decent and safe working conditions at workplaces, professional development, career growth, social guarantees, creation of equal opportunities and non-discrimination based on gender, age, race, religion and other factors
14	Board of Directors	Ensuring growth of long-term value and sustainable development of the Company	Enhancing business reputation

MATERIAL TOPICS AND THE PROCEDURE FOR THEIR DEFINITION

GRI 2-14, 3-1, 3-2

Every year, when forming a Report, the Company covers environmental, economic, as well as social aspects of its activities. The process of identifying material topics is based on continuous identification and impact assessment with the participation of relevant stakeholders.

To identify the material topics that will be reflected in the 2023 Report, the Company conducted an analysis of all the topics proposed in the GRI 2021 standards, identified key stakeholders who were interviewed to identify material topics.

The opinions of the following stakeholders were taken into account in the process of identifying material topics:

- employees of the NC KTZ JSC;
- employees of the Samruk-Kazyna JSC group of companies;
- trade union representatives;
- customers;
- suppliers.

In total, 30 topics provided for by GRI standards were proposed, as well as 8 additional topics that are important according to the specifics of the Company's activities:

- train safety;

- increase customer satisfaction;
- information security;
- climate management;
- human rights;
- employee well-being trend;
- countering anti-competitive practices;
- lobbying of interests.

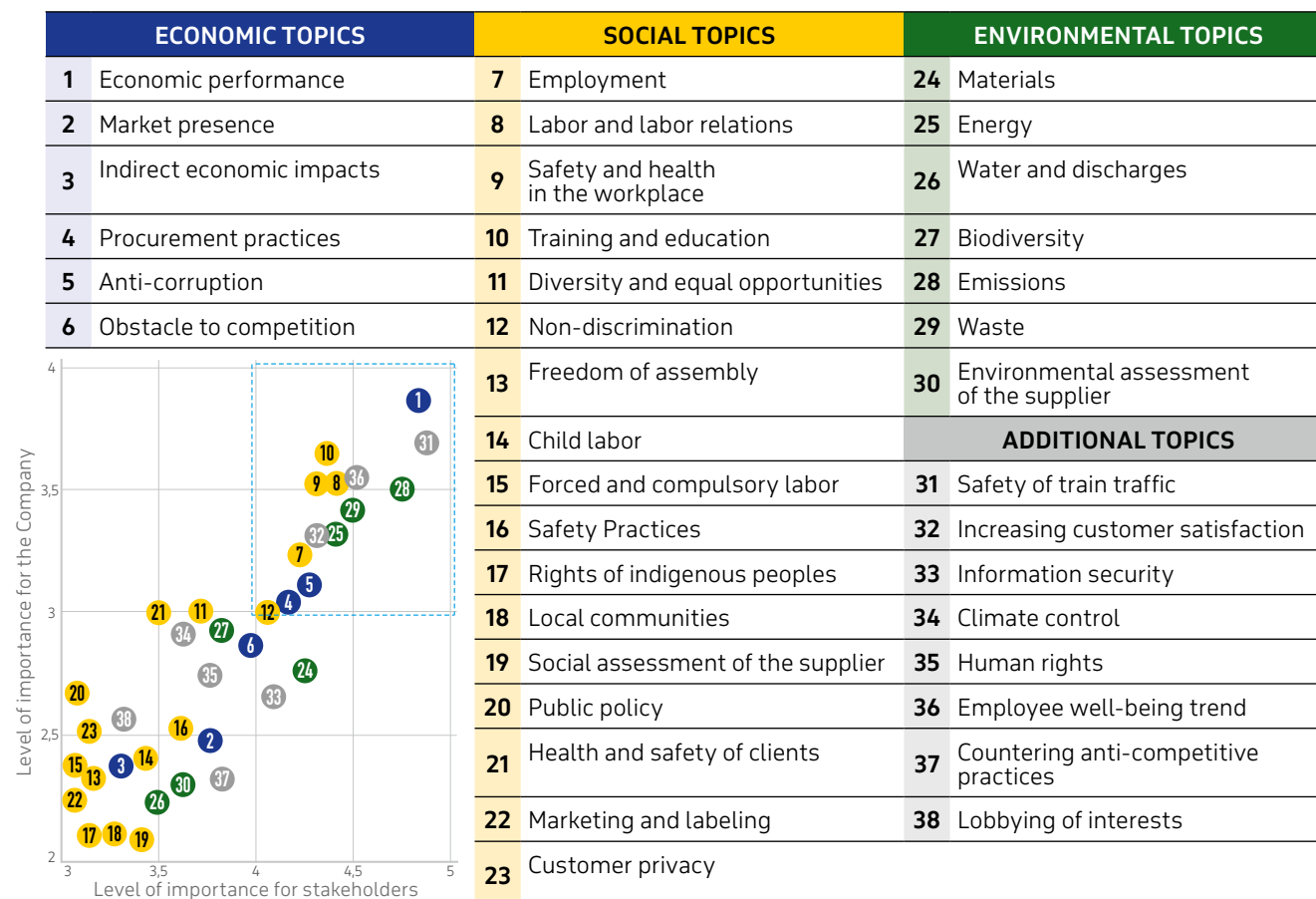
To identify material topics, the Company used a survey method to analyze the importance of each topic to its stakeholders.

This year, an online survey was prepared based on the Microsoft Forms platform. Based on the results of the procedures carried out, a materiality matrix was built from the list of material topics.

Each topic was analyzed on the impact of the Company in terms of negative and positive effects on the economy, environment, society and human rights. According to the results of the survey, 14 significant topics were identified.

The list of material topics was approved by Order No. 279/CZ dated 10.04.2024.

DOUBLE MATERIALITY MATRIX



CHANGES IN MATERIALITY OF TOPICS

THE CHANGES IN MATERIAL TOPICS COMPARED TO LAST YEAR ARE SUMMARIZED BELOW.

2022	2023
ECONOMIC TOPICS	
201 Economic performance	201 Economic performance
204 Procurement practices	204 Procurement practices
205 Anti-corruption	205 Anti-corruption
ENVIRONMENTAL TOPICS	
302 Energy	302 Energy
305 Emissions	305 Emissions
306 Waste	306 Waste
SOCIAL TOPICS	
401 Employment	401 Employment
402 Labor and labor relations	402 Labor and labor relations
403 Occupational Health and Safety	403 Occupational Health and Safety
404 Training and education	404 Training and education
406 Non-discrimination	406 Non-discrimination
ADDITIONAL TOPICS OF NC KTZ JSC	
Train traffic safety	Train traffic safety
Improvement of Customers' Satisfaction	Improvement of Customers' Satisfaction
	Employee well-being trend

MATERIALITY ANALYSIS

The analysis of identifying key issues important to the success of the Company's operations relies on several methods. First, data and indicators related to economic, environmental and social aspects of the business are assessed, including financial performance, emissions data and social indicators such as employee and customer satisfaction. The impact on long-term business value creation is then assessed, and the impact on external stakeholders is analyzed. This is followed by a corporate risk analysis and prioritization of the most significant impacts. Finally, the selection is made on a "double materiality" basis, taking into account the importance in terms of financial performance and long-term business value, as well as stakeholder interests.

Materiality analysis is performed on an annual basis.

In the course of its operations, the Company affects various aspects: the transportation of cargo and passengers contributes to economic development and trade, while the construction of railway tracks creates jobs and contributes

to the growth of the economy. In addition to the positive impact on society, it also has a negative impact on the environment, such as discharges of harmful substances and noise.

The Company analyzes the impact of its operations by considering various factors, including economic, environmental and social aspects. This helps to identify both positive and negative impacts on society and the environment. The results of the assessment are reviewed by the Committee of the Board of Directors, after which measures are taken to improve performance, contributing to increased efficiency and long-term business value.

As with any other business, there are a number of key indicators for a railway company that have a significant impact on the efficiency and sustainability of its business in the long term. NC KTZ JSC's development strategy determines the Company's long-term prospects. The main areas of development, which are closely linked to its long-term profitability, include:

- Ensuring financial sustainability: Stability of financial results, availability of liquid assets and maintenance of sound financial performance are important to attract investors and achieve long-term success of the enterprise.
- Improving operational efficiency: The Company's competitiveness depends on its ability to offer attractive services, tariffs and innovative solutions, which directly affects its long-term position and value.
- Improving the level of customer satisfaction: Customer satisfaction is a key strategic factor for the company as it helps to strengthen its market position, increase customer loyalty and ensure sustainable growth.
- Guaranteeing transportation safety: A high level of safety and the use of modern risk control systems help prevent accidents and

ensure the safety of passengers and cargo, which helps maintain the Company's favorable reputation and long-term value.

- Promoting sustainable development: Enhancing social stability and developing human capital are important aspects for the Company's success, while adherence to environmental standards and the implementation of low carbon development contribute to the Company's long-term reputation and value. At the same time, corporate governance plays a fundamental role in ensuring the Company's sustainable development and successful operation by ensuring transparency, accountability and efficiency in management and contributing to its value and attractiveness to all stakeholders.

FACTORS THAT CAN HAVE A SIGNIFICANT IMPACT ON LONG-TERM DEVELOPMENT AND VALUE:

Factors	Effects Effects	Measures
ENSURING FINANCIAL STABILITY		
Tariff risk	- revenue decline; - deterioration of the financial stability of the Company.	improving the tariff policy.
Currency risk	- growth of expenses on foreign exchange losses; - reduction of the Company's liquidity.	continued reduction of the share of debt in hard currency, restructuring of the loan portfolio.
IMPROVING THE EFFICIENCY OF THE COMPANY		
Decrease in cargo turnover	- revenue decline; - deterioration of the financial stability of the Company.	- development and implementation of a cargo containerization program; - development of alternative routes (TITR); - offering favorable tariff conditions for shippers; - increasing the local speed of freight trains; - reducing the time of cleaning/delivery of wagons from/to the loading fronts; - planning the seasonality of cargo transportation for the efficient use of the car fleet.
Decrease in passenger turnover	- decrease in revenue from passenger transportation; - non-fulfillment of planned targets.	- development and implementation of a new route network, including the organization of effective routes; - maximum reduction of train delays; - improving the quality of passenger service.
IMPROVING CUSTOMER SATISFACTION		
Decrease in the quality of services provided	- decrease in revenue from rail transportation; - deterioration of the Company's reputation.	- customer satisfaction assessment; - implementation of a set of measures to improve customer satisfaction.

Factors	Effects Effects	Measures
GUARANTEEING THE SAFETY OF TRAIN TRAFFIC		
Traffic safety violations	- threat to the health and life of the Company's employees; - material damage related to payments; - deterioration of the Company's reputation.	- security control; - training in behavioral safety dialogue; - training in safe working methods; - prohibition on the operation of faulty machines and mechanisms; - timely repair, maintenance, inspection of machines and mechanisms.
Creating threats to human health	- threat to the health and life of the Company's employees; - material damage related to payments; - deterioration of the Company's reputation.	- implementation of an automated system of industrial safety processes (modules: Training, traffic regulations, Safety minute). - training in behavioral dialogue of safety, safe methods of work.
IMPLEMENTATION OF ESG PRINCIPLES		
HR risks (violations of the Labor Code of the Republic of Kazakhstan; corruption in hiring; social discontent on the part of employees).	- complaints and dissatisfaction of employees; - outflow of personnel; - deterioration of the Company's reputation.	- improving social stability; - implementation of a corporate motivation system for key production personnel; - implementation of the early retirement program; - centralization of recruitment and employment work released through natural attrition and minimization of external hiring (moratorium on external hiring).
Environmental and climatic risks (decrease in the level of the Caspian Sea, change in the physical parameters of the climate).	- decrease in revenue; - deterioration of the Company's reputation.	- conducting dredging activities. - depth measurement (bathymetry). - reducing emissions to the environment; - implementation of measures to reduce the carbon footprint.

INDICATORS OF THE COMPANY'S IMPACT ON EXTERNAL STAKEHOLDERS IN 2023.

Type of activity	Shareholder	Clients	Population	State body	Suppliers and contractors
Cargo transportation	Net profit related to the Sole Shareholder – 133.5 billion tenge	Cargo turnover – 262.4 billion t-km Cargo transported – 297.4 mln tons Transit in containers – 1,282.3 thousand TEU			Procurement – 1,090 mln tenge
Passenger transportation		Passenger turnover – 11.8 billion p-km Dispatched passengers – 13,681 thousand passengers			
		Customer satisfaction level – 69%			
		Tax deductions – 201,604.4 mln tenge			
		Traffic safety level – 0.62 cases / million train-km			
Construction of railroad tracks		Local speed – 38,5 km/h	Employment (according to the project Construction of the second track on the Dostyk – Moynty section – 3 700)	The share of local content in procurement was: in goods – 54 %, in works and services – 93%.	
		Greenhouse gas emissions CO ₂ -eq (scope 1, 2) – 5,508 thousand tons.			

Positive impact

Negative impact

INDEPENDENT AUDITOR'S REPORT GRI 2-5



Independent Limited Assurance Report

To the Board of Directors of JSC “NC “Kazakhstan Temir Zholy”:

Introduction

We have been engaged by the management of JSC “NC “Kazakhstan Temir Zholy” (hereinafter – the “Company”) to provide limited assurance on the selected information described below and included in the Integrated Annual Report of the Company for the year ended 31 December 2023 (hereinafter – the “Annual Report”).

Description of the subject matter information and applicable criteria

The selected information for the year ended 31 December 2023 is summarized in Annex 1 to this report (hereinafter – the “Selected Information”).

The Selected information represents information related to the Company and its selected subsidiaries according to GRI 2-2 “Information perimeter” of the Annual Report.

The scope of our assurance procedures was limited to the Selected Information for the year ended 31 December 2023 only. We have not performed any procedures with respect to earlier periods or any other items included in the Annual Report and, therefore, do not express any conclusion thereon.

The criteria used by the Company to prepare the Selected Information are contained in the GRI Sustainability Reporting Standards published by the Global Reporting Initiative (GRI) (hereinafter – “the GRI Standards”), and methodology and guidelines developed by the Company and disclosed in the Annual Report (hereinafter – the “Reporting Criteria”).

In our view, the Reporting Criteria constitute appropriate criteria to form the limited assurance conclusion.

Responsibilities of the management of the Company

The management of the Company is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology and guidelines for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparation, measurement and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

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Our responsibilities

Our responsibility is to express a limited assurance conclusion on the Selected Information based on the procedures we have performed and the evidence we have obtained.

We performed the limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements, and to plan and perform procedures to obtain limited assurance that the Selected Information for the year ended 31 December 2023 has been prepared, in all material respects, in accordance with the Reporting Criteria.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of work performed

Our planned and performed procedures were aimed at obtaining limited assurance that the Selected Information for the year ended 31 December 2023 has been prepared, in all material respects, in accordance with the Reporting Criteria. We have performed the following procedures:

- made enquiries of the management of the Company, including the Strategy and Sustainable Development team and those with responsibility for sustainability reporting management and reporting;
- conducted interviews of personnel responsible for the preparation of the Annual Report and collection of underlying data;
- performed analysis of the relevant internal methodology and guidelines, gaining an understanding of the design of the key structures, systems, processes and controls for managing, recording, preparing and reporting the Selected Information; and
- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.



Inherent limitations

Under the GRI Standards there is a range of different, but acceptable, measurement and reporting techniques. The techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by management as described in the Annual Report, and for which the Company is solely responsible.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2023 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Restrictions of use and distribution

This report, including our limited assurance conclusion, has been prepared solely for the Board of Directors of the Company in accordance with the agreement between us, to assist the management of the Company in reporting on the Company's and its selected subsidiaries' sustainability performance and activities.

We permit this report to be disclosed in the Annual Report, which will be published on the Company's website, to assist the management of the Company in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the Selected Information.

The maintenance and integrity of the Company's website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of the Company and the Company for our work or this report except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained.

PricewaterhouseCoopers LLP

30 April 2024
Almaty, Kazakhstan



Annex 1 to the Independent Limited Assurance Report dated 30 April 2024

The Selected Information for the year ended 31 December 2023 disclosed on pages 10-243 of the Annual Report and prepared in accordance with the GRI Standards and the methodology and guidelines developed by joint stock company "National company "Kazakhstan Temir Zholy" (hereinafter – the "Company") and subject to limited assurance procedures are set out below:

GRI Standard	Reported Performance (Selected Information)
2-7	Employees
2-9	Governance structure and composition
2-30	Collective bargaining agreements
201-1	Direct economic value generated and distributed
201-4	Financial assistance received from the government
203-1	Infrastructure investments and services supported
203-2	Significant indirect economic impacts
204-1	Proportion of spending on local suppliers
205-1	Operations assessed for risks related to corruption
205-2	Communication and training about anti-corruption policies and procedures
205-3	Confirmed incidents of corruption and actions taken
302-1	Energy consumption within the organisation
302-3	Energy intensity
302-4	Reduction of energy consumption
303-3	Water withdrawal
303-4	Water discharge
303-5	Water consumption
305-1	Direct (Scope 1) GHG emissions
305-2	Energy indirect (Scope 2) GHG emissions
305-4	GHG emissions intensity
305-5	Reduction of GHG emissions
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions
306-1	Waste generation and significant waste-related impacts
306-2	Management of significant waste-related impacts
306-3	Waste generated



401-1	New employee hires and employee turnover
401-3	Parental leave
403-8	Workers covered by an occupational health and safety management system
403-9	Work-related injuries
404-1	Average hours of training per year per employee
404-3	Percentage of employees receiving regular performance and career development reviews
405-1	Diversity of governance bodies and employees
406-1	Incidents of discrimination and corrective actions taken
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data
3-1	Process to determine material topics
3-2	List of material topics

GRI STANDARDS DISCLOSURES INDEX

GENERAL INFORMATION

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for non-disclosure	External assurance
GRI 1: Foundation 2021					
GRI 2: General Disclosures 2021					
THE ORGANIZATION AND ITS REPORTING PRACTICE					
2-1	Organizational details	10, 299	About the Company, Contact Details		
2-2	Entities included in the organization's sustainability reporting	273	Information perimeter		
2-3	Reporting period, frequency and contact point	273, 299	About the Report, Contact Details		
2-4	Restatements of information	273	About the Report		
2-5	External assurance	1, 282	Independent, About the Company, Auditor's report		
ACTIVITIES AND WORKERS					
2-6	Activities, value chain and other business relationships	12, 30, 31, 33, 38, 39, 68	Company History, Production Results, Transit Transportation, Passenger Transportation, Asset Structure, Key Business Units, Procurement Practices		
2-7	Employees	106	Personnel structure Comment: Listed number of personnel as of 31.12.2023.		V
2-8	Workers who are not employees	108	Personnel structure		
GOVERNANCE					
2-9	Governance structure and composition	59, 146, 149	Structure of Sustainable Development Management, Corporate Governance System, Composition of the Board of Directors		V
2-10	Nomination and selection of the highest governance body	149	Composition of the Board of Directors		
2-11	Chair of the highest governance body	149	Composition of the Board of Directors		
2-12	Role of the highest governance body in overseeing the management	59	Structure of Sustainable Development Management		

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for non-disclosure	External assurance
2-13	Delegation of responsibility for managing impacts	59	Structure of Sustainable Development Management		
2-14	Role of the highest governance body in sustainability reporting	278	Material Topics and the Procedure for the Definition		
2-15	Conflicts of interests	186	Conflict of interest management		
2-16	Communication of critical concerns	59	Structure of Sustainable Development Management		
2-17	Collective knowledge of the highest governance body	150	Training and Development of the Members of the Board of Directors		
2-18	Evaluation of the performance of the highest governance body	151	Board of Directors Performance Evaluation		
2-19	Remuneration policies	167	Remuneration of Company officials		
2-20	Process to determine remuneration	167	Remuneration of Company officials		
2-21	Annual total compensation ratio	–	–	Confidential information	
2-22	Statement on sustainable development strategy	4, 6	Address of the Chairman of the Board of Directors, Address of the Chairman of the Managing Board		
2-23	Adherence to the policies	18	Participation in international organizations, associations and adherence to international principles		
2-24	Embedding policy commitments	18	Participation in international organizations, associations and adherence to international principles		

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for non-disclosure	External assurance
2-25	Processes to remediate negative impact	183	Complaint mechanisms		
2-26	Mechanisms for seeking advice and raising concerns	183	Complaint mechanisms		
2-27	Compliance with laws and regulations	78	Compliance with laws and regulations		
2-28	Membership associations	18	Participation in international organizations, associations and adherence to international principles		

INTERACTION WITH STAKEHOLDERS INTERACTION WITH STAKEHOLDERS

2-29	Approach to stakeholder engagement	276	Interaction with stakeholders		
2-30	Collective bargaining agreements	120	Collective Bargaining Agreement		V

GRI 3: MATERIAL TOPICS 2021

3-1	Process to determine material topics	278	Material Topics and the Procedure for their Definition		V
3-2	List of material topics	278	Material Topics and the Procedure for their Definition		V

DISCLOSURES ON MATERIAL TOPICS

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for nondisclosure	SASB	External assurance
ECONOMICS						
GRI 201 (2016): ECONOMIC PERFORMANCE						
3-3	Management of material topics	64	Economic impact			
201-1	Direct economic value generated and distributed	64	Economic impact			V
201-2	Financial implications and other risks and opportunities due to climate change	83	Climate change risks			
201-4	Financial assistance received from government	10, 65	About the Company, Financial assistance received from the state			V

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for nondisclosure	SASB	External assurance
GRI 202 (2016): MARKET PRESENCE						
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	119	Finance Incentives			
202-2	Proportion of senior management hired from the local community	162	Management Board			
GRI 203 (2016): INDIRECT ECONOMIC IMPACTS						
203-1	Infrastructure investments and services supported	50	Investment activity			V
203-2	Significant indirect economic impacts	66	Indirect economic impacts			V
GRI 204 (2016): PROCUREMENT PRACTICES						
3-3	Management of material topics	68	Procurement practice			
204-1	Proportion of spending on local suppliers	68	Procurement practice			V
GRI 205 (2016): ANTI-CORRUPTION						
3-3	Management of material topics	71	Anti-corruption			
205-1	Operations assessed for risks related to corruption	71	Anti-corruption			V
205-2	Communication and training about anticorruption policies	71	Anti-corruption			V
205-3	Confirmed incidents of corruption and actions taken	71	Anti-corruption			V
ENVIRONMENT						
GRI 302 (2016): ENERGY						
3-3	Management of material topics	90	Energy efficiency and energy saving			

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for nondisclosure	SASB	External assurance
302-1	Energy consumption within the organization	90	Energy efficiency and energy saving	The Company does not resell energy to third parties. The Company does not consume fuel from renewable sources. The Company does not consume or resell cooling energy and steam energy to third parties. The Company does not include the amount of thermal energy consumed in the calculation of energy consumed for 2023 due to intangible volumes	TR-RA-110a.3.	V
302-2	Energy consumption outside of the organization	–	–	Energy resources consumption outside the organization is not accounted for		
302-3	Energy intensity	92	Energy intensity			V
302-4	Reduction of energy consumption	90	Energy efficiency and energy saving			V
302-5	Reductions in energy requirements of sold products and services	90	Energy efficiency and energy saving			
GRI 303 (2018): WATER AND DISCHARGES						
303-1	Total amount of water withdrawal by source	93	Water management			
303-2	Management of impacts associated with water discharge	93	Water management			
303-3	Water intake	93	Water management			V
303-4	Water disposal	93	Water management			V
303-5	Water consumption	93	Water management			V

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for nondisclosure	SASB	External assurance
GRI 304 (2016): BIODIVERSITY						
304-1	Work sites owned, leased, administered or adjacent to protected areas or areas of high biodiversity outside protected areas	96	Conservation of biological diversity			
304-2	Description of significant impacts of activities, products and services on biodiversity	96	Conservation of biological diversity			
304-3	Conserved or restored habitats	96	Conservation of biological diversity			
304-4	Total number of IUCN Red List and National Conservation List species with habitats in areas affected by industrial activities and at risk of extinction	96	Conservation of biological diversity			
GRI 305 (2016): EMISSIONS						
3-3	Management of material topics	79	Environmental responsibility			
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	84	Low-carbon Development Concept	The Company does not generate biogenic emissions	TR-RA-10 a.1.	V
305-2	Energy indirect (Scope 2) GHG emissions	84	Low-carbon Development Concept	The Company does not generate biogenic emissions		V
305-3	Other indirect (Scope 3) GHG emissions	–	–	No greenhouse gas emissions (scope 3) are recorded		
305-4	GHG emissions intensity	84	Low-carbon Development Concept			V
305-5	Reduction of GHG emissions	84	Low-carbon Development Concept		TR-RA-110A.2.	V
305-6	Emissions of ozone-depleting substances (ODS)	–	–	The Company does not emit ozone-depleting substances (ODS)		

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for nondisclosure	SASB	External assurance
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant airborne emissions	84	Low-carbon Development Concept	The Company does not generate emissions of persistent pollutants (POPs)	TR-RA-120a.1.	V
GRI 306 (2016): EFFLUENTS AND WASTE						
3-3	Management of material topics	79	Environmental responsibility			
306-1	Waste generation and significant waste-related impacts	94	Waste management			V
306-2	Management of significant waste-related impacts	94	Waste management			V
306-3	Waste generated	94	Waste management			V
306-4	Waste diverted from disposal	–	–	There are no wastes diverted from disposal.		
306-5	Waste directed to disposal	94	Waste management			
GRI 308 (2016): SUPPLIER ENVIRONMENTAL ASSESSMENT						
308-1	New suppliers that were screened using environmental criteria	96	Supplier environmental assessment			
308-2	Negative environmental impacts in the supply chain and actions taken	96	Supplier environmental assessment			
SOCIAL TOPICS						
GRI 401 (2016): EMPLOYMENT						
3-3	Management of material topics	103	Social responsibility			
401-1	New employee hires and employee turnover	112	Talent Acquisition and retention			V
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	120	Support for the Personnel			
401-3	Parental leave	121	Parental leave			V

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for nondisclosure	SASB	External assurance
GRI 402 (2016): LABOR/MANAGEMENT RELATIONS						
3-3	Management of material topics	103	Social responsibility			
402-1	Minimum notice periods regarding operational changes	120	Collective agreement			
GRI 403 (2018): OCCUPATIONAL HEALTH AND SAFETY						
3-3	Management of material topics	130	Health and Safety			
403-1	Occupational health and safety management system	130	Health and Safety			
403-2	Hazard identification, risk assessment, and incident investigation	130	Hazard identification and risk assessment			
403-3	Occupational health services	140	Health protection and medical support			
403-4	Worker participation, consultation, and communication on occupational health and safety	59	Structure of Sustainable Development Management			
403-5	Worker training on occupational health and safety	136	Employee training			
403-6	Promotion of worker health	142	Sudden deterioration of health			
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	136	Labor protection management in contracting organizations			
403-8	Workers covered by an occupational health and safety	130	Occupational safety and health			V
403-9	Work-related injuries	133	Industrial injuries		TERRA-540A.1.	V
403-10	Work-related ill health	130	Occupational safety and health		TERRA-540A.1.	

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for nondisclosure	SASB	External assurance
GRI 404 (2016): TRAINING AND EDUCATION						
3-3	Management of material topics	103	Social responsibility			
404-1	Average hours of training per year per employee	124	Personnel development			V
404-2	Programs for upgrading employee skills and transition assistance programs	124	Personnel development			
404-3	Percentage of employees receiving regular performance and career development reviews	117	Personnel evaluation			V
GRI 405 (2016): DIVERSITY AND EQUAL OPPORTUNITY						
405-1	Diversity of governance bodies and employees	104, 103	Company Personnel, HR POLICY			V
405-2	Ratio of basic salary and remuneration of women to men	108	Diversity and Equal Opportunities			
GRI 406 (2016): NONDISCRIMINATION						
3-3	Management of material topics	103	Social responsibility			
406-1	Incidents of discrimination and corrective actions taken	73	Hotline report			V
GRI 418 (2016): NONDISCRIMINATION						
418-1	Justified complaints about breach of confidentiality or loss of data.	186	Information security and data protection			V
SASB	Number of accidents and incidents	80	Emissions to the environment		TERRA-540A.2.	
SASB	Number of recommended violation defects identified as a result of inspections	128, 140	Traffic safety, Health and medical support		TERRA-540A.3.	
SASB	Frequency of internal railroad integrity inspections	128	Traffic safety		TERRA-540A.4.	

GLOSSARY

NC KTZ JSC	National Company Kazakhstan Temir Zholy Joint Stock Company
Fund	Sovereign Wealth Fund Samruk-Kazyna Joint Stock Company
GDP	Gross Domestic Product is a macroeconomic indicator that reflects the market value of all finished goods and services (i.e. intended for direct consumption, use or application) produced for the year by all sectors of the economy within the State for consumption, export or accumulation, regardless of a national attribution of the used factors of production.
Freight turnover	An economic indicator of the transport operations (an indicator of the volume of freight transported) that is calculated by multiplying the mass of the freight transported for the given time by the distance of transportation. Freight turnover is measured in tonne-kilometers.
Lost Time Injury Frequency Rate	Defines the number of cases with lost working time, as a ratio to the total hours worked in a department or enterprise for the year, and normalized to 1 million people/hour
BRN	Backbone Railway Network
LT	Locomotive traction
Operating profit	Operating profit of an enterprise is equal to the difference between net revenues (revenues less cost) and expenses towards the core activities (the latter include direct and operating expenses) or, what is the same, between gross profits and operating expenses
Passenger turnover	An indicator of the volume of passenger transportations in passenger-kilometers, which is calculated by multiplying the number of passengers by the distance of transportation
Running track miles	The sum of the lengths of all main tracks (first, second, third, etc. ones)
media	Mass media
FER	Fuel and energy resources
Specific energy consumption	An indicator showing the reduction in specific consumption of fuel and energy resources per unit of product (work)
Route miles	Length of the railway lines between the stations, excluding such tracks as the second main and the station ones, etc.
EBITDA	An analytical indicator equal to profits before interests, taxes, depreciation and amortization accrued
EBITDA margin	A measure of a company's profitability calculated as the ratio of EBITDA to and revenues
TEU	Twenty-foot Equivalent Unit
GRI	Global Reporting Initiative
OSJD	Organization for Railways Cooperation
IUR	International Union of Railways
EAEU	Eurasian Economic Union
ESG	Environmental, Social, and corporate Governance
UN ECE	United Nations Economic Commission for Europe
UN ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
IGC TRACECA	Intergovernmental Commission Transport Corridor Europe – Caucasus – Asia
OTS	Organization of Turkic States
ECO	Economic Cooperation Organization

MIID of the RK	Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan
SCO	Shanghai Cooperation Organization
LCL	Less Than Container Load
CCTT	International Coordinating Council on Trans-Eurasian Transportation
KPI	Key Performance Indicators
CG	Consumer Goods
UTLC-ERA	United Transport and Logistics Company Joint Stock Company – Eurasian Railway Alliance
TITR	Trans-Caspian International Transport Route
MCI	Monthly Calculation Index
MS	Minimum Salary
CIT	Corporate Income Tax
INV	Inventory
RP	Retained profit
IFRS	International Financial Reporting Standards
VAT	Value Added Tax
G&AE	General and Administrative Expenses
ROACE	Return On Average Capital Employed
NOPAT	Net Operating Profit After Taxes
ACE	Average capital employed
CE	Return on average capital employed
FCF	Free cash flow
NAV	Net Asset Value
IS	Information security
IPS	Integrated Planning System
IT	Information Technologies
SDW	Single Digital Window
PPE	Personal Protection Equipment
IS IS	Integrated Industrial Safety System
BBSD	Behavior Based Safety Dialogue
EDF	Electronic Document Flow
TRIR	Total Recordable Incident Rate
FAR	Fatality Accident Rate
Near Miss	Near Miss Rate
MS	Minimum Salary
USIC	International Railway Sports Association
SHD	Sudden Health Deterioration
TCFD	Task force on climate-related financial disclosures
SASB	Sustainability Accounting Standards Board
EP	Environment Protection
EIA	Environmental impact assessment

SHW	Solid Household Waste
GHG	Greenhouse gases
AIFC	Astana International Financial Center
AEC	Appointments and Emoluments Committee
SFC	Strategy and Finance Committee
SEC	Safety and Environment Committee
AC	Auditing Committee
CRMS	Corporate Risk Management System

CONTACT DETAILS GRI 2-1

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We invite any interested parties to participate in an online poll as to the material topics and provide their feedback regarding this Integrated Annual Report at:

https://www.railways.kz/articles/sustainable-development/otchet_v_oblasti_ustoychivogo_razvitiya

Please send your questions regarding the Report at Please send your questions regarding the Report at:

Sustainability@railways.kz

