

The background of the entire page is a photograph of a railway track. The tracks are in the foreground, curving into the distance. The scene is captured during sunset or sunrise, with a warm, golden-orange glow. The sky is filled with soft, wispy clouds. In the background, there are some blurred structures, possibly industrial buildings or power lines, and a few trees. The overall mood is serene and industrial.

2022

“NATIONAL COMPANY
KAZAKHSTAN TEMIR ZHOLY”
JOINT STOCK COMPANY

INTEGRATED ANNUAL REPORT

COMPANY IN FIGURES

KEY INDICATORS	2022	2021	CHANGES	
			ABSOLUTE VALUE	%
FINANCIAL PERFORMANCE				
Operating income, in billion tenge	1,481.5	1,328.5	153.0	11.5
Revenues from freight transportation, in billion tenge	1,283.5	1,184.3	99.2	8.4
Revenues from passenger transportations, in billion tenge	88.4	57.3	31.1	54.3
Operating profit, in billion tenge	177.9	254.8	-76.9	-30.2
EBITDA, in billion tenge	338.5	408.4	-69.9	-17.1
OPERATIONAL PERFORMANCE				
Passenger transportations				
Passenger-distance, in billion pkm	12.4	9.5	2.8	29.7
Dispatched passengers, in thousand passengers	14,073	11,597	2,476	21.4
Freight transportation				
Freight turnover, in billion tkm	245.2	233.3	11.9	5.1
Freights transported, in million tonnes	285.4	288.4	-3	-1
Containerized freight transportation				
Containerized transit traffic, in thousand TEU	1,129.2	1,065.6	63.6	6
ADDITIONAL INDICATORS				
Headcount, in persons	113,769	112,581	1,188	1.1
Proportion of women, in %	23	23	0	0
Social support costs, in billion tenge	14.6	11.6	3	25.9
Number of training hours per employee	26	41	-15	-36.6
LTIFR (per million person-hours)	0.21	0.25	-0.04	-16
Number of industrial accounting injuries	22	35	-13	-37.1
Number of persons killed in accounting accidents	5	8	-3	-37.5
Number of violations of the traffic safety rules	127	143	-16	-11.2
Volume of greenhouse gas emissions, in thousand tonnes CO ₂ -equiv. (scope 1, 2)	5,673	5,531	142	2.5
Costs of environmental activities, in million tenge	728.9	755.5	-26.6	-3.5
Volume of wastes, in thousand tonnes	59.1	60.9	1.8	-3
Consumption of fuel and energy resources (RF, in thousand GJ)	41,185.7	39,759.8	1,425.9	3.5

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 Standards disclosures index

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

The Company's Development Strategy

 Disclosures of any information of the implementation 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.



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 categories of aspects of its sustainable development: economic, social and ecological. The Report also includes the information of NC KTZ JSC's Development Strategy until 2029.

The report on the independent certification of selected information is presented on page 283-286

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





2022

INTEGRATED ANNUAL REPORT

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ADDRESS BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

GRI 2-22



Yuri LAVRINENKO

Chairman of the Board of Directors

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

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

I am pleased to present to You the Integrated Annual Report of the Company, which reflects the results of our activities.

In the context of a difficult geopolitical situation in the reporting year, the Company achieved a result exceeding the actual values of the previous year. Cargo turnover was increased by 5.1%, transit transportation in containers by 6.0%, and passenger turnover by 29.7%. Due to this, NC KTZ JSC received a profit of 36,883 million tenge.

In 2022, we continued to work on improving the corporate governance system, with the approval of a number of important documents aimed at improving the efficiency of the governing bodies. Moody's ESG Solutions has confirmed the high level of corporate governance and management of social and environmental issues of NC KTZ JSC. Following the issuance of a Sustainability Rating, the Company was included in the list of 25% of the better performing companies assessed by Moody's ESG Solutions.

The Company makes every effort to maintain the social stability and financial well-being of our employees. In 2022, we managed to increase the average monthly salary by 37%.

NC KTZ JSC attaches great importance to its environmental responsibility and undertakes to take all necessary measures to reduce emissions of harmful substances, efficient use of resources, minimize the negative impact on biodiversity and achieve carbon neutrality. We understand that this is an important factor for our business and future generations. Within the framework of this direction, the Concept of Low-carbon Development of NC KTZ JSC and its subsidiaries until 2060 was adopted in 2022.

The Company continues to pay special attention to train safety and labor protection, which is reflected in a thorough analysis of these issues at meetings of the Committee on Safety and Environmental Protection under the Board of Directors of NC KTZ JSC. According to the results of the reporting year, the number of traffic safety violations of the group of companies of NC KTZ JSC decreased by 11% to the level of 2021, and industrial accounting injuries were reduced by 37%.

In 2022, we started updating the Development Strategy of NC KTZ JSC. During the period of changes in the economic situation and trade relations in neighboring countries and, as a consequence, the rupture of traditional transport and logistics chains, the transport industry is of particular importance for the economy of Kazakhstan. The updated Development Strategy will focus on meeting the needs of the economy in the efficient transportation of goods and the development of the transit potential of the country.

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

Separately, I would like to express my gratitude to each of the employees of NC KTZ JSC for their professionalism and personal contribution to the development of the Company. Your efforts and energy invested in our Company are invaluable, and without your support our progress would not have been possible.

***With respect,
Chairman of the Board of Directors
of NC KTZ JSC***

»

ADDRESS BY THE CHAIRMAN OF THE MANAGING BOARD

GRI 2-22



Nurlan SAURANBAYEV

Chairman of the Management Board

Dear readers of the annual report, colleagues, partners!

Let me bring to your attention an Integrated report on the Company's activities for 2022. I would like to express my gratitude for your interest in our Company. We sincerely welcome feedback from all interested parties. This helps us to develop and improve our activities.

The results of the year, both in quantitative and qualitative terms, are characterized by positive dynamics. Thus, during the reporting period, cargo turnover increased by 5.1%, passenger turnover - by 29.7%. Container transit, despite the geopolitical situation, increased by almost 6%. As a result, the Company's operating income increased by 11.5% compared to the level of 2021 and amounted to KZT 1 481.5 billion, while net profit attributable to the shareholder amounted to KZT 34.9 billion. Continued work to strengthen the financial stability of the Company allowed to reduce the share of debt in hard currency from 34.8% to 28.4%.

To ensure comfortable conditions for passenger transportation and reduce the shortage of passenger cars, NC KTZ JSC has concluded an agreement to purchase passenger cars built using Stadler technology. The first railcars will be put into operation in 2025.

NC KTZ JSC is one of the largest companies in the country in terms of the number of employees, so the social issue is very important for us. We constantly continue to improve the financial situation of our employees and working conditions. In 2022, the average salary of employees was increased to 342 thousand tenge, which is 37% higher than in 2021, 410 buildings

and sanitary facilities were repaired, 15 points and 37 modular structures for heating production workers and eating were installed, 220 units of small mechanization were purchased, work continues to improve social package for employees and their families.

In 2022, for the first time, the Company received a Sustainability Rating from Moody's ESG Solutions. The assignment (A2) indicates an adequate level of solving social issues, a responsible approach to ensuring environmental conditions of transportation and a high level of corporate governance.

In November 2022, the largest railway project of strategic importance was launched - the construction of second tracks on the Dostyk – Moyinty railway section with a length of 836 km. The project will increase the capacity of the section by 5 times – from 12 to 60 pairs of trains and will contribute to the uninterrupted export of domestic products and the growth of the transit potential of the country.

According to the assignment of the Head of State, the Head of State, we have started the transformation of NC KTZ JSC into a transport and logistics company. As part of the assignment, the Company plans to strengthen its logistics competencies, introduce digital technologies into processes, expand its activities abroad and form trade hubs within the country. The result of the measures taken should be an increase in cash receipts to the country from transit traffic, the promotion of exports of domestic products, strengthening the country's position in the global freight market and the development of Kazakhstan as a reliable trade hub.

The key tasks set for the Company for 2022 have been completed, and work on improving our activities will continue. Detailed information can be found on the report pages.

I would like to note that the success of the Company largely depends on our joint efforts. Therefore, I do not cease to express my gratitude to employees, partners, customers and hope for further fruitful cooperation. I am sure that together we will reach new heights in our activities.

**Sincerely,
Chairman of the Management Board
of NC KTZ JSC**



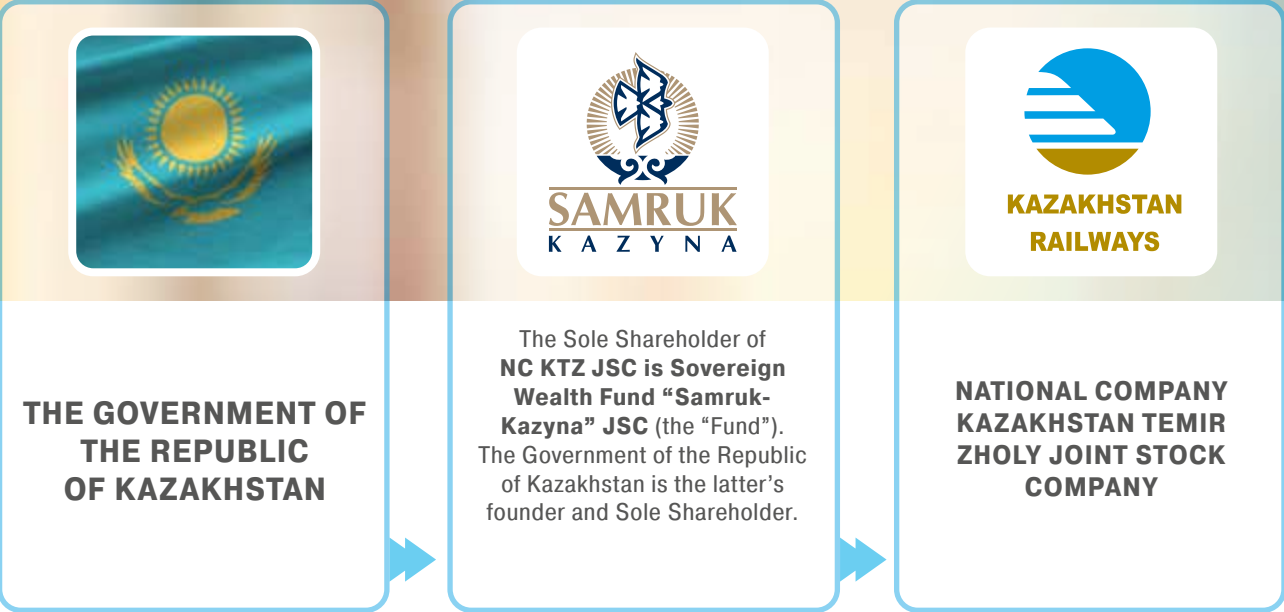
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ABOUT THE COMPANY

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 Group of NC KTZ JSC’s companies is the Country’s largest owner of locomotives, 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 thous.

FREIGHT CARS

44.6 thous.

PASSENGER CARS

2.4 thous.

EMPLOYEES

113.8 thous.

Length of Kazakhstan’s railways

MAIN TRACK MILEAGE

21 thousand km

MAINTAINED TRACK MILEAGE

16 thousand km

NC KTZ JSC ensures the economic interactions between 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.



NC KTZ JSC Geographic Footprint

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%)				

There are representative offices in the Republic of Azerbaijan (Baku), the People’s Republic of China (Beijing and Urumqi), the Russian Federation (Moscow), and in the Republic of Uzbekistan (Tashkent).

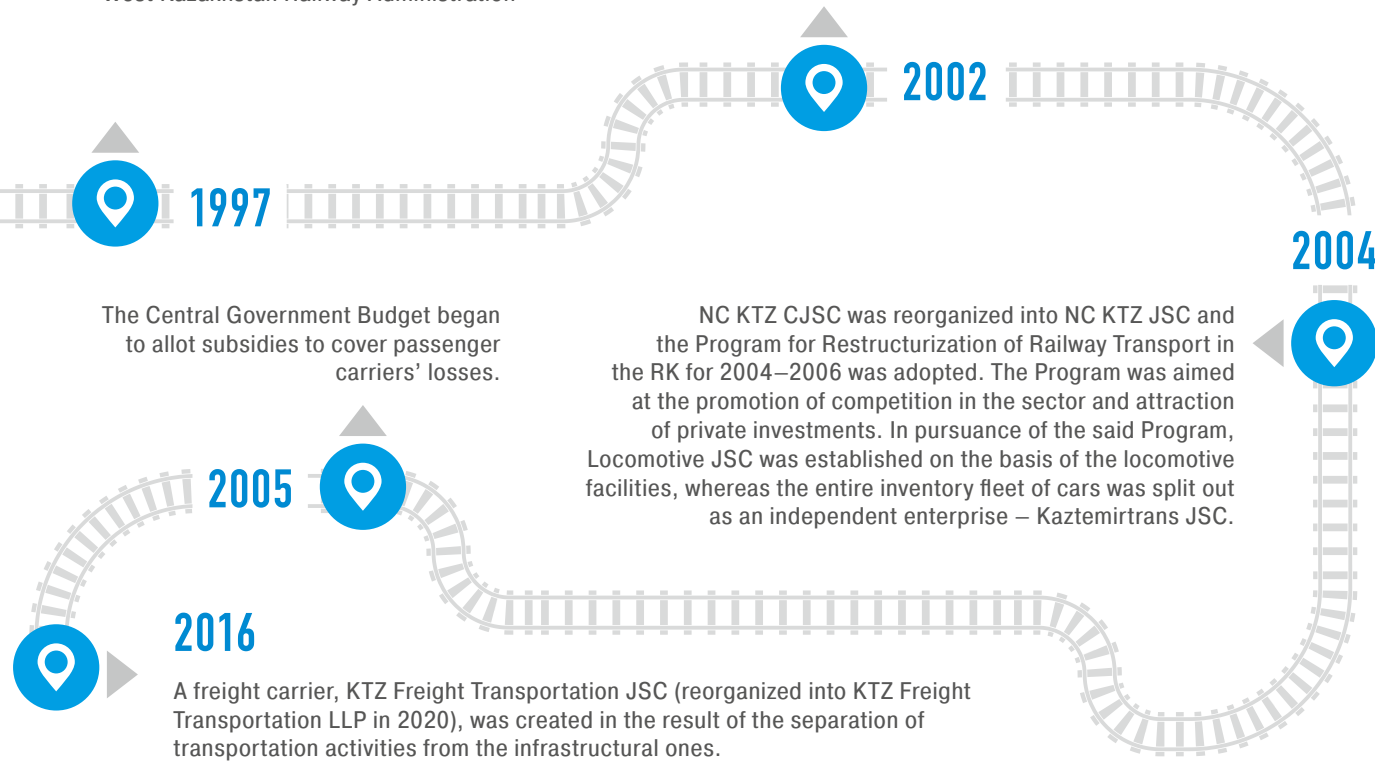
HISTORY OF THE COMPANY

GRI 2-6

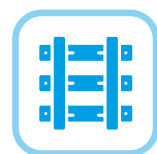
According to Decree #129 of the Government of the Republic of Kazakhstan dated January 31, 1997, "Kazakhstan Temir Zholy" Republican State Enterprise was established through the merger of the following republican state enterprises:

- Almaty Railway Administration
- Tselinny Railway Administration
- West Kazakhstan Railway Administration

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.



BUSINESS LINES OF THE COMPANY



Backbone railway network services



Passenger transportations by railways

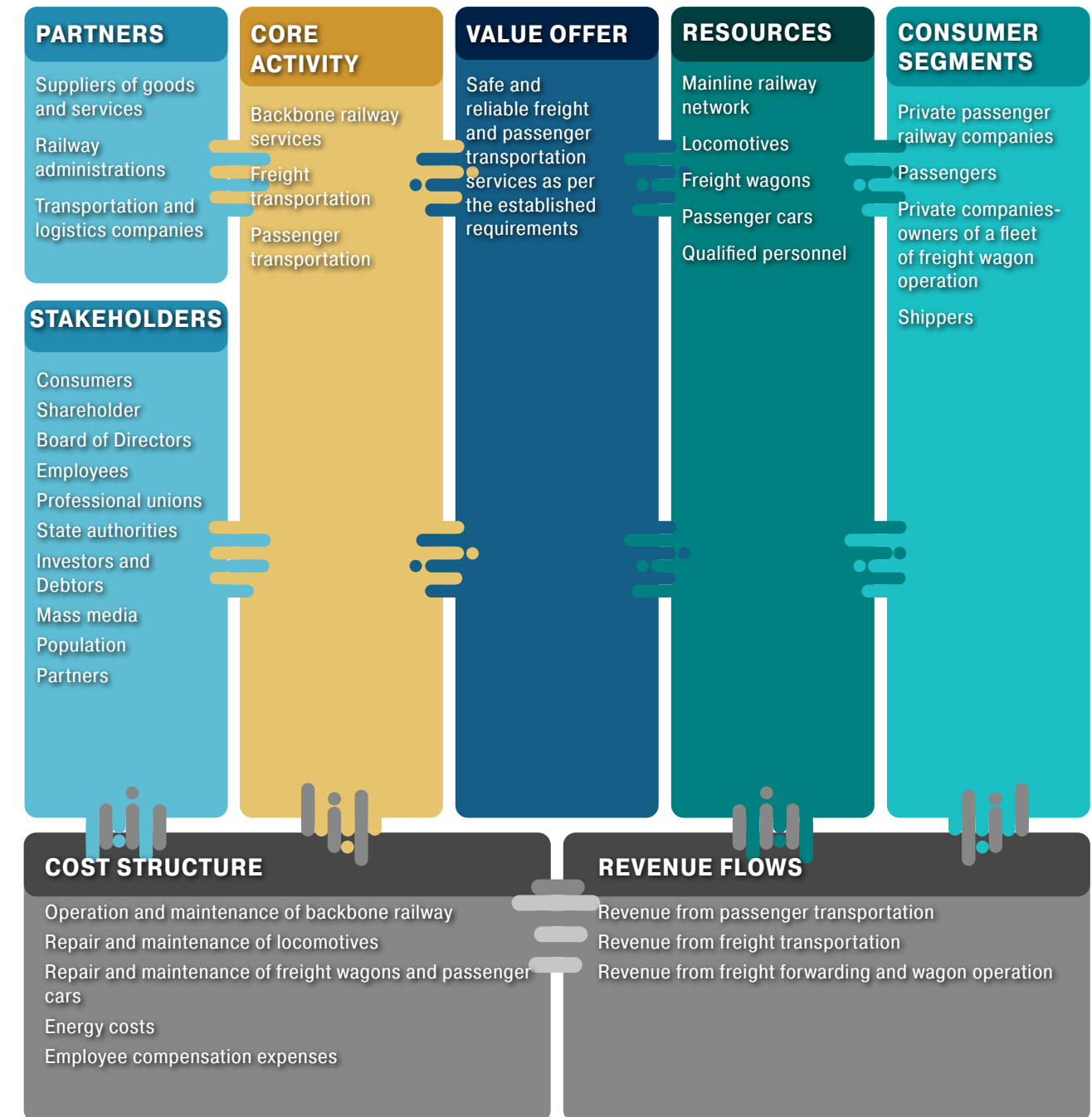


Freight transportation by railways



Transport and logistics services

BUSINESS MODEL



MILESTONES OF THE YEAR

JANUARY

From January 1, 2022, salaries of NC KTZ JSC's operating employees were raised. For this purpose, 70 billion tenge was allotted.



On January 26, Kedentransservice JSC launched a container train from Darbaza station to Tianjin (PRC) through the Alashankou – Dostyk border point.

On January 27, the Almaty depot carried out a successful pilot test of the “Automation of Operational Car-Repair Shed” Project. The Project objectives are as follows: to digitalize technical processes, to adopt paperless technologies, to improve the operating efficiency of the rolling stock, and to ensure industrial safety.

FEBRUARY

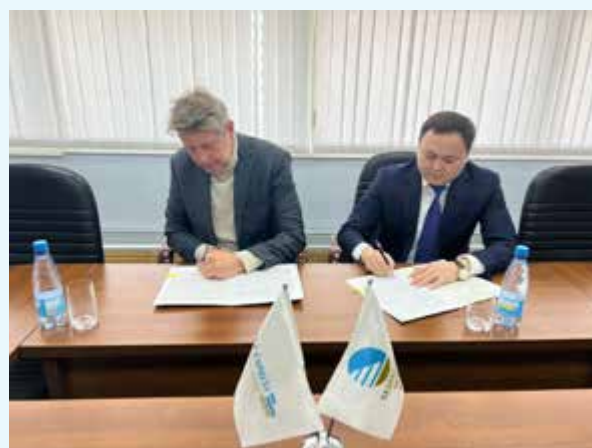
On February 1, Passenger Transportation JSC increased the number of trains with women's cars.

MARCH

On March 2, the Memorandum of Understanding and Cooperation was signed between the Almaty region Akimat and NC KTZ JSC with regards to the construction of second tracks within the Dostyk – Moyinty section, Zhetygen – Kazybek-bek bypass line around the Almaty railway hub, development of Dostyk station and tourism cluster at the Alakol Lake.



On March 9, KTZ Express JSC – “Xinjiang KTZ International Logistics Co., LTD” arranged for the first time ever the transportation of coal coke in open top containers using the new delivery technology, from Pavlodar station to the PRC.



On March 18, KTZ Express JSC and Finland's logistics operator, Nurminen Logistics Services OY, signed the Memorandum of Cooperation with regards to the development of containerized freight transportations along the China – Finland – China route via Kazakhstan and along the Trans-Caspian International Transport Route (TITR). Pursuant to the Memorandum, the parties agreed to launch a joint regular container service from China to Finland.



On March 24, a container train went from Turkmenistan to China via Kazakhstan for the first time ever.

APRIL



On April 12, NC KTZ JSC and Azerbaijan Railways CJSC signed the Agreement on Cooperation in Logistics and Implementation of Joint Projects.

On April 25, the Chairman of the Managing Board of NC KTZ JSC, N. Sauranbayev met M. Kleinbergs, Head of “Latvian Railways” SJSC. The Heads of the railway administrations discussed matters pertaining to the further cooperation in transportation.

MAY

On May 3, the first Europack flexi-train left Almaty for Shanghai.



On May 4, a test loading of over 200 containers was performed on the feeder vessel Beket Ata at the seaport of Aktau.



On May 11, in Ankara, the Chairman of the Managing Board of NC KTZ JSC N. Sauranbayev and General Director of TCDD Taşımacılık A.Ş., H. Pezük signed the Agreement on Cooperation between Kazakhstan and Turkey's railway administrations. The Agreement is aimed to enhance the cooperation and develop the logistics capacity of both countries, including the use of the Kars-Akhikalkali railway line as the key corridor to Turkey.

On May 15, the interstate train traffic was recommenced between Kazakhstan and Uzbekistan.

JUNE



On June 19, the pilot container train going to Turkey through Kazakhstan, Turkmenistan and Iran, arrived to Iran.



On June 29, during the Health&Safety Forum the NC KTZ JSC managers signed their personal H&S commitments. The managers undertook to demonstrate, through personal example, their commitment to the safety values, to ensure the introduction of the best H&S practices at the companies, as well as to create a safe working environment for their employees.

JULY

On July 1, a phased transition to the regional railway personnel remuneration coefficients was commenced. According to the newly adopted system, the “zonal” regional coefficients within a single region shall be gradually raised up to the maximum valid coefficient. The railway personnel’s salaries will rise more in those zones of the Oblast where the lowest valid “zonal” coefficient was used.



On July 7, Passenger Transportation JSC and Kazakhstan’s largest financial institution Halyk Bank agreed to implement a pilot multimodal transportation project.

On July 13, managers of NC KTZ JSC met the Extraordinary and Plenipotentiary Ambassador of the Republic of Singapore to Kazakhstan, Zulkifli bin Baharudin. During the meeting, the parties discussed the development of transcontinental transportations and cooperation with the Singaporean company PSA.

On July 14, KTZ Express launched a regular service to transport minerals from Kazakhstan to Vietnam.

AUGUST

On August 23, as a part of President Kassym-Jomart Tokayev’s official visit to Azerbaijan, NC KTZ JSC and “Baku International Sea Trade Port” CJSC signed the Memorandum of Cooperation in logistics and implementation of the potential joint projects. The Memorandum is aimed at further development of the Trans-Caspian International Transport Route, which will allow increasing the two countries’ transit capacity.

SEPTEMBER

On September 1, in his Address to the People of Kazakhstan, President Kassym-Jomart Tokayev declared the new objectives to develop the country’s transit and transportation capacity and entrusted NC KTZ JSC to transform itself into a full-fledged transit and logistics corporation.



On September 15, NC KTZ JSC and “Huawei Technologies Kazakhstan” LLP signed the Strategic Cooperation Agreement, which provides for the interactions with the view of development of the information and telecommunication infrastructure of NC KTZ JSC, joint operations in the development of innovative technologies, including big data, and artificial intelligence.



On September 20, NC KTZ JSC was assigned an ESG Assessment of 57 points (out of the theoretical 100), which translated into its «A2» Sustainability Rating, the second-highest score on Moody’s ESG Solutions’ Sustainability Rating scale.

On September 22, NC KTZ JSC was assigned an ESG Assessment of 57 points (out of the theoretical 100), which translated into its «A2» Sustainability Rating, the second-highest score on Moody’s ESG Solutions’ Sustainability Rating scale.

OCTOBER



On October 21, a general meeting of the “Trans-Caspian International Transport Route” International Association (Middle Corridor, TITR) was held in Tbilisi under the chairpersonship of NC KTZ JSC CEO, N. Sauranbayev. Attendees of the meeting established a number of measures to ensure the further growth in the volumes of containerized freight transportation along the Middle Corridor and to create favorable environment along the route.

NOVEMBER

On November 1, NC KTZ JSC repurchased all its Eurobonds with maturity dates in 2042 for the amount of 882,978 thousand US dollars at par value.

On November 3, KTZ Express JSC, “RZD Logistics” JSC and “Transport and Logistics Centre of Turkmenistan” JSC (TULM) signed the Memorandum of Cooperation in international and transit freight transportations.



On November 8, Kazakhstani railroadmen became the winners of the first international Sports and Athletic Contest held among employees of railway administrations from member countries of the Summit of Organization of Turkic States (OTS) in Tashkent (Republic of Uzbekistan).



On November 10, the NC KTZ JSC projects were deemed the best ones on the two nominations for the International Business HR Management Premium “WOW!HR KAZAKHSTAN 2022” in Almaty.

On November 11, the management of NC KTZ JSC met representatives of the Singaporean company PSA International Pte Ltd to discuss the strategic cooperation in logistics and development of a digital transport corridor. A unified digital platform developed by a PSA International Pte Ltd subsidiary, Crimson Logic together with specialists from NC KTZ JSC, was presented during the meeting. The new system uses functionality provided by the Singaporean online supply chain management platform Calista-AE integrated with the information systems of NC KTZ JSC.



On November 17, the construction of second tracks was commenced within the Dostyk – Moyinty section in Karagandy region. This project has been incorporated in the “Strong regions are the driver of the Country’s development” National Project.



On November 30, as a part of President Kassym-Jomart Tokayev’s visit to France, the Agreements were signed in Paris between NC KTZ JSC and ALSTOM Transport SA, as well as between NC KTZ JSC and Société Générale. According to the Agreements, in 2023–2029, ALSTOM shall manufacture 245 electric locomotives at “Electric Locomotives Manufacturing Plant” LLP, Kazakhstan, and supply them to NC KTZ JSC. The transaction shall be conducted with the active support of the French Ministry of Finance, state export and import agency BPIFrance, and the Bank Société Générale, which are to subsidize the interest rate.

DECEMBER



On December 6, NC KTZ JSC, Aktyubinsk Oblast Akimat and “PZTM LTD” LLP signed the Memorandum of Understanding and Cooperation aimed to improve transport accessibility and business’ competitiveness in the Aktyubinsk region railway sector, including at the construction of a new rail-welding facility.

On December 13, NC KTZ JSC and Stadler signed contracts for supply and maintenance of passenger cars, which are to be assembled using a Swiss technology on the basis of the local rail car manufacturing plant.



On December 15, NC KTZ JSC held the fourth industrial safety and environment Forum.



On December 22, the Regional Train Traffic Control Center for the Northern Region was opened at the NC KTZ JSC headquarters. The new Center integrated the train traffic control function within the four subsidiaries operating in the Northern region: Akmola, Karagandy, Kostanai and Pavlodar ones.

PARTICIPATION IN INTERNATIONAL INSTITUTIONS AND ASSOCIATIONS. COMPLIANCE WITH INTERNATIONAL PRINCIPLES

GRI 2-28

**From 1992**

Council on Railway Transport of the CIS Member Countries (CRTCMC)

Moscow, Russian Federation
www.sovetgt.org
**From 1993**

Organization for Railways Cooperation (OSJD) (participation of the RK)

Warsaw, Republic of Poland
www.osjd.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 RK)

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 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 RK

Astana, Republic of Kazakhstan
www.atameken.kz
**From 2019**

International movement Vision Zero of the International Social Security Association (ISSA) to promote the concept of zero injuries

www.visionzero.global

**From 2015**

Eurasian Economic Union (EAEU) (participation of the RK)

Moscow, Russian Federationwww.eaeunion.org**From 2017**

“Trans-Caspian International Transport Route International Association” ALE (TITR)

Astana, Republic of Kazakhstanwww.middlecorridor.com**From 2022**

National ESG Club

Astana, Republic of Kazakhstan**From 1994**

United Nations Economic Commission for Europe (UN ECE) (participation of the RK)

Geneva, Switzerlandwww.unece.org**From 2006**

United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) (participation of the RK)

Bangkok, Kingdom of Thailandwww.unescap.org**From 2009**

Organization of Turkic States (OTS) (participation of the RK)

Istanbul, Republic of Turkeywww.turkicstates.org**From 2008**

Economic Cooperation Organization (ECO) (participation of the RK)

Teheran, Islamic Republic of Iranwww.eco.int**From 1993**

Intergovernmental Commission Transport Corridor Europe – Caucasus – Asia (IGC TRACECA) (participation of the RK)

Baku, Azerbaijanwww.traceca-org.org**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.

Besides, 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 transportations 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 transportations, including its commitments arising from the following international agreements:

- 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
(<https://osjd.org/ru/8931/page/106077?id=2890>).
- 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
(<https://osjd.org/ru/8931/page/106077?id=2845>).
- 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
(https://docs.eaeunion.org/docs/ru-ru/0043610/itia_05062014).



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DEVELOPMENT STRATEGY



The Development Strategy of NC KTZ JSC until 2029¹ sets forth the mission, perspective and strategic goals of the Company, as well as strategic courses of its development to achieve the goals set for a decade.



MISSION

Being a systemically important transportation company in Kazakhstan, we provide a proper basis for the sustainable growth of our customers' businesses, create value for the Shareholder and deliver measurable results to consumers and community on the whole by providing safe and competitive transportation services.



PERSPECTIVE

We are a high-performance transportation company acting in compliance with the best business practices.

We are a reliable provider of transport infrastructure services, including freight and passenger transportations.

We are the leader among similar companies as far as the sustainable development, quality and cost effectiveness of the provided services are concerned, thanks to improvement of our business processes, digitalization of operations and improvement of our employees' professionalism.

The Company's mission and perspective are implemented through the achievement of the following five strategic goals:

1. To bring the Company out of the financial risk zone and to ensure its financial stability.
2. To improve the Company's performance.
3. To improve customer satisfaction.
4. To ensure safety of railway traffic.
5. To ensure the Company's sustainable development.

To implement the Strategy, the Action Plan for the Implementation of the Development Strategy of NC KTZ JSC Until 2029 is elaborated and has been implemented. The Development Strategy implementation progress is reported to the Board of Directors of NC KTZ JSC.

¹ Approved by Resolution of the Board of Directors of NC KTZ JSC dated September 6, 2019 (minutes # 13).

IMPLEMENTATION OF THE STRATEGIC KPI

The achievement of the goals is measured by the strategic key performance indicators (the "KPI").

The target values of the KPI are established according to the Business Plan for 2021–2025 approved by resolution of the Board of Directors of NC KTZ JSC.

KPI name	Meas. unit	Actual data for 2021 ²	Target 2022 ³	Actual data for 2022 ⁴	Goal 2029	Changes actual data/target for 2022, in %	Changes actual data for 2022/actual data for 2021, in %
Goal 1. To bring the Company out of the financial risk zone and to ensure its financial stability							
Net income	billion tenge	119.1	–36.4	34.9	> 329	195.9	–70.7
Debt/EBITDA	ratio	4.13	7.0	5.28	-	–24.6	27.8
Goal 3. To improve customer satisfaction							
Level of customer satisfaction	%	69.6	68	68.2	75	0.3	–2.0
Goal 4. To ensure safety of railway traffic							
Level of traffic safety	incidents / million train-kilometers	0.85	1.05	0.70	0,8	–33.3	–17.6
Goal 5. To ensure the Company's sustainable development							
Level of environmental impact	ratio	0,630	0,630	0,620	0,613	0.619	–0.2
Level of social stability	ratio	72	75	65	75	–13.3	–9.7

² Approved by Resolution No. 7 of the Board of Directors of NC KTZ JSC dated April 27, 2022

³ Approved by Resolution No. 8 of the Board of Directors of NC KTZ JSC dated May 24, 2022

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



KPI IMPLEMENTATION ACCORDING TO THE 2022 RESULTS

The actual value of the **“Net income”** item versus the target one has improved by 71.3 billion tenge. The growth is mostly predetermined by the 78.4 billion tenge increase in the operating income and the 12.6 billion tenge reduction in general and administrative expenses.

The **“Debt/EBITDA”** ratio is reduced by 25% versus the target one. The improvement of this ratio is associated with the rise in EBITDA due to an increase in operating profit by 80.3%.



Further details regarding the implementation of the Development Strategy of NC KTZ JSC until 2029 are available on pages of the Report with the symbol.

The **“Level of customer satisfaction”** value grew by 0.3% versus the target one.

The **“Level of traffic safety”** was 0.70 incidents/million train-kilometers versus the target (1.05 incidents/million train-kilometers). This indicator improved due to the reduction in the number of actual safety incidents.

The compliance with the **“Level of environmental impact”** was predetermined by the decrease in environmental emissions.

During the reporting year, the **“Level of social stability”** fell by 7 sub-items versus the previous year. The most noticeable degradation relates to employees' satisfaction with their financial security.

THE COMPANY'S GOALS AND OBJECTIVES FOR 2023

According to the 2022 results, the Company's management system proved to be suitable, adequate and effective. This fact was also confirmed by an external audit of the Company's management system in terms of compliance with the international management system standards ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, and ISO 50001:2018.

As a part of the management system's operation, certain measures were taken to allocate adequate resources required to achieve the goals set, as well as certain information was analyzed to find out any opportunities to improve and streamline the Company's activities.

In 2023, the Company plans to address the following matters:

- 1 to increase the freight turnover up to 268.8 billion tkm (6.7% versus 2022);
- 2 to increase the container transit volume up to 1,250 thousand TEU (10.7% versus 2022);
- 3 to commence the construction of a railway line around Almaty station;
- 4 establishment of a joint venture with PSA for asset management of the Trans-Caspian International Transport Route
- 5 to start manufacturing of passenger cars based on the Stadler technology;
- 6 to start manufacturing of passenger cars based on the Stadler technology;
- 7 as part of the implementation of the National Action Plan for the implementation of the Address of the Head of State Tokayev K.K. to the people of Kazakhstan dated September 1, 2022 «A just state. One nation. Prosperous Society», approved by the Decree of the President of the Republic of Kazakhstan dated September 13, 2022 No. 1008 to commence the transformation of the Company into the national transportation and logistics company.

In addition, in 2023, measures will be continued to improve the operations and allocate adequate resources required to achieve the set goals.

UPDATING THE COMPANY'S DEVELOPMENT STRATEGY IN 2023

In 2023, NC KTZ JSC is to update its Development Strategy to ensure an efficient freight transportation to meet requirements of the national economy, to develop the transit capacity and introduce the ESG principles.

The Company's mission and perspectives will be revised, its strategic goals, initiatives and key performance indicators are to be updated.

GOAL 1. TO BRING THE COMPANY OUT OF THE FINANCIAL RISK ZONE AND TO ENSURE ITS FINANCIAL STABILITY



According to the Development Strategy of NC KTZ JSC until 2029, the Company's financial stability is to be ensured by balancing its own and borrowed funds, improving its operating efficiency, as well as by perfecting its tariff regulation.

TARIFF REGULATION

Based on results of consultations with the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan that were commenced in October 2022, the maximum price, cost estimate and the investment program for the locomotive traction services in freight transportation have been agreed. The total growth in the maximum price is agreed in the amount of 14.7%.

According to the results of the meeting held on July 5, 2022 to discuss the development of transportation and transit capacity of the Republic of Kazakhstan, President K.-J. Tokayev directed to work out measures to reduce the debt load, including through the improvement of the tariff setting policy.

For these purposes, measures are being agreed with the government bodies to change the tariff setting policy related to the BRN and locomotive traction services.

In pursuance of the Law, the Rules of Calculation and Payment of the Temporary Balancing Fees have been approved (Order #11 of the MNE dated 26.01.2023), as well as the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan has prepared two draft subordinate regulatory legal acts (which are being approved) regulating matters related to subsidizing of the interest rate for lending and finance lease for the purchase of locomotives.

The 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" dated December 21, 2022 (the "Tax Code") made changes to the Tax Code of the Republic of Kazakhstan. Pursuant to the changes, when calculating its corporate income tax, KTZ Freight Transportation LLP shall be entitled to deduct the expenses related to the temporary balancing fees paid to the locomotive traction operator in the passenger traffic in accordance with the laws of the Republic of Kazakhstan on railway transport.

Subject to the proposals made by NC KTZ JSC, the Rules of Subsidizing of the Interest Rate in Lending and Finance Lease for the Railway Modernization have been approved (Order #21 MIID dated 20.01.2022).



According to the proposal of NC KTZ JSC, the list of investment strategic projects approved by Decree #1293 of the Government of the Republic of Kazakhstan dated 01.09.2009 has been declared to be no longer in force (Decree #543 of the Kazakhstani Government dated 08.08.2022). The above list prevented the inclusion of the seaport of Aktau in Seaport Aktau SEZ and obtaining of tax preferences under Chapter 79 of the Tax Code of the RK, due to the implemented "Northwards expansion of the Aktau port" project, which had been included in the list.

ON CHANGES AND AMENDMENTS TO SOME LEGAL ACTS OF THE REPUBLIC OF KAZAKHSTAN ON RAILWAY TRANSPORT

The Law of the Republic of Kazakhstan "On changes and amendments to some legal acts of the Republic of Kazakhstan on transport and subsoil use" dated December 29, 2022 (the "Law") made changes to:

- 1) the Commercial Code of the Republic of Kazakhstan and the Law of the Republic of Kazakhstan "On railway transport" with regard to the restoration of the regulations on the temporary balancing fees to be used to back up passenger transportations;
- 2) the Law of the Republic of Kazakhstan "On railway transport," which provide for the grounds for subsidizing of the interest rate for lending and finance lease for the purchase of locomotives;
- 3) the Law of the Republic of Kazakhstan "On railway transport" with regard to securing KTZ Express JSC's exclusive right to provide the military forwarding organization services outside, through and within the Republic of Kazakhstan.



DEBT LOAD

As of December 31, 2022, the Company's consolidated debt was 2.2 trillion tenge at par value or 1.8 trillion tenge at book value.

The Debt/EBITDA ratio grew from 4.13 as of the end of 2021 to 5.28 according to the 2022 results, due to the rise in the debt load (*the implementation of the new infrastructure projects and renewal of the rolling stock*) and decrease in EBITDA (*the cumulative deferred loss in the amount of 54.4 billion tenge on the hedging instrument and an increase in labor costs*).

In 2022, the Company repaid all the loans/debts when due, including:

- Eurobonds for the amount of 185 million Swiss francs (June 2022);
- bonds for the amount of 15 billion rubles (June 2022);
- the loan issued by HSBC Continental Europe in the amount of 30.4 million Euro (in 2022).

Besides, in the result of the inclusion of Russian banks in the sanctions list, liabilities under the existing loan agreements were to be repaid ahead of schedule for the avoidance of any secondary sanctions against the Company. Therefore, in March 2022 its liabilities under the agreement with VTB Bank PJSC were discharged in full in the amount of 19.4 billion Russian rubles, as well as under the agreement between Kedentransservice JSC and SB Sberbank JSC in the amount of 5.1 billion tenge, against their own working capitals and an issue of local bonds for the amount of 118.9 billion tenge.

At the same time, the Company raised the following soft-term funding:

- in the amount of 5.3 billion tenge for the purchase of passenger cars from Passenger Transportation JSC;
- in the amount of 162.9 billion tenge for the construction of the second tracks within the Dostyk – Moyinty section.

Besides, the Company redeemed Eurobonds ahead of schedule for the amount of 883 million US dollars at par, against a soft loan issued by Samruk-Kazyna JSC. Bridge financing was provided by Samruk-Kazyna JSC in the form of a bond loan for the period of 3 years and at 2% p.a.

The early redemption of Eurobonds with the maturity dates in 2042 allowed the Company to reduce the coupon interests by 43.7 million US dollars or 20.5 billion tenge yearly (*due to the decrease in the interest rate from 6.95% to 2%*). At the same time, the cross-currency swap was used to exchange the liabilities in dollars to liabilities in Swiss francs (*hedging*). Ultimately, the currency of expenses towards interests and principal debt was brought in line with the currency of revenues. The transaction will allow saving approximately 22.2 million US dollars or 10.4 billion tenge annually until 2025.

By the end of 2022, the hard currency portion of the debt amounted to 28.4% (*34.8% in 2021*).

In 2023, the Company will still take measures to improve its financial stability, including by reducing the hard currency portion of its debt. Therefore, it is planned to:

- have the Eurobonds refinanced for the amount of 250 million Swiss francs;
- raise funding to renew the locomotive and freight car fleet;
- attract soft-term financing to renew its passenger car fleet;
- attract the second loan tranche for the construction of the second tracks within the Dostyk – Moyinty section;
- raise funding for the implementation of the major infrastructure projects.

At the same time, it will continue the work aimed to obtain subsidies from the Central Government Budget, including for the coupon interest rates in the amount of 29.2 billion tenge, for the interest rates under the finance lease agreements for the purchase of cars, rail fitting platforms and locomotives.



GOAL 2. TO IMPROVE THE COMPANY'S PERFORMANCE



The strategic goal “To improve the Company’s performance” includes a number of significant initiatives, under which measures are taken to develop transit and domestic transportations, to transform the Company’s structure, improve the quality of use of productive assets, and implement the Digital Transformation and Digitalization Program.

REVIEW OF THE RESULTS

Kazakhstan's Economy in 2022

According to the 2022 results, Kazakhstan’s GDP grew by 3.2% versus the 2021 level (in 2021 – by 4.1%). The positive dynamics was observed in the following sectors of economy:

- construction – 9.4%;
- services-producing activities – 2.6%;
- agriculture – 9.1%;
- information and communications – 8.0%;
- trade industry – 5.0%;
- processing industry – 3.4%; and
- transport and warehousing – 3.9%.

The pace of growth in the mining industry dropped by 1%.

In 2022, the foreign trade turnover of Kazakhstan grew by 32.1% versus 2021, including exports – by 39.9% and imports – by 20.8%.

In 2022, rate of growth in GDP decreased, including due to the unstable political situation in the world, which caused a steep increase in the inflation, as well as had an impact on the dynamics of interest rates.

The annual inflation rate in the Republic of Kazakhstan in December 2022 was 20.3% (8.4% in December 2021), whereas the interest rates rose from 14.5% to 16% p.a.

Transportation Industry of Kazakhstan

In 2022, the transportation sector demonstrated the positive dynamics, however, there were some issues related to the destruction of conventional transport and logistic chains, in particular:

- the geopolitical situation and changed logistics, which resulted in the destruction of the conventional transport chain along the China – Europe – China route;
- difficulties in receiving and transferring trains at Kazakh-Chinese border crossings;
- impossibility to accept all the trains at the Kazakhstani-Russian and Kazakhstani-Turkmen border points;
- sanctions policy against Iran.

Freight Transportation Market Overview

According to the statistical data of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, in 2022, the freight turnover by all means of transportation was 602,962.5 million tkm, or 1% higher than in 2021.

The railway transport freight turnover (a half of the Country’s total freight turnover is by railways) grew by 4.3% and according to the 2022 results amounted to 311,927.0 million tkm.

The highest growth in the freight turnover was observed in inland water transport (54.5%) and marine transport

(23.4%). The pipeline transport freight turnover rose by 3.6%.

During the reporting year, the air transport freight turnover fell by 33.4%, and that of the motor one – by 7.6%.

Kazakhstan's freight turnover in 2022, with a breakdown by modes of transportation, in million tkm⁵

Transport mode	Freight turnover, in million tkm				Share in total freight turnover, in %	
	2020	2021	2022	Changes 2022/2021, in %	2021	2022
All modes of transportation	588,679.4	597,196.2	602,962.5	0.97	100	100
Pipeline transport	125,088.5	139,012.6	143,969.6	3.57	23.28	23.88
Aviation transport	56.2	81.7	54.4	–33.41	0.01	0.01
Waterborne transport	62.1	66.4	102.6	54.52	0.01	0.02
Railway transport	302,156.1	299,170.8	311,927.0	4.26	50.10	51.73
Motor and municipal electrical transport	160,685.5	158,311.9	146,227.1	–7.63	26.51	24.25
Marine transport	631.0	552.8	681.9	23.35	0.09	0.11

Passenger Transportation Market Overview

The key modes of transport that are used for passenger transportations are motor, railway and air transports.

Motor vehicles are widely used to travel both within the cities and between localities.

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



Railways are also a popular mode of passenger transportations in Kazakhstan. It has a number of advantages over the other modes of transportation, including high reliability and safety of transportations, as well as possibility to travel regardless of weather conditions.

Transportation by air is the fastest and most comfortable way to travel between cities in Kazakhstan. Many air carriers offer scheduled flights between major cities of the Country.

According to the information of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, the passenger-

distance for the reporting period was 116,516 million passenger-kilometers, or 9.1% higher than in 2021.

The major share of transportations (69%) is attributed to the motor and municipal electrical transports, which grew by 0.4% in 2022 versus 2021.

The substantial growth in the passenger-distance was observed in transportation by air. According to the 2022 results, the latter grew by 35.7%.

The passenger-distance of railway transportation rose by 33.2% versus 2021, hence, its share in the total passenger-distance grew by 22% to 14%.

Passenger-distance in Kazakhstan in 2022, with a breakdown by modes of transportation, in million pkm⁶

	Passenger-distance, in million pkm				Share in total passenger-distance, in %	
	2020	2021	2022	Changes 2022/2021, in %	2021	2022
All modes of transportation	108,283.6	106,813.1	116,516.1	9.08	100	100
Motor transport and municipal electrical transport	91,298.4	79,709.3	80,040.8	0.42	74.63	68.70
Aviation transport	8,335.0	14,815.7	20,109.3	35.73	13.87	17.26
Railway transport	8,649.3	12,286.1	16,363.0	33.18	11.50	14.04
Waterborne transport	0.5	1.4	2.4	71.4	0.00	0.00
Marine transport	0.3	0.6	0.7	16.7	0.00	0.00

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

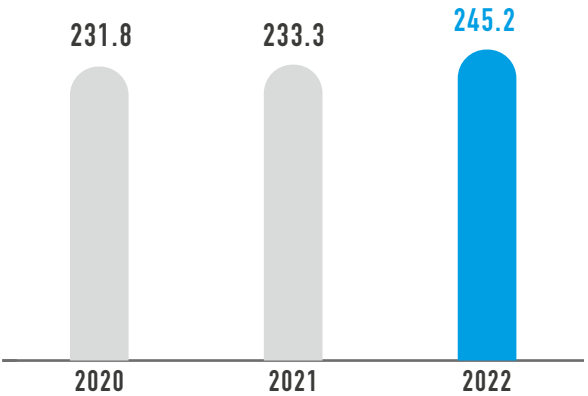
OPERATING RESULTS

GRI 2-6

Freight Transportation

In 2022, the Company's freight rate/turnover index was 245.2 billion tkm, or 5.1% higher than in 2021. The rise was predetermined by an increase in the freight turnover in the export and transit traffic.

Freight turnover in 2020 to 2022, in billion tkm



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

- the inland traffic fell by 1.9% due to the 0.8% decrease in the freight transportation volume, such as ferrous scrap metals, iron ore, grains, ferrous metals and non-ferrous ore;
- the export freight turnover grew by 10.3% due to the 14.7% rise in the average freight haul. The growth was predetermined by an increase in the average haul of entire range of freights, excluding non-ferrous metal ores, chemicals and fertilizers;
- the import freight turnover dropped by 2.3% due to the 3.0% decrease in the freight transportation volume. The volume of oil products, coal, chemicals, construction goods, ferrous scrap metals, fertilizers, ferrous metals, coal coke, and cement transported decreased;
- the transit volume rose by 14% due to the 10.5% increase in the transportation volumes. The volumes of the following freight transportations grew: coal transported from Kyrgyzstan to Belarus, Russia and European countries; iron ore from Russia to Uzbekistan and China; oil products from Russia and Belarus to the CA countries; grain from Russia to Kyrgyzstan; chemicals and caustic soda from China (polyvinyl chloride) to Uzbekistan, Poland and Russia, from Russia to Uzbekistan (ammonia, polyethylene) and China (rubber resin, polypropylene); fertilizers from Belarus to China, from Russia to the CA countries and Indonesia; ferrous metals from China to Russia and Uzbekistan, from Russia and Uzbekistan to



FREIGHT TURNOVER

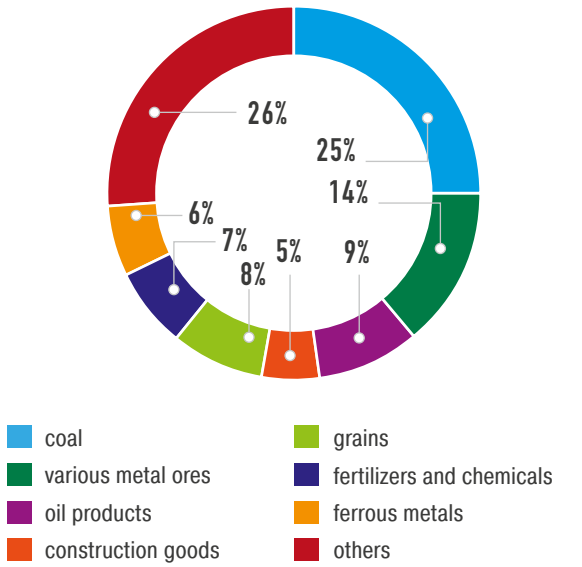
252 billion tkm

THE HISTORICAL, DURING KAZAKHSTAN'S INDEPENDENCE, PEAK ACHIEVED

China (copper); ferrous metals from Russia to the CA countries, as well as other goods such as paper and cardboard from Russia to China and from China to Russia, food stuffs from Russia to the CA countries, from China to Russia, Uzbekistan and Italy, and sugar from Brazil to Uzbekistan.

In 2022, 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 for 2022, in %



The freight turnover of the following goods grew in 2022 versus 2021:

- coal – by 3.5%;
- oil products – by 11.7%;
- grains – by 9.4%; and
- non-ferrous metals – by 20.5%.

TRANSIT TRAFFIC GRI 2-6

In a changing logistics environment, measures taken in 2022 to develop the transit traffic allowed the Company to maintain the positive transit traffic dynamics versus 2021 (+10%), including containerized transportations (+6%).

The key factors that contributed to the growth in the transit traffic are:

- the new traffic flow of coal from Kyrgyzstan to Russia, Belarus and European countries;
- the substantial growth in oil products transported from Russia and Belarus to the CA countries and Afghanistan due to the cut in the exchange prices in Russia;
- the increase in grain volumes transported from Russia to Kyrgyzstan;
- a changing transport logistics environment for chemicals – an increase in supplies of polyvinyl chloride and caustic soda from China to Russia and the CA countries;
- whereas no fertilizers were transported from Uzbekistan to Ukraine, the fertilizers (carbamide, potassium chloride, ammonium salt peter) sales geography broadened – Latvia, Poland, Belarus, and other European countries;
- the substantial growth in the volumes of potassium fertilizers transported in containers from Belarus to China;
- the increased containerized freight transportations along the China – Russia – China route (equipment and CG, polyvinyl chloride, food stuffs, metalware, electrical appliances, etc.).

To ensure a safe and uninterrupted clearance of the goods across Kazakhstan, measures are being taken to develop alternative routes.

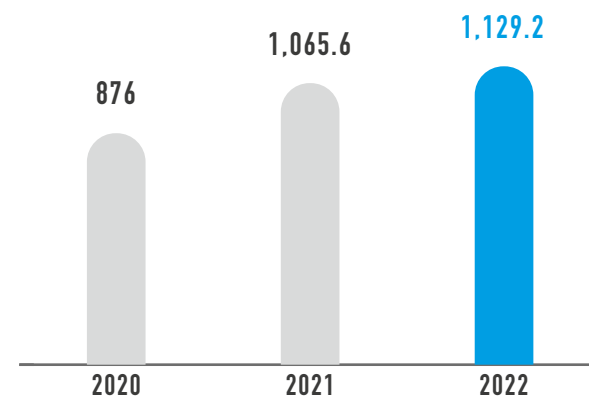
The Trans-Caspian International Transport Route is a promising direction of the international traffic development and is in high demand among consignors wishing to have their goods delivered to the seaports of Georgia, Turkey and further to the European markets.

The eastern direction of the International North-South Transport Corridor is also viewed by consignors as an alternative route to transport their goods to the markets of Iran, India and the Persian Gulf countries.

The containerized transit traffic grew by 6% versus 2021, to 1,129.2 thousand TEU.



Containerized transit traffic
in 2020 to 2022, in thousand TEU



The growth in the containerized transit traffic is associated with the increase in transportations along the China – Russia – China and China – Belarus – China routes.

According to the 2022 results, the containerized freight transportation along the China – Europe – China route dropped by 26% versus 2021, to 490 thousand TEU.

This reduction was substituted with potassium fertilizers transported from Belarus to China (grew 8.9 times versus 2021), and containerized transportations along the China – Russia – China route (grew 4.3 times versus 2021).

To develop its transit traffic, the Company:

- seeks to increase the transit traffic flow through the Trans-Caspian International Transport Route and North-South Transport Corridor to India and Persian Gulf countries through Iran and Iranian port city of Bandar Abbas;
- has organized and launched its container service – shuttle trains going along the TITR Altynkol – Aktau – Baku – Poti/Batumi route;
- has been working to minimize the administrative barriers;
- has been implementing the scheduled infrastructure projects in order to increase its capacities;
- has prepared the Road Map under the “Construction of the Ayagoz-Bakhty railway line” Project. According to the Road Map, NC KTZ JSC together with RZD OJSC have started analyzing the existing freight volumes to be transported along the Russia – Kazakhstan – China route until 2030.

KEY TRANSIT ROUTES



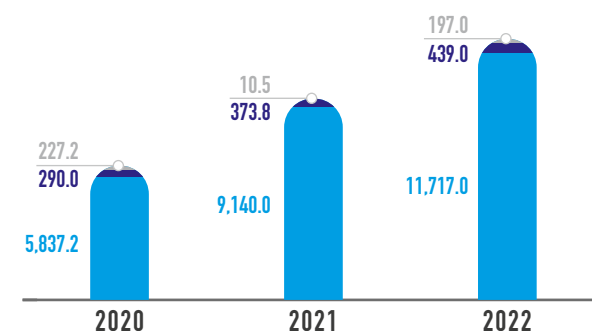


PASSENGER TRANSPORTATIONS

GRI 2-6

In 2022, the Company's passenger-distance grew by 29.7% versus 2021, up to 12,353 million pkm (9,524.3 million pkm in 2021). The growth in the passenger-distance was caused by the lifting of restrictions to the trains' movements imposed because of the coronavirus infection, and by the recommenced traffic of interstate and transit trains, as well as by the optimization of the route network for the Talgo trains, subject to the shift of some trains from the commercial routes to social ones.

Passenger-distance, in million pkm

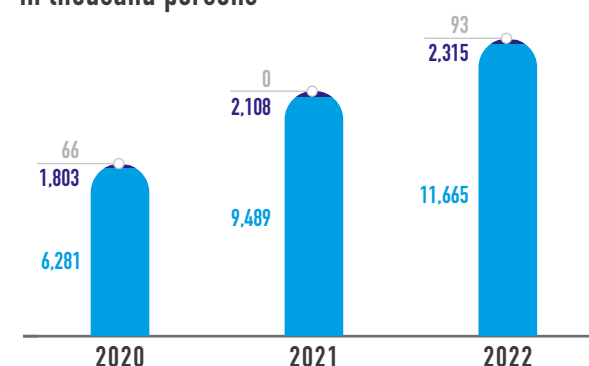


■ trains composed by ourselves
 ■ "Suburban Transportation" subsidiary
 ■ trains composed by the others' railway administrations

The number of passengers dispatched by Passenger Transportation JSC in 2022 was 14,073 thousand passengers (11,597 thousand passengers in 2021), including:

- by trains composed by Passenger Transportation JSC – 11,665 thousand passengers;
- by "Suburban Transportation" subsidiary – 2,315 thousand passengers; and
- by trains composed by the others' railway administrations – 93 thousand passengers.

Number passengers dispatched, in thousand persons

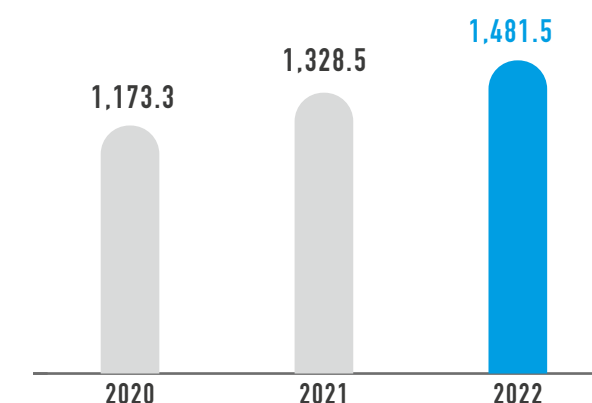


■ trains composed by ourselves
 ■ "Suburban Transportation" JSC
 ■ trains composed by the others' railway administrations

FINANCIAL PERFORMANCE

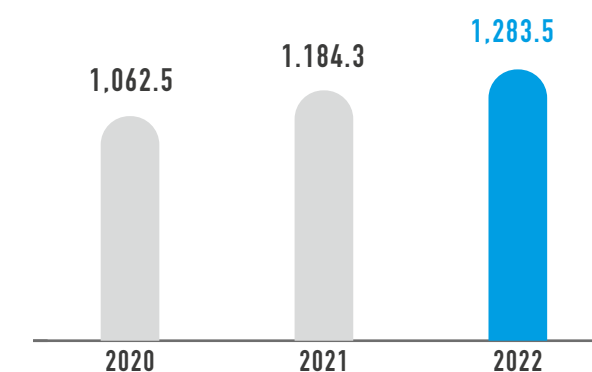
The operating income for 2022 amounted to 1,481.5 billion tenge, or 11.5% higher than the actual data for 2021. The rise was mostly predetermined by the 8.4% growth in revenues from freight transportation s (because of the 5.1% increase in the freight transportation volume) and passenger transportations by 54.4% (the passenger-distance grew by 29.7%).

Operating income, in billion tenge



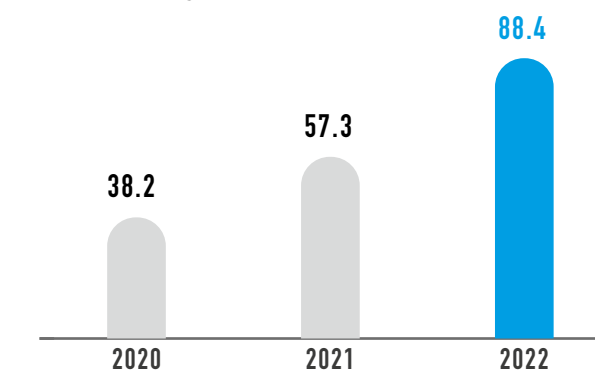
Revenues from freight transportation grew by 8.4% versus the actual volume in 2021, mostly due to the 5.1% increase in the freight turnover; the changed (Swiss franc) exchange rate used to measure income from transit traffic; and the growth in income resulted from the changes to the average level of the tariff rise, etc.

Revenues from freight transportation, in billion tenge



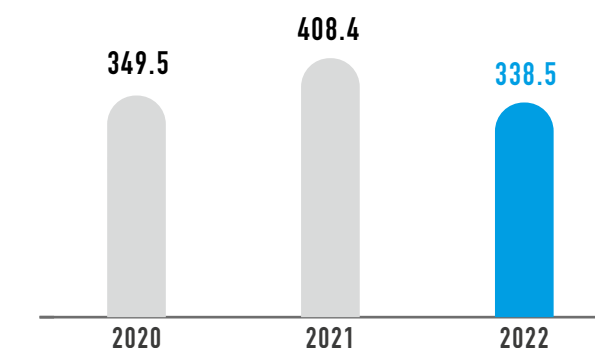
In 2022, revenues from passenger transportations amounted to 88.4 billion tenge, i.e. were 54.4% higher than the actual data for the same period of 2021 due to the 29.7% growth in the passenger-distance.

Revenues from passenger transportations, in billion tenge



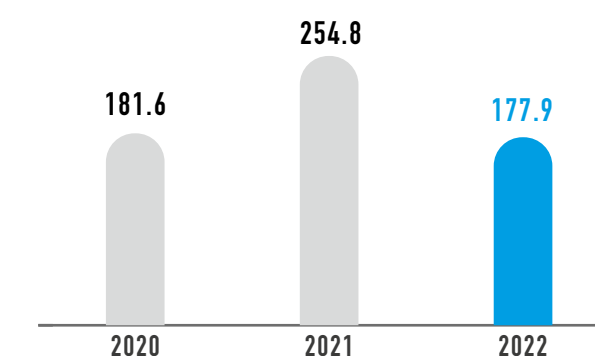
EBITDA for 2022 was 338.5 billion tenge, or 17.1% lower than the actual level in 2021.

EBITDA, in billion tenge



In 2022, operating profit amounted to 177.9 billion tenge, i.e. was 30.2% lower than the actual value for 2021.

Operating profit, in billion tenge



Net income attributable to the Shareholder was 34.9 billion tenge in 2022, or 84.2 billion tenge lower than the actual value for the same period of 2021, mostly because of the closure of the Swiss francs hedging transaction worth 54.4 billion tenge and due to the rise in the cost by 222.3 billion tenge (22.8%) because of an increase in the freight turnover volume by 5.1%, passenger-distance by 29.7%, rise in the employees' salaries, changes to the inflation index, MCI, MS and other macroeconomic indicators, as well as the 23.0 billion tenge growth in the exchange loss.



MD&A REVIEW

Strategic and analytical financial KPI

In 2022, NAV was 1,088,787 million tenge, or 77,675 million tenge higher than the target value (1,011,112 million tenge) due to the fact that equity attributable to the Shareholder grew by 8,551 million tenge because of the changes to the authorized capital, provisions and retained earnings. Besides, in fact, the source of funding of the “Modernization of the Dostyk-Aktogay-Moiynty railway transit corridor”

investment project worth 164,067 million tenge, was changed. The project is financed against funds borrowed from the National Fund. This fact — now viewed as a positive one — affects the NAV calculations with regard to the “Contribution to the authorized capital” line. Furthermore, the loan has been received on favorable terms, its rate is below the market one, and this has a negative effect on the indicator through NAV with regard to the “Discount on loans from the Government and others” line, in the amount of 94,704 million tenge.

Impact factors	Variance
NAV, in million tenge	77,675
including:	
Equity attributable to the parent company’s Shareholder	8,551
including:	
authorized capital	(163,828)
retained earnings	170,166
other changes in equity (additional paid-in capital, provision for foreign currency conversion)	2,213
Contribution to the authorized capital	163,828
change in the authorized capital for the period (the source of funding of the “Modernization of the Dostyk-Aktogay-Moiynty railway transit corridor” investment project changed)	164,067
Discount on loans from the Government and others	(94,704)

Analytical KPI

Net income for 2022 is the profit in the amount of 34,887 million tenge, i.e. 71,278 million tenge higher than the approved target (loss in the amount of 36,391 million tenge), mostly because of:

- the 60,027 million tenge growth in revenues from freight transportation due to the rise in revenues gained from the export, import and transit traffics,

- since the transportation volumes increased by 5.7%, 9.6% and 7.3%, respectively, as well as due to the growth in proceeds from additional charges, mutual settlements between the railway administrations, freight cars rental income and freight forwarding;
- the 23,074 million tenge growth in gains from side activities (balance) due to the actual income gained in 2022, which had not been planned earlier;

- the 17,981 million tenge savings in general and administrative expenses (net) in the result of measures taken and absence of any actual expenses related to the provisions;
- the 8,656 million tenge increase in revenues from penalties received to the 2022 results;
- the 5,178 million tenge growth in revenues from passenger transportations due to the 6.2% rise in the passenger-distance;
- the 4,772 million tenge decrease in exchange losses due to the change in the foreign currencies’ exchange rates;
- the 3,927 million tenge increase in inventory sales proceeds due to the sale of spare parts to third-party entities;
- the 2,117 million tenge growth in the share of profit of entities accounted for using the equity method, due to the improved financial performance of the associates and jointly controlled entities;
- the 742 million tenge growth in subsidies to cover the passenger transportations losses thanks to the subsidies actually allocated by the MIID of the RK to cover costs towards socially significant routes, subject to the 6.2% growth in the passenger-distance.

The factors having an adverse impact on the indicator are as follows:

- the 30,618 million tenge growth in CIT expenses due to the change in the tax assessment basis, subject to the hedging transactions;
- the 6,281 million tenge increase in financing costs in the result of short-term loans (which had not been planned) received in 2022 to replenish the working capital, to place the local bonds at KASE, and to

- borrow funds from the National Fund to finance the “Modernization of the Dostyk-Aktogay-Moiynty railway transit corridor” investment project and to refinance the Eurobonds;
- the 6,209 million tenge increase in expenses towards the cost due to the rise in:
 - the prices of fuels and electricity by 2.7% and 37.5%, respectively;
 - specific fuel and electric power consumption by 3.5% and 9.4%, respectively;
 - the diesel traction transportation volume by 5.0%;
 - labor costs due to the gradual shift to the unified Oblast coefficients from July 1 and October 15, 2022, in the result of the socioeconomic and natural and climatic conditions in Kazakhstan’s regions;
 - the 5,610 million tenge increase in the asset impairment costs in the result of the creation of the provisions for financial assets, inventories, VAT refund, and costs reclassified in compliance with the IFRS assumption;
 - the 5,384 million tenge increase in tax expenses being a part of the general and administrative expenses, due to the actual operating results recognized for 2022, mostly VAT that had not been taken as an offset;
 - the 1,001 million tenge increase in the non-controlling interest due to the improved financial performance of the subsidiaries having minority shareholders;
 - the 94 million tenge decrease in revenues from auxiliary services rendered to the third-party entities due to the reduction in the volume of services provided.



Impact factors	Variance, million tenge
Net income, million tenge	71,278
including:	
Positive factors:	
growth in revenues from freight transportation	60,027
growth in proceeds from side activities (balance)	23,075
saving in G&AE, excluding taxes, provisions and expenses towards maintenance of social infrastructure	17,981
increase in revenues gained from penalties received	8,656
growth in revenues from passenger transportations	5,178
reduced exchange loss (balance)	4,772
increase in inventory sales proceeds	3,927
decrease in the share of profit of entities accounted for using the equity method	2,117
subsidies increased	742
Negative factors:	
growth in CIT expenses	(30,618)
growth in financing costs	(6,281)
growth in expenses towards the cost	(6,209)
increase in asset impairment costs	(5,610)
growth in tax (G&AE) expenses	(5,384)
increase in the non-controlling interest	(1,001)
decrease in proceeds from auxiliary services rendered to third-party entities	(94)

ROACE for 2022 was 4.5%, or 2.79 percentage points higher than the target value (1.71%) due to the 84,876 million tenge increase in NOPAT because of the growth in the net income before the deduction of the non-controlling interest in the amount of

72,280 million tenge. The key reasons for the growth in net income before the deduction of the non-controlling interest are as follows:

- the 60,027 million tenge growth in the revenues from freight transportation, which was caused

by the increase in the proceeds gained from the export, import and transit traffics because of the transportation volumes increased by 5.7%, 9.6% and 7.3%, respectively, as well as the growth in gains from additional charges, mutual settlements between the railway administrations, freight cars rental income and freight forwarding;

- the 23,074 million tenge increase in profits from the side activities (balance) due to the actual proceeds gained in 2022, which had not been planned earlier;
- the 17,981 million tenge savings in general and administrative expenses (excluding taxes) due to the measures taken and absence of the actual provision-related expenses;
- the 8,656 million tenge increase in proceeds from the penalties received to the 2022 results;
- the 5,178 million tenge increase in revenues from passenger transportations due to the 6.2% growth in the passenger-distance;
- the 4,772 thousand tenge decrease in exchange losses related to the changes in the foreign currencies' exchange rates;
- the 3,927 million tenge increase in the inventory sales proceeds in the result of the sale of spare parts to the third-party entities;
- the 2,117 million tenge increase in the share of profit of entities accounted for using the equity method thanks to the improved financial performance of associates and jointly controlled entities;
- the 742 million tenge growth in subsidies to cover the passenger transportations losses thanks to the subsidies actually allocated by the MIID of the RK to cover costs towards socially significant routes, subject to the 6.2% growth in the passenger-distance.



Besides, the 12,596 million tenge growth in expenses towards banks' fees (including CIT) had a positive effect on NOPAT, due to the short-term loans (which had not been planned earlier) received in 2022 to replenish the working capital, place the local bonds at KASE and to borrow from the National Fund in order to finance the "Modernization of the Dostyk-Aktogay-Moiynt railway transit corridor" investment project and refinance the Eurobonds.

The change in the average capital employed, which is related to the 47,139 million tenge decrease in the borrowed capital, mostly because of finance lease agreements signed actually, had also a positive effect on ROACE.

Furthermore, the equity value grew by 9,554 million tenge due to the change in the authorized capital, provisions, and retained earnings.

Impact factors	Variance, million tenge
ROACE, in %	2.79%
including:	
Growth in NOPAT	84,876
including:	
Net income (loss) before deduction of non-controlling interest	72,280
Interest expenses (including CIT)	12,596
Reduction in ACE (mean value)	(18,792)
including:	
Changes in CE in 2022	(37,585)
including: equity (reduction)	9,554
borrowers' liabilities (reduction)	(47,139)

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.

The transformation of the Company's structure, reduction in the number of legal entities, asset management levels and decision to divest assets that do not belong to the core activities, will allow the Company to efficiently redistribute its resources in order to increase the value of the Company and raise its earning power.

The corporate portfolio of the Company is represented by the following five units:

No.	Business-line	Name of the second-tier entities	Participatory interest ⁷
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%
		KTZ Express JSC	100%
		Kedentransservice JSC	100%
4	TRANSPORT AND LOGISTICS UNIT	“United Transport and Logistics Company – Eurasian Rail Alliance” JSC (UTLC-ERA)	33.33%
		Port Kuryk LLP	100%
		NC Aktau Sea Commercial Port JSC	held in trust
		Transtelecom JSC	25%
5	CORE AND AUXILIARY UNIT	Militarized Railway Guard LLP	100%
		Temirzholsu JSC	100%
		Dosjan Temir Zholy JSC	46.016%

Pursuant to its Development Strategy, the Company keeps on taking measures to alienate assets that do not belong to its non-core assets of the group of companies of NC KTZ JSC. In 2019 to 2022, 26 entities in total were withdrawn from the NC KTZ JSC perimeter.

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

7 Structure of the NC KTZ JSC's Group of companies as of 01.01.2022 (tiers 1, 2).

KEY BUSINESS UNITS OF THE COMPANY

GRI 2-6

KTZ FREIGHT TRANSPORTATION LLP

Year of establishment – **2016**
(Interest held by NC KTZ JSC – 100%)

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 JSC⁸.

BUSINESS UNIT OVERVIEW

HEADCOUNT

 **44.9** thousand persons

ROLLING STOCK

 **1.6** thousand locomotives

REGIONAL SUBSIDIARIES

 **11** regional subsidiaries

 **3** representative offices in China, Iran and Russia

INFRASTRUCTURE

 **17** car-repair sheds

 **30** locomotive depots

 **831** stations

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	2020	2021	2022	Changes 2021/2020, in %	Changes 2022/2021, in %
Proceeds, in billion tenge	1,019.2	1,178.9	1,332.6	15.7	13.0
Operating profit, in billion tenge	110.8	50.7	26.1	–54.2	–48.5
EBITDA, in billion tenge	129.2	68.8	44.8	–46.7	–34.9
Freight rate/turnover index, billion tkm	229.7	225.6	232.5	–1.8	3.1
Freights transported, in million tonnes	278.3	267.7	259.8	–3.8	–3.0
Headcount, in persons, including:	47,301	44,894	44,944	–5.1	0.1
Proportion of women, in %	26	26	26	0	0
Administrative and managerial staff, in persons	1,910	1,666	1,494	–12.8	–10.3
Operating personnel, in persons	45,391	43,228	43,450	–4.8	0.5
Social stability index, in %	72	69	61	–4.2	–11.6
Volume of wastes, in thousand tonnes	9.3	9.1	8.7	–2.2	–4.4

In 2022, the freight turnover of KTZ Freight Transportation LLP was 232.5 billion tkm, or 3.1% higher than in 2021. The rise was predetermined by an increase in the freight turnover in the export and transit traffics.

For the reporting period, proceeds of KTZ Freight Transportation LLP grew by 13.0% versus 2021. This was caused by the rise in the freight turnover, fluctuations in the exchange rate used to calculate revenues from the transit traffic and for mutual settlements between the railway administrations.

PASSENGER TRANSPORTATION JSC

Year of establishment – **1998**
(Interest held by NC KTZ JSC – 100%)

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

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

HEADCOUNT

 **10.8** 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	2020	2021	2022	Changes 2021/2020, in %	Changes 2022/2021, in %
Proceeds, in billion tenge	68.9	91.6	122.5	32.9	33.7
Operating profit, in billion tenge	9.3	–6.1	2.3	–165.6	137.7
EBITDA, in billion tenge	–4.8	4.1	14.4	–185.4	251.2
Passenger-distance, in billion pkm	6.4	9.5	12.4	49.9	30.5
Passengers dispatched, in million passengers	8.2	11.6	14.1	42.3	21.6
Headcount, in persons, including:	11,611	10,766	10,787	–7.3	0.2
Proportion of women, in %	33	33	32	0	–3.0
Administrative and managerial staff, in persons	663	634	617	–4.4	–2.7
Operating personnel, in persons	10,948	10,132	10,170	–7.5	0.4
Social stability index, in %	71	65	58	–8.5	–10.8
Pollutant emissions, in tonnes	862.3	795	546.1	–7.8	–31.3
Volume of wastes, in thousand tonnes	10.3	10.2	9.9	–1	–2.9

Note: Operating profit for 2020 and 2021 has been adjusted due to a change in the calculation methodology regarding the inclusion of impairment of assets.

In 2022, the proceeds grew by 33.7%, operating profit – by 137.7%, and EBITDA – 2.5 times versus 2021, due to an increase in the passenger-distance.

The growth in the financial and operational indicators observed in 2022 was caused by the rise in the population's demand, an efficient management of the rolling stock, marketing activities performed, the recommended train traffic, dynamic tariff regulation and commercial segment rate setting.

KTZ EXPRESS JSC

Year of establishment – **2013**
(Interest held by NC KTZ JSC – 100%)

KTZ Express JSC provides a complete range of transport and logistics services within traffics of any kind, by integrating the transportations 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 transportations of the temperature sensitive goods.

BUSINESS UNIT OVERVIEW

HEADCOUNT

 **740** persons

ROLLING STOCK

 **7.7** thousand containers 20 and 45 foot

 **1.9** thousand rail fitting platforms

REGIONAL SUBSIDIARIES

 **3** regional subsidiaries

 **2** representative offices in the foreign countries in 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	2020	2021	2022	Changes 2021/2020, in %	Changes 2022/2021, in %
Proceeds, in billion tenge	30.9	32.9	38.2	6.5	16.1
Operating profit, in billion tenge	–8.3	19.3	14.4	–332.5	–25.4
EBITDA, in billion tenge	14.6	24.4	23.2	65.8	–4.1
Forwarding of containerized freight transportations, in thousand TEU	355.4	329.7	378.0	–7.2	14.6
Forwarding of transportation by railways, in thousand tonnes	6,471	3,372	1,433.0	–47.9	–57.5
Headcount, in persons, including:	571	559	740	–2.1	32.4
Proportion of women, in %	43	42	41	–2.3	–2.4
Administrative and managerial staff, in persons	181	181	210	0	16.0
Operating personnel, in persons	390	378	530	–3.1	40.2
Social stability index, in %	79	87	85	10.1	–2.3
Volume of wastes, in tonnes	307.5	401.58	366.66	30.6	–8.7
Emissions into the air by stationary pollution sources, in tonnes	13.9	16.57	14.29	19.2	–13.8

Note: Operating profit for 2020 and 2021 has been adjusted due to a change in the calculation methodology regarding the inclusion of impairment of assets.

In 2022, proceeds of KTZ Express JSC amounted to 38,222 million tenge, or 16.1% higher than in 2021. The increase was caused by an excessive amount of income gained from the operation of the rail fitting platforms.

The growth in the forwarding of containerized freight transportations (by 6.8% versus 2021) is attributed to the increase in the transportation volumes along the PRC-RF-PRC route (Moscow hub) and ensured return load along the PRC-EU-PRC route (Belintertrans Germany GmbH performed transportations of the “potassium” cargoes from Belarus to the PRC).

In 2022, the forwarding of transportation by railways amounted to 1,433 thousand tonnes, or 57.5% lower than in 2021. The reasons for the decrease in the indicator are restrictive political and economic sanctions imposed by states and international organizations against Russia, including on the shipment of goods/services from Russia, sanctions on the closure of borders on the transportation of shipped goods from Russia in the direction of Belarus, Europe, the Baltic states, including the refusal of the owners of Russian rolling stock to use them wagons in the transportation of goods in the above directions, the absence of special tariff conditions for the transportation of transit cargo (oil and petroleum products of wood/lumber, petroleum coke).

KAZTEMIRTRANS JSC

Year of establishment – 2003
(Interest held by NC KTZ JSC – 100%)

Kaztemirtrans JSC is the operator of the Country’s largest 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 bulk cargoes, such as coal, grains, flour and mill stock, ores, mineral fertilizers and cement.

BUSINESS UNIT OVERVIEW

HEADCOUNT

 **1** thousand persons

ROLLING STOCK

 **39.9** 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	2020	2021	2022	Changes 2021/2020, in %	Changes 2022/2021, in %
Proceeds, in billion tenge	147.9	105.7	135.1	–28.5	27.8
Operating profit, in billion tenge	27.9	7.9	24.3	–71.7	207.6
EBITDA, in billion tenge	54.8	32.0	44.6	–41.6	39.4
Freights transported, in million tonnes	86.5	82.8	82.8	–4.3	0
Headcount, in persons, including:	903	1,138	1,023	26.0	–10.1
Proportion of women, in %	48	43	45	–10.4	4.7
Administrative and managerial staff, in persons	326	342	328	4.9	–4.1
Operating personnel, in persons	577	796	695	38.0	–12.7
Social stability index, in %	80	80	79	0	–1.3

Note: Operating profit for 2020 and 2021 has been adjusted due to a change in the calculation methodology regarding the inclusion of impairment of assets.

According to the 2022 results, proceeds of Kaztemirtrans JSC amounted to 135.1 billion tenge, or 27.8% higher than in 2021. The growth was attributed to the increase in revenues from operating services and rent. The operating profit was 24.3 billion tenge,

or 207.6% higher than in 2021. The growth was mainly caused by the operating services and freight car rental income.

KEDENTRANSSERVICE JSC

Year of establishment – 1997
(Interest held by NC KTZ JSC – 100%)

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

HEADCOUNT

1.7 thousand persons

ROLLING STOCK

4.4 thousand containers 20, 60, and 80 foot

REGIONAL SUBSIDIARIES

11 regional subsidiaries
3 representative offices in China, Uzbekistan and Belarus

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, operation of the rail fitting platforms, and performance of containerized freight transportations along various routes.

Key activities:

- provision of the rail fitting platforms;
- transshipment services (at Dostyk and Altynkol stations);
- terminal services;
- containerized freight transportation service.

KEY PERFORMANCE INDICATORS

Particulars	2020	2021	2022	Changes 2021/2020, in %	Changes 2022/2021, in %
Proceeds, in billion tenge	24.2	37.3	43.2	54.1	15.8
Operating profit, in billion tenge	3.0	6.8	15.2	126.7	123.5
EBITDA, in billion tenge	5.9	12.7	20.1	115.3	58.3
Rolling stock operation, in thousand TEU	219.6	243	277.7	10.7	14.3
Headcount, in persons, including:	1,921	1,755	1,716	−8.6	−2.2
Proportion of women, in %	19	20	21	5.3	5.0
Administrative and managerial staff, in persons	561	553	503	−1.4	−9.0
Operating personnel, in persons	1,360	1,202	1,212	−11.6	0.8
Social stability index, in %	–	84	77	100	−8.3
Volume of wastes, in thousand tonnes	3.8	3.8	3.8	0	0

Note: Operating profit for 2020 and 2021 has been adjusted due to a change in the calculation methodology regarding the inclusion of impairment of assets.

In 2022, the operating volume grew by 14.3% versus 2021 due to the increase in transportations within the import, export, and inland traffics.

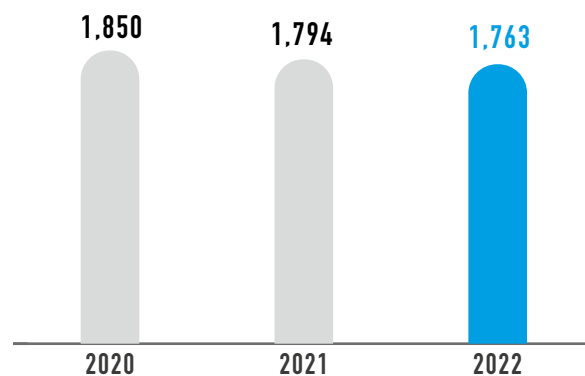
EBITDA increased by 58.3% compared to 2021 due to an increase in the profit of operating rolling stock.

In 2022, proceeds grew by 15.8% versus 2021 due to the efficient utilization of the logistic processes.

IMPROVEMENT OF OPERATING EFFICIENCY

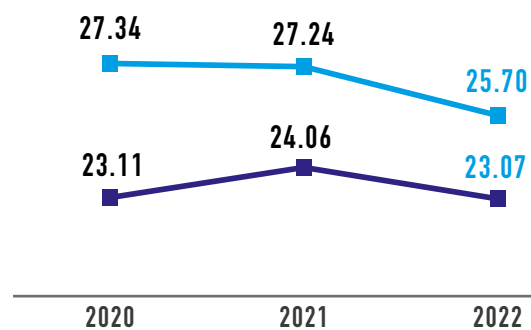


Average daily performance of the locomotive, in thousand tkm, gross



In 2022, the average daily performance of the locomotive fell versus the 2021 level due to the reduction in the locomotive's average daily kilometrage. The kilometrage reduced because of the 5.3% increase in the freight turnover, lack of the spare capacity of the infrastructure, and growing trains' delays en route (by 17.6%).

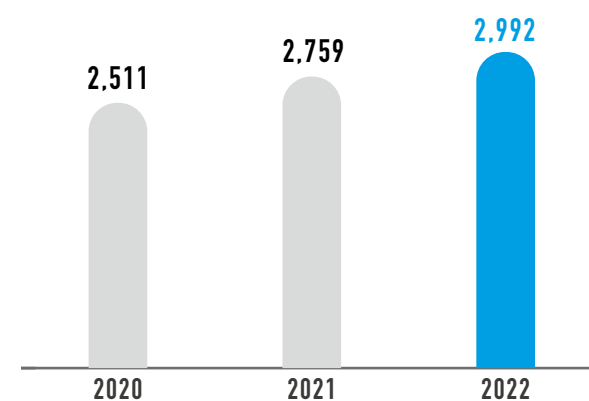
The dynamics of changes in specific fuel consumption by haulage of trains, in kg/ch



■ haulage of train, total, in kg/ch
■ in freight trains, kg/ch

In 2022, the total specific consumption by the haulage of trains dropped by 5.65% versus 2021. The decrease was caused by the following reasons: the 2.1% reduction in the operating speed, the 0.1% decrease in the fleet operated in the freight traffic (the 11.2% decrease in the economic traffic, and 1.5% one in the shunting traffic), as well as by the growth in the train's average weight by 3%.

Labor efficiency, equated, in thousand tkm/person



In 2022, the increase in the labor efficiency was predetermined by the growth in the freight turnover and passenger-distance values.

INVESTMENT ACTIVITIES

GRI 203-1

In 2022, NC KTZ JSC allocated 378 billion tenge to the development of the railway infrastructure and renewal of the rolling stock.

Thanks to these investments, the works were performed to accomplish the construction of a ferry complex at the Kuryk port, modernization and repairs of the superstructure (551 km of the route), locomotives and cars were purchased and repaired, measures were taken to renew the railway infrastructure, develop transport logistics and improve traffic safety.

INFRASTRUCTURE PROJECTS OF THE COMPANY

Construction of the second track within the Dostyk – Moyinty section

In pursuance of the "Strong regions are the driver of the Country's development" National Project, the construction of the second tracks was commenced within the Dostyk – Moyinty section in November 2022. 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 an opportunity to transport Kazakhstani exporters' goods in this direction.

The construction is to be performed using local materials (ties, rails, transformers, etc.). furthermore, the local content share is expected to exceed 80%. Under the Project, 3,700 construction workers will be engaged; after the line is commissioned, there will be 500 full-time jobs at the railways.

The implementation of the Project will contribute to the development of small and medium-sized businesses. The cumulative effect from the Project implementation will allow increasing the budget revenues by additional 4.1 trillion tenge for 20 years.

The construction is to be completed in the 4th quarter of 2025.



The National Project also specifies certain railway infrastructure projects, including:

- the "Construction of the Darbaza – Maktaaral railway line," which will allow reducing the deficit of capacities in Uzbekistan's direction,
- as well as the "Construction of the Almaty rail bypass line," which is to reduce the extra load on the Almaty hub by 30% and freight delivery time to 24 hours.

Plans for 2023 and Mid-Term Plans

NC KTZ JSC will explore the matters related to the implementation of the following major infrastructure projects:

- the construction of the rail bypass line around the railway hub of Almaty station, which will allow reducing the load on the Almaty hub and freight delivery time;
- the construction of the Darbaza – Maktaaral railway line, which will allow lessening the load on the Saryagash – Tashkent section operating at full stretch, by reorienting the traffic flow to the new line;
- the construction of the Bakhty – Ayagoz railway line, which will allow extending the infrastructural capacities to/from the PRC.

It is also planned to take a number of measures aimed to back up the current operations in a trouble-free way and to improve the traffic safety level, including overall repair of the superstructure, as well as renewal and overall repair of the rolling stock.

DIGITAL TRANSFORMATION AND DIGITALIZATION PROGRAM

DIGITAL TRANSFORMATION

The Digital Transformation Program of NC KTZ JSC is one of the instruments to achieve the strategic goals of the Company.

The goal of the Program is to increase the value of NC KTZ JSC and to implement the transformative changes by improving the cost effectiveness of the services provided, perfecting its business processes, digitalizing and automating its operations, as well as by improving its employees' professionalism.

Key changes in the Program Project Portfolio in 2022:

Projects completed	• Inventory management; • Transfer of freight cars for service maintenance; • Railway passenger transportation marketing and sales; • Operating efficiency; • Introduction of the new data management model.
Put into operations and excluded from the Portfolio	• Harmonization of the stations' processes using reference approaches; • New organization model of Passenger Transportation JSC and company management system, IT Development Strategy; • Centralization and automation of business functions at KTZ Freight Transportation LLP.

The Program Project Portfolio includes 12 projects (9 projects being implemented, 3 projects that are subject to post-monitoring):

Projects being implemented	Projects being subject to post-monitoring
1. Integrated Planning System (IPS); 2. Train Traffic Control Center (reboot); 3. Transition of locomotives to the "Single Point of Contact" control system; 4. Improvement of operating efficiency of Kedentransservice JSC's terminals; 5. Improvement of locomotive traction performance; 6. Optimization of specific fuel and electricity consumption by KTZ Freight Transportation LLP; 7. Improvement of shunting operations' efficiency; 8. Control for and coordination of the import-transit freight traffic flow at the frontier stations of Dostyk and Altynkol; 9. Non-core activities outsourcing.	1. Introduction of mobile troubleshooters within Magistral AMS; 2. Operating efficiency; 3. Railway passenger transportation marketing and sales.

Key Results of the Program in 2022:

1. Kedentransservice JSC automated the customer relationship and Almaty-1 terminal operation control processes.
2. The Train Traffic Control Centers were launched in the Northern and Southern regions.
 3. 90% of rail tractors were switched to the "Single Point of Contact" control system.

DIGITALIZATION

To ensure efficient management and flexibility of the business, as well as to upgrade its obsolete information systems, the Company adopted the Information Technologies Development Strategy of NC KTZ JSC for 2022–2026⁹. The desired status of the Company's IT will be described in terms of a highly integrated software and hardware infrastructure. All the IT management and development works will be subject to the Company's business development objectives, will have a single control center, and will be based on the following approaches:

- reengineering of the existing processes, which involves the revision and modification of the processes in order to avoid any inefficient steps, corruption risks and reduce the service delivery time;
- technological improvement and transition to the platform-based and microservice digitalization model;
- introduction of the "Big Data" concept and adoption of the "Data Driven Company" principle;
- achievement of objectives aimed at improvement of the employees' competence and interrelations with the business community;
- setup of the system and infrastructure protection of software;
- creation of an innovative ecosystem;
- no dependence on the third party companies;
- prioritization projects as required by the proper infrastructure.

The Company's Digitalization Strategy generally covers some specific areas:

- automation of the freight and commercial operations with the view of eliminating any direct contacts between consignor customers and the Company's employees;
- optimization of the transportation management to improve the transportation process efficiency and to ensure further integration with private carriers and neighboring railway administrations;
- control for the BRN infrastructure to improve the railways' safety and to optimize the track possession;
- automation of the passenger transportation organization processes, including smart ticketing, combating ticket touts and improvement of the in service control when providing the transportation services.

In pursuance of the said Strategy, in 2023 it is planned to continue the following measures:

- implementation of the major TMS (Transportation Management System) Project, which involves creating an information system allowing to ensure that decisions are made with regards to the transportation process at all management levels based on the automation of the main functionalities.
- creation of the single digital point of contact (SM) through the centralization of the Company's business functions, consolidation of the management systems and interrelations with customers. The customer will have an opportunity to "knock" at the only door. The control for the quantities and quality of the rendered services will be toughened thanks to transparency of the processes.
- arrangement of transportations using the paperless technology, to/from China and other countries along the TITR corridor.
- modernization of the railway automatics to improve safety and increase capacities of the railways.
- reengineering and automation of the main enterprise management processes.
- development of corporate services designed to increase the document processing speed and to improve the quality of the document monitoring, to reduce expenses and costs towards documentation management. The employees' Personal Accounts and online services will be created within the mobile application (salary slips, certificates, vacation, business trip, etc.), and the joint (with the subsidiaries) cloud-based document circulation will be provided. In addition, routine tasks will be robotized, and this will allow accelerating business processes and reducing the work performance time by 70% or more.
- step-by-step integration of the information systems with those of the government bodies. This will allow customers to receive the services in less time, without unnecessary papers, whereas the Company will be able to improve its performance.
- upgrading and modernization of the server infrastructure and data communication networks, including, creation of own and use of the cloud data centers, thanks to which the Company will be able to provide itself with the required computation capacities.
- elaboration of the video surveillance system setup concept of the NC KTZ JSC Group.

9 Approved by Resolution of the Board of Directors of NC KTZ JSC dated March 16, 2022 (minutes #5).

GOAL 3. TO IMPROVE CUSTOMER SATISFACTION



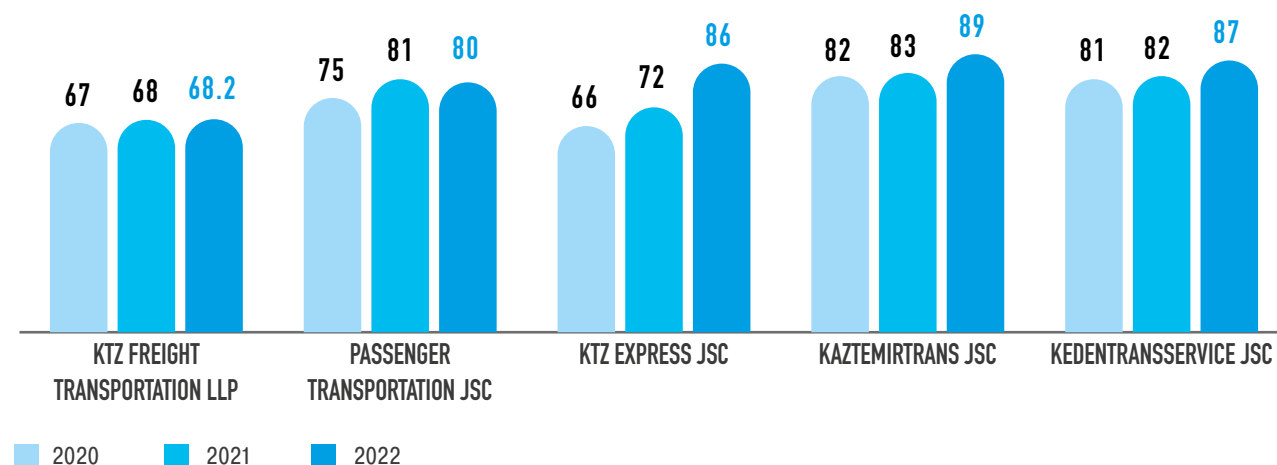
The level of satisfaction of the Company's customers with the quality of freight, passenger transportation, transport and logistic services is one of the strategic goals of the Company.

CUSTOMER SATISFACTION

The periodic assessment of customer satisfaction allows the Company to find out strengths and weaknesses in the interrelations with our customers and to make decisions on a timely basis with regards to the subsidiaries' further development steps aimed to improve customers' satisfaction and loyalty.

Customers are polled using questionnaires published on the corporate web-sites of the Company's subsidiaries, which are to be filled in.

Level of customer satisfaction in 2020 to 2022, in %



WITH RESPECT TO PASSENGER TRANSPORTATIONS

The following initiatives to improve service and tariffs' affordability were implemented by Passenger Transportation JSC in 2022:

Marketing actions

The loyalty program project was being successfully implemented since January 2022. The project was aimed at the step-by-step introduction of the new discount cards "Altyn," "Kumis," and "Zhastar." The goal of the program was to reduce the railway charges by 25% at Passenger Transportation JSC's trains during the card's validity (365 days). 332 discount cards were purchased during the year.

In 2022, certain marketing actions were launched on weekdays in trains with a low occupancy, including the Talgo trains. These actions were supposed to encourage passengers to go for additional rides by train. In the result of these actions, over 15 thousand travel tickets were purchased. This caused an increase in the passenger-distance by 12% on average.

In December 2022, Passenger Transportation JSC together with NC Kazakh Tourism JSC proposed the passengers to go for an adventurous ride by a New Year festive train from Astana to the Borovoye Resort and back.

Tariff setting policy



In July 2022, Passenger Transportation JSC successfully introduced the dynamic pricing system on the socially significant routes. This system is designed to set up flexible tariffs, depending on the booking trending and demand for the passenger transportation services. Besides, the dynamic pricing system also regulates the tariffs of the commercial routes and cars.

In the result of the flexible tariff setting policy implemented in 2022, the passenger distance on the commercial trains was increased by 12% versus the 2022 target. The implementation of the project encourages the consumer demand and helps Passenger Transportation JSC retain its standing on the passenger transportation market.

Electronic Ticket Sales System

In 2022, Passenger Transportation JSC undertook further work to improve the Electronic Ticket Sales System by adding the following functions to it:

- the function that allows returning of travel tickets through the web-site bilet.railways.kz was implemented, regardless of the place where the tickets had been purchased and the payment method used;
- the function was introduced in the booking offices to issue special rate tickets subject to the disability verification through the “Digital documents” service of the egov Mobile application;
- the function was added for children to be picked up through the guard’s mobile terminal using their electronic birth certificates;
- the information of the availability of an air conditioner in the Talgo passenger car was added to the electronic ticket form.

By the end of 2022, the share of the tickets sold online grew to 72% versus 70% as of the end of 2021. So, the improved Electronic Ticket Sales System and increased share of the online sales allow Passenger Transportation JSC to render a more convenient and accessible service to its passengers.

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

Renewal of the Rolling Stock

In 2022, 62 new passenger cars were delivered to Passenger Transportation JSC from Passenger Coaches Manufacturing Plant Tulpar LLP and 5 cars from ZIKSTO JSC. These cars were partially incorporated in the train sets on the following routes: Almaty – Pavlodar and Almaty – Oskemen. The renewal of the rolling stock allowed the company to improve the quality of its passenger transportations and to give more comfort to its passengers.

Improving the service

In 2022, Passenger Transportation JSC fitted its passenger cars with an entertainment multimedia portal, which can be used through Wi-Fi from the passengers’ devices to access movies, music and other entertainment shows. The company also introduced the catering and service standard shall will be applicable to its restaurant cars, bar lounge cars and lunch-counter cars on the 29 routes until 2025. To ensure safety of the passengers, the video surveillance system was installed at 54 bar lounge cars and 92 restaurant cars on all the routes (in total, there are 146 video surveillance cameras installed).

the compliance with obligations on the timely delivery of coal to thermal power plants and population, and holds meetings of its operational headquarters, which are attended by coal companies’ representatives.

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 2021, the feedback function was introduced in the Kaztemirtrans JSC web-site. The function allows the customers to contact the Call Center through a browser or submit their applications stating their contact details. Subsequently, they will receive a feedback from a specialist. It is also possible now to receive the information through a Telegram bot.

In 2022, a module for customers being nonresidents of the Republic of Kazakhstan was developed and implemented in the Personal Account, the function was



added to submit applications for reconsignment, and the calculation of transit rates in foreign currencies was automated in the STZ Complex.

WITH RESPECT TO THE TRANSPORT AND LOGISTICS SERVICES



KTZ Express JSC

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

- the work was performed to launch the Tariff Calculator that includes calculations of CO₂ emissions, on the corporate web-site of KTZ Express JSC. The Tariff Calculator includes the calculation of tariff terms based on 1,850 designed routes (directions of the traffic) and calculations related to the LCL transportation service;
- the price protocol signing process was automated within the Aikey CRM system – in the CRM system and the customer’s Personal Account.



GOAL 4. TO ENSURE SAFETY OF RAILWAY TRAFFIC



Ensuring safety of the train traffic, safe working environment and protection of health and life of its employees is the top priority and paramount task of the Company.

The strategic initiative set forth by the Strategy of NC KTZ JSC is aimed to improve the transportation process safety management and to achieve the zero harm goal.

SAFETY OF TRAFFIC

The Company's underlying safety traffic 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.

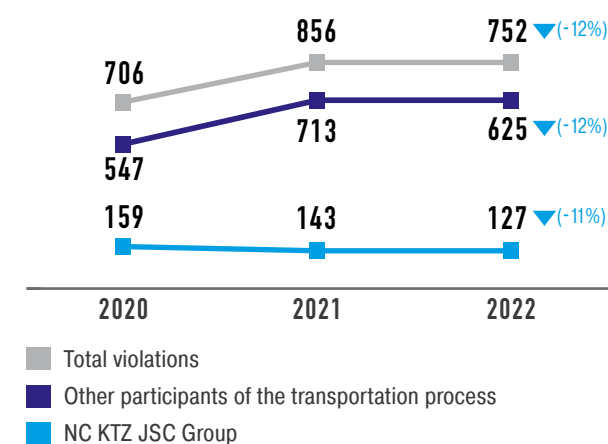
The priority objectives related to safety of the train traffic are as follows:

- to ensure protection of human life and health;
- to ensure safekeeping of the goods, rolling stock, and infrastructure facilities;
- to ensure the specified traffic safety level; and
- to minimize the implications of traffic accidents.

In 2022, all the participants of the transportation process managed to reduce the number of traffic safety violations at the backbone network by 104 incidents versus 2021. There were 749 violations in total (853 violations in 2021).

The number of violations of the traffic safety rules by the NC KTZ JSC Group fell by 11% versus 2021 to 127 incidents (143 ones in 2021¹⁰), or 17% of the total number of violations.

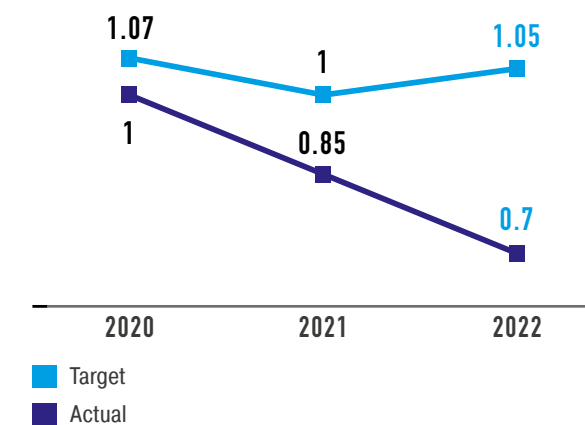
Traffic Safety Violations by All Participants of the Transportation Process, in incidents



¹⁰ Note: The change in the number of the traffic safety violations by the NC KTZ JSC Group in 2021 from 137 to 143 incidents was attributable to the authorized bodies' resolutions, including those of the Traffic Inspectorates, which had altered the Company's registration of traffic safety violations

The "Level of traffic safety" improves from year to year. According to the 2022 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 2022, the Company continued to implement 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 directions:

- the number of injuries caused to persons at the railways was reduced;
- over 10 thousand meetings were held to cover over 253 thousand persons;
- approximately 4 thousand surprise inspections were carried out, including fines imposed under the administrative law;
- 762 speeches and publications in media were arranged;
- trainings were organized for 5 thousand employees;
- highly-acclaimed employees were awarded and received cash bonuses;
- over 10 thousand rolling stock items were repaired and underwent maintenance;
- 551 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.



Besides, pursuant to the Rules of Organization of the Track Diagnostic Operations¹¹, railway tracks undergo diagnostics to ensure a high level of traffic safety.

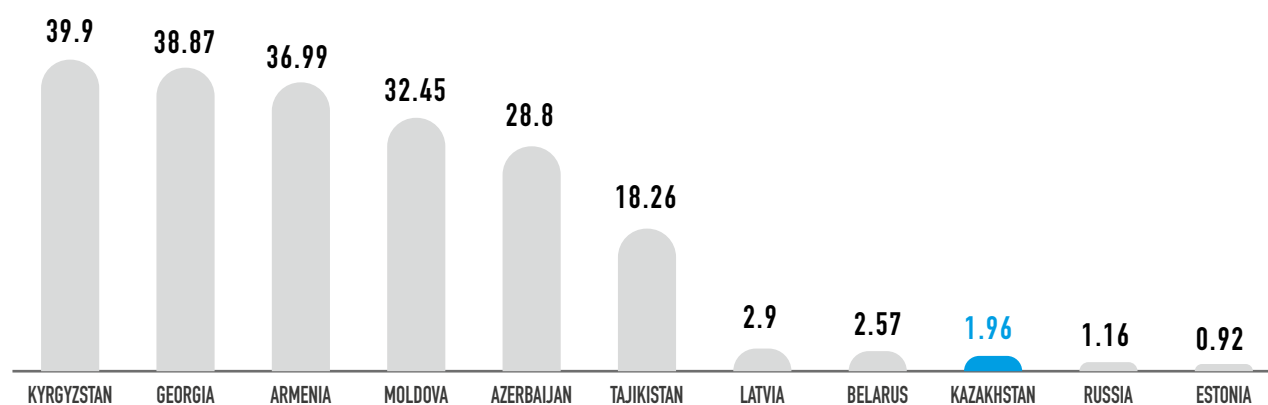
The scope of the track diagnostics includes the hundred percent inspection of the technical condition, detection of areas, and identification of the fault/failure cause endangering safety of the traffic, compromising the established course of the transportation process or

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.

455,876 km of the tracks were inspected in 2022 using the troubleshooters.

Specific Number of Violations of the Traffic Safety Rules, in total/million train-kilometers



The comparative analysis of the railway administrations' safety performance in the international traffic between the CIS member countries according to the 2022 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 Estonian and Russian ones.

¹¹ Approved by Order #1125 of the Chief Engineer of NC KTZ JSC dated December 29, 2017.

HEALTH AND SAFETY

GRI 3-3, 403-1, 403-8, 403-10

The industrial safety processes are managed in compliance with the Guidelines on Health and Occupational Safety Management System¹². The Guidelines are elaborated in compliance with the requirements of ISO 45001:2018 and GOST 12.0.230 and is 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 subsidiaries.

The Guidelines is applicable to the Company and its subsidiaries 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 2022, NC KTZ JSC successfully underwent the external audit. The compliance with the ISO 45001:2018 requirements is proved by the certificate issued by the Company's international auditors, "Intercertifica – TÜV jointly with TÜV Thüringen" LTD.

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 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 also helps it identify the main cause of incidents and prevent their further reoccurrence. To identify hazards and assess the risk efficiently, the trainings are conducted regularly and the personnel is informed of the safety rules, as well as of the necessity to wear the personal protective equipment and follow the safe work practices.

The Company has adopted the "Hazard and environmental aspect identification, assessment and industrial safety risk management at NC KTZ JSC and its subsidiaries" Standard¹³. 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 2022, 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 authorities of NC KTZ JSC's subsidiary, Directorate of Backbone Railway Network, KTZ Freight Transportation LLP, Militarized Railway Guard LLP, Wagonsservice JSC, NC Aktau Sea Commercial Port JSC, Kedentransservice JSC, and KTZ Express JSC.

At the NC KTZ JSC Group governance level, the working group was led by the Chief Engineer of NC KTZ JSC and included employees from industrial safety services of the Company's Central Staff and subdivisions of the network authority.

Based on the hazard identification findings, 456 material risks were included in the Company's register. There were 6 critical risks in the red zone of the industrial safety risk matrix, such as locomotive and rolling stock collision, electric shock, falling from elevations, collapses and emoluments, as well as traffic incidents. The risk of an employee's exposure to the spinning devices and assemblies in the traction rolling stock /locomotive when crossing the passage near a diesel locomotive, was moved from the red zone to the yellow one according to the 2022 results.

¹² Approved by Resolution of the Managing Board of NC KTZ JSC dated 06.10.2020, minutes # 02/36.

¹³ Approved by Resolution #954-Ц3 of the Managing Board of NC KTZ JSC dated 27.12.2021.



To mitigate these risks, the Company has adopted and implements the Action Plans with preventive measures, including the Fund’s Industrial Safety Action Plan (which includes 38 objectives in the following directions: individuals, equipment, and emergency prevention), to prevent fatalities, for 2022–2026 (it provides for 33 measures, including 16 ones have been implemented), to prevent electric traumas, for 2021–2025 (it provides for 18 measures, including 11 ones have been implemented).

Based on the results of the fatal accident investigations, certain measures were worked out and partially implemented in 2022:

- changes and amendments were made to the 7 items of the technological instructions of 475 stations as to the shunter’s location when the cars are running forward and regulations applicable to the actions when approaching any elevated areas and pile trestles;
- the “Arrangement of internal controls for industrial safety activities at NC KTZ JSC and its subsidiaries” Standard was approved;
- the curved tracks with a limited vision of the approaching rolling stock were inspected. 52 hazardous areas were additionally revealed;
- changes and amendments were made to the Workplace Safety Rules of Maintenance and Repair of the Railway Track and Facilities, the Instruction on Ensuring Train Traffic Safety During Performance of the Works;
- 399 electric locomotives (series ВЛ80С) were checked up for any makeshift devices installed in circumvention of the electric trauma prevention systems. All the terminal boxes were sealed;
- The marshaling crews’ staffing level was inspected at all the freight transportation divisions. The marshaling crews were fully staffed (181 vacancies), etc.

One of the proactive measures the Company takes to prevent the injury risks is the BBSD (behavior based safety dialogue), during which employees identify hazardous conditions and unsafe acts during the operating processes. In total, 22,995 BBSDs were conducted in 2022. According to the results of the BBSDs conducted, 98% of the revealed noncompliances were remedied.

In addition, employees are informed of the hazardous occupational factors and situations through the review of their job descriptions, target safety and off-schedule briefings, technical instructions, publication of news sheets, newsletters, and posters in the “Safety Share” module in the IS IS, as well as their dissemination through EDF and corporate electronic mail.

OPERATION SHUTDOWN

In compliance with the Rules of Organization of the Behavior Based Safety Dialogue, from 2019 NC KTZ JSC gave each employee an opportunity and the right to shut down any unsafe operations, if their further performance would endanger human life and health. For this purpose, it is required to enter the relevant event in the automated system through the mobile application. Thereafter, the management will consider the event and take measures to remedy the issues and to prevent their further reoccurrence.

It is important to emphasize that the exercising of the right to stop the unsafe operations will not cause any negative consequences to the Company’s employees. The Company adheres to the policy that the employees’ safety is the top priority, and hence, the Company supports and encourages the employees to care for their safety and safety of their colleagues.

In 2022, the right was exercised by 638 employees.

HEALTH AND SAFETY MEASURES

In 2022, the Company continued to improve the working environment, prevent occupational injuries and occupational diseases. 2,047 measures were implemented.

16.1 billion tenge was spent to improve the working environment and labor protection.

Expenses Towards the Health and Safety Measures in 2022, in million tenge

	2020	2021	2022
Total	4,158.2	4,417.4	4,685.2
Labor protection	2,877.7	2,927.0	3,317.9
Fire safety	500.4	576.6	613.6
Industrial safety	263.3	414.4	523.1
Training	482.3	438.3	227.7
Other	34.5	61.1	2.9

In 2022, NC KTZ JSC spent 33.4 thousand tenge for the measures aimed to improve the working environment and labor protection per employee on average (31.7 thousand tenge in 2021).

EMPLOYEE COUNCILS

There are 227 Councils operating at the Company’s subdivisions. The Councils are an integral part of the entity’s 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 processes, technological infrastructure, the advanced vocational training of the employees and timely provision of the personal protection equipment; the personnel’s active involvement in the safety and security work; the reduction of the number of industrial injuries and prevention of fatalities.

To identify the hazardous working environment, the Councils includes technical inspectors. There are 1,302 trained technical inspectors in charge of labor protection at the Company. Their duties include inspecting the working environment, preparation and issuance of propositions to improve the working environment and labor safety within the entity, as well as the right to shut down the operations of some process units, workshops, sections, jobs and operation of the equipment and mechanisms.

908 industrial safety meetings of the Councils were held in 2022 with the participation of the employees’ representatives.

INDUSTRIAL INJURIES

NC KTZ JSC seeks to protect its employees from occupational injuries and to achieve the zero harm rate.

In 2022, the number of occupational injuries is 41, of which 22 are accounting cases, 19 are non- accounting¹⁴. 6 cases (5 are accounting, 1 is non - accounting) occurred with a fatal outcome, 21 cases (13 are accounting, 8 are non - accounting for) with moderate and mild severity – 14 cases (4 accounting, 10 non - accounting).

The Company’s average Lost Time Injury Frequency Rate (LTIFR¹⁵) reduced to 0.21 in 2022 versus 0.25 in 2021. Damage of property amounted to 397,481 thousand tenge, i.e. was lower than in 2021 (463,344 thousand tenge).

In 2022, the total number of worked hours was 196,269,138 person-hours, TRIR¹⁶ was 0.04, FAR¹⁷ was 0.03, and the Near Miss¹⁸ rate was estimated at 1.22.

- The main types of occupational injuries:
- impact of moving, flying, rotating objects and parts;
 - victim’s fall;
 - falling from a height;
 - electric shock;
 - traffic accident;
 - collapse, landslides, falling objects, materials, land, etc.;
 - occupational disease and poisoning;
 - other types of accidents;
 - railway traffic accident (hit-and-run).

14 The distribution of accounting and non-accounting cases related to labor activity is carried out on the basis of Acts of official and special investigations of non-accounting cases related to labor activity.
15 The rate is calculated based on 1,000,000 hours worked
16 Frequency of incidents.
17 The frequency of fatal incidents.
18 Frequency of incidents without consequences.

Industrial Injuries with a Breakdown by Gender, Regions, and Accident Rate

	Total	Including					
		Gender		Age			
		Female	Male	up to 35 years	36-45 years	46-50 years	older than 50 years
TOTAL (accounting and non-accounting)	41	0	41	14	12	8	7
Accident rate: temporary disability							
Total (accounting)	4	0	4	2	0	1	1
Almaty Oblast	2	0	2	1	0	1	0
Mangistau Oblast	1	0	1	1	0	0	0
Atyrau Oblast	1	0	1	0	0	0	1
Total (non-accounting)	10	0	10	3	4	2	1
Kyzylorda Oblast	1	0	1	0	0	1	0
Zhambyl Oblast	1	0	1	0	1	0	0
Ulytau Oblast	1	0	1	1	0	0	0
Mangistau Oblast	1	0	1	0	1	0	0
Karagandy Oblast	1	0	1	0	1	0	0
Pavlodar Oblast	1	0	1	1	0	0	0
Aktobe Oblast	2	0	2	0	0	1	1
Turkestan Oblast	1	0	1	0	1	0	0
Akmola Oblast	1	0	1	1	0	0	0
Accident rate: severe							
Total (accounting)	13	0	13	4	5	2	2
Karagandy Oblast	2	0	2	0	1	1	0
Almaty Oblast	2	0	2	0	2	0	0
Mangistau Oblast	3	0	3	1	1	0	1
Kostanai Oblast	2	0	2	1	0	1	0
Atyrau Oblast	1	0	1	1	0	0	0
Kyzylorda Oblast	2	0	2	1	1	0	0
Turkestan Oblast	1	0	1	0	0	0	1
Total (non-accounting)	8	0	8	3	3	1	1
Akmola Oblast	2	0	2	0	1	0	1
West Kazakhstan Oblast	1	0	1	0	1	0	0
Turkestan Oblast	2	0	2	2	0	0	0
Karagandy Oblast	1	0	1	1	0	0	0
Zhambyl Oblast	2	0	2	0	1	1	0
Accident rate: Fatality							
Total (accounting)	5	0	5	2	0	2	1
Almaty Oblast	2	0	2	0	0	1	1
Karagandy Oblast	1	0	1	1	0	0	0
Kostanai Oblast	1	0	1	1	0	0	0
Mangistau Oblast	1	0	1	0	0	1	0
Total (non-accounting)	1	0	1	0	0	0	1
Almaty Oblast	1	0	1	0	0	0	1

TRANSPORTATION SAFETY

Our Company operates 1,667 vehicles, which are used to transport the employees and managers to/from operational areas.

No road traffic accident was recorded in 2021. However, 1 road traffic accident occurred in 2022.

To reduce the risks of incidents, we take measures to train the drivers in defensive driving practices. So, in 2022 a certified entity trained 212 motor vehicle drivers under the Defensive Driving program.

FIRE SAFETY

In 2022, there were 100 fires occurred within the NC KTZ JSC Group (92 fires in 2021).

The fires were caused by: violations of the Fire Safety Regulations (54%); fire spread from the steppe (19%); short circuit (14%); hardware problem (9%); and steppe fires (4%).

In case of 26 incidents, 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);
- interacts 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 government 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 the MIID, Emergencies Ministry, and public prosecutor's office, Department of Internal Affairs on Transport (DIAT) and other agencies' instructions);

- 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 the action plans, 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 2022:

- 130 exercises on fire prevention by the units of the Company's structural subdivisions and branch organizations;
- 160 exercises on fire prevention, with the assistance of the State Fire-Fighting Services;
- 286 emergency training exercises under the incident response plan; and
- 87 emergency response drills under the incident response plan.

INDUSTRIAL INJURIES PREVENTION

The measures taken in 2022 were as follows:

- 60 flashing light beacons were purchased and installed on railway handcars;
- 287 portable transmitter-receivers were purchased;
- 6,977 switchgear cells PY-6 (10) kV were fitted with additional lockout devices to prevent the maintenance personnel's improper access to the electric installations;
- 495 action cameras were purchased for the power supply distances' employees;
- over 2,400 sets of circuit closers were purchased for the electrical equipment;



- the ASU Station was implemented in 161 stations, and ASU DKR – in 121 stations in order to minimize the stay of the employees (gaugers, engineering office operators, railway customers with the view of checking up an arriving train against the wheel report, for the acceptance of the train documents) within the high risk area, i.e. on the railway tracks;
- reflective strips were installed on 98 railway handcars and 56 locomotives;
- 24.9 thousand unsafe acts or conditions were reported by the Company’s employees through the IS IS;
- 421 employees (operating personnel) received the cash bonuses in recognition for the prevention of potentially hazardous 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 subsidiaries” 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.

29 audits were carried out in 2022 to verify the compliance with the industrial safety requirements by the contractor organizations. Ultimately, 127 noncompliances were revealed and successfully remedied.

Among the main types of the works, during the performance of which the maximum number of noncompliances was revealed, it is possible to mention the overall repair of the railway tracks and rolling stock, repairs of buildings and structures, as well as facility cleaning services. Furthermore, the main noncompliances revealed were the malfunctioned equipment and tools, failure to wear the PPE and to comply with the safe working practices.

In 2023, it is planned to develop and put in service the “Management of the contractor organizations’ industrial safety activates” module of the Integrated Industrial Safety System (IS IS).

The module will include:

- setup and updating of the subcontractors database;
- an introductory health and safety briefing for the subcontractors’ employees;
- safety inspection monitoring of the operating processes related to the subcontractors’ activities at NC KTZ JSC and its subsidiaries ‘facilities;
- audit of the safety management system;
- recording and monitoring of industrial safety incidents;
- registration of the fact that the Company’s local industrial safety acts have been communicated to the subcontractors’ employees, etc.

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 the training in safety rules in compliance with the Labor Code, requirements of the authorized bodies and local acts of Samruk-Kazyna JSC and NC KTZ JSC, to be organized for specialists, employees and managers.

Subjects of the training	Number employees trained
In compliance with the laws of the RK	19,781
labor protection	5,095
industrial safety	11,353
fire safety	2,414
other	919
Beyond requirements of the laws of the RK	22,446
labor protection	46
industrial safety	12
fire safety	5
other	22,383
Premedical first aid to be rendered to sufferers (emergency medical technician) at work	789
Safe work permits	1,415
Briefings	2,225
Contractor organizations safety management	1,711
Behavior based safety dialogue	15,752
NEBOSH (National Examination Board in Occupational Safety and Health international certificate)	23
IOSH Managing Safely (International safe working practices certificate)	256
Defensive driving	212
Total	22,446

INDUSTRIAL SAFETY FORUM

The 4th Industrial Safety Forum entitled “Efficient management – effectiveness of preventive measures” was held in December 2022.

The goal of the Forum was to improve efficiency of the injury preventive measures.

The Forum held under the chairpersonship of Chairperson of the Managing Board of NC KTZ JSC, N. Sauranbayev, was attended by Chairperson of the Board of Directors of NC KTZ JSC, representatives of Samruk-Kazyna JSC, “Sokolovsk-Sarbayskoye Mining and Processing Production Association” JSC, LDZ Apsardze LTD, and Samruk Business Academy PU.

The Forum established the following focus areas:

- To increase the share of criteria related to the subdivisions and employees’ safety and environmental merits, which are to be subject to material incentives.
- To accelerate the digitalization of the Safe Work Permits registration and issuance processes with regards to the works associated with major hazards.

- To work ahead of schedule by consolidating the preventive measures related to the mitigation of the occupational injury risk.
- To reduce the number of employees working in harmful conditions, involved in physically demanding and strenuous works.
- To reward employees and subdivisions which have achieved the best results.

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, behavior based safety dialogues, incident, emergency, news sheet and newsletters management, environment protection, industrial facility work conditions certification process, questionnaire survey, and safety shares.

Over 105 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 colleagues. In 2022, 638 employees used the opportunity.

MOBILE PLATFORM IN FIGURES

Violations revealed
(BBS+IC)

82,855

Violations rectified
(BBS+IC)

81,209

Safety dialogues
conducted

24,225

Inspections conducted
(check lists)

45,490

News sheets and
newsletters released

68



Trainings delivered
(hours)

38,138

Users registered
(persons)

105,694

Share of the registered
ones (%)

97.6

Automated emission
calculation methods

600

Included in the IS IS
of subdivisions and
subsidiaries

21

IS IS has been recognized internationally and won the following awards:

- 2nd place – in the UIC DIGITAL AWARDS 2020 competition of the International Union of Railways (IUR), in the nomination of “Safety”;

- Nomination “Best Digital Project” during the Digital Samruk 2020 conference under the “Digital Kazakhstan” Program.



PLANS FOR 2023

In 2023, the Company will continue to implement the measures aimed at safety improvement. Other measures set forth by the Fund's action plans will be taken to ensure industrial safety, prevent fatalities,

electric traumas, as well as to popularize industrial safety. It is planned to hold forums, workshops, best practice schools, academic competitions among HSE specialists, trainings, as well as to provide moral and monetary incentives.

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 occurrence 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.

The proper work related to health protection and medical backup allows to improve the working environment and reduce the risks of occupational injuries and diseases.

49% of production employees work in conditions, which can cause organic and functional changes in their bodies and are at risk of the development of occupational diseases.

The following harmful and hazardous work-related exposures are common in the railway industry: noise, vibrations, back-breaking labor, climate variations, electromagnetic emission, hazardous substances, mental overstrain, routine work and emotional overloads.

Pursuant to the state labor protection requirements, the Company conducts the industrial facility work conditions certification. This includes a number of measures to assess the working environment in order to identify any harmful factors or hazards and to improve the working environment.

In 2022, according to the results of the industrial facility work conditions certification, the Company identified 23,402 jobs (24,152 in 2021), which are performed by 48,130 employees (or 44% of the total headcount of NC KTZ JSC) working in the harmful, difficult and strenuous conditions.

Number of Employees Engaged in Physically Demanding Jobs, in Harmful (Particularly Harmful) and/or Hazardous Working Conditions, with a Breakdown by Regions, Age and Gender, During the Reporting Year

	Total number	Including					
		Gender		Age			
		women	men	Up to 35 years	36-45 years	46-50 years	Older than 50 years
Republic of Kazakhstan	48,130	3,612	44,518	14,189	13,896	11,666	8,379
Astana	396	13	383	28	198	96	74
Almaty	372	17	355	78	155	105	34
Shymkent	276	20	256	47	91	87	51
Akmola Oblast	4,132	364	3,768	932	979	1,234	987
Aktubinsk Oblast	6,133	819	5,314	1,740	1,665	1,404	1,324
Almaty Oblast	4,245	57	4,188	1,375	1,246	825	799
Atyrau Oblast	1,582	16	1,566	712	347	447	76
East Kazakhstan Oblast	2,400	253	2,147	933	737	441	289
Zhambyl Oblast	4,269	149	4,120	957	1,354	1,047	911
West Kazakhstan Oblast	517	19	498	123	188	96	110
Karagandy Oblast	4,661	147	4,514	1,155	1,325	1,340	841
Kostanai Oblast	4,129	199	3,930	1,401	1,210	945	573
Kyzylorda Oblast	3,132	174	2,958	1,176	1,008	415	533
Mangistau Oblast	2,582	193	2,389	993	755	445	389
Pavlodar Oblast	5,375	905	4,470	1,358	1,527	1,601	889
North Kazakhstan Oblast	464	66	398	101	125	184	54
Turkestan Oblast	3,465	201	3,264	1,080	986	954	445

In 2023, it is planned to reduce the number of jobs with physically demanding and harmful working conditions to 32,000 thanks to the introduction of innovative technologies, equipment and automation of the operating processes.

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, 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.

In 2022, NC KTZ JSC conducted 94,155 compulsory regular medical examinations or 97% of the total number of scheduled examinations. The failure to fulfill the plan

was due to the employees' dismissal (1.8%), annual leave (0.8%), absence from the workplace due to their temporary incapacity (0.5%), and because of other reasons (0.1%).

Based on the results of the regular compulsory medical examinations, regular medical check-up was recommended to 7.2% of the examined employees, sanatorium-resort therapy – to 2.6%, outpatient care – to 8.2%, inpatient care and check-ups – to 2.4% of the examined employees, due to the revealed chronic conditions.

In the incidence pattern revealed in the result of the regular compulsory medical examinations, the predominant ones were as follows: vascular heart diseases, primarily arterial hypertension (51%) and chronic obstructive airways diseases (11.8%).

During 2022, at the main railway enterprises engaged in transportations (KTZ Freight Transportation LLP, subsidiary of NC KTZ JSC, Directorate of Backbone Railway Network, KTZ-Passenger Locomotives LLP, and Militarized Railway Guard LLP) carried out 6,492,304 preliminary medical examinations.

According to the examination findings, 0.02% of the employees were suspended. The main reasons for the employees' suspension were vascular heart diseases, in particular, arterial hypertension (58.4% of the cases). This was attributable to the employees' age – the older an employee was, the higher probability of the vascular heart diseases and their complications. The average age of suspended employees is 47.4 years.

Employees Suspended, with a Breakdown by Groups of Diseases, in %

Diseases	%
vascular heart diseases	58.4
URTI (catarrhal symptoms, fever)	26.5
gastrointestinal issues	3.2
dental diseases	4.7
other	3.2
neuropathy (lumbodynia, radiculitis)	2.7
ocular diseases	0.8

4 to 5 employees per 1,000 medical examinations are annually suspended from the shift; they are mostly engine drivers and their assistants (72.4%), shunters and their assistants (11.2%), car inspectors (10.2%), and others (6.2%).

The annual medical examinations, which allows to identify chronic conditions on a timely basis, as well as the timely suspending from the shift/trip, if necessary, after the pre-shift/pre-trip medical evaluations, are a practicable way to prevent occupational injuries and/or a sudden health deterioration at work.



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 2022, 27 employees of NC KTZ JSC suffered from a sudden health deterioration, or 22.8% less than in 2021 (35 employees in 2021), including 12 fatalities versus 16 fatalities in 2021.

A more detailed analysis shows that 88.9% of the SHDs were attributable to the vascular heart diseases, including 16 persons (59%) suffered from arterial hypertension. In 11.9% (2 persons) of instances, SHD occurred due to the musculoskeletal system disorders, such as osteochondrosis and arthrosis.

15% of the SHD fatal cases were attributable to the acute cerebrovascular disorder (ACVD, stroke), and 85% – to the acute coronary infarction.

The average age of the employees with SHD was 48.8 years.

The results of the analysis of the SHD cases among the Company's employees show that SHD incidence in 2019 to 2022 did not change too much: 3 to 4 SHD cases occurred annually per 10,000 employees, including 42% of the cases were fatal.

As to the posts, it is possible to single out the employees from the following decreed groups: track servicemen (42%), guards (20%), engine drivers/ engine drivers' assistants (24%), drivers of railway handcars, bulldozers and roadway maintenance machines (5.1%), shooters/ security staffs (4.5%) and others (4.4%). This can be explained by the fact that employees whose jobs are associated with the exposure to harmful factors and hazards are especially vulnerable to SHDs.

MEASURES TAKEN TO IMPROVE THE WORKING ENVIRONMENT AND REDUCE THE HEALTH RISKS EMPLOYEES ARE EXPOSED TO

The decrease in the number of SHD cases occurred in 2022 among the decreed group of employees (track servicemen and guards) can be also due to the measures taken under the Program for Improvement of Social and Living Conditions and Labor Management of NC KTZ JSC's subsidiary, Directorate of Backbone Railway Network, in terms of automation of labor-intensive processes, and the purchase of 2 locotracors and 220 labor saving tools to meet the needs of the permanent way division. In addition, to improve the sanitary and living conditions, 37 modular sanitary and service buildings, 15 heating units, 4,953 furniture items and 1,253 household appliances were purchased, as well as 94 welfare facilities were repaired.

To improve the working environment, KTZ Freight Transportation LLP repaired 310 welfare facilities and purchased 1,146 tools.

Passenger Transportation JSC revised the working conditions for the guards, taking into consideration their age. So, for employees older than 50 years a more stress-free work schedule was established, taking into consideration the trip duration. In the result of the changes in the work schedule, in 2022 only 1 SHD case among the guards was documented, whereas 7 guards suffered from SHD in 2018, including 2 fatalities.

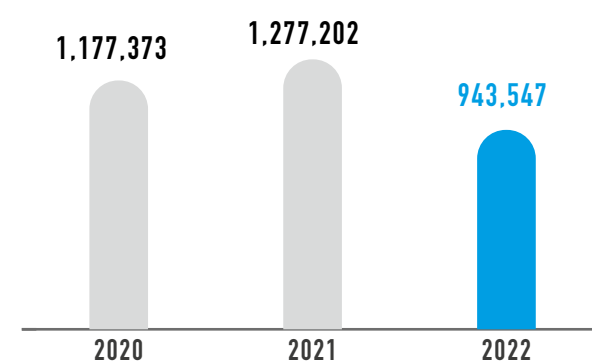
In addition, during the reporting year, Safety Shares were included in the IS IS mobile application with regards to the prevention of vascular heart and infectious diseases, injuries, etc. Videos were created with regards to premedical first aid in case of electric traumas and bleeding.



SICKNESS CERTIFICATES

In 2022, over 79 thousand employees effected a voluntary health insurance for the amount of 3,844 million tenge.

Dynamics of the Number of Days of the Employees' Sickness Absence in 2020 to 2022, in days



The number of days of sickness absence was 943,547 days. The main reasons for the employees' sickness days were acute viral respiratory infections, acute pharyngitis, nonspecific ulcerative colitis and chronic pancreatitis.

EMPLOYEES HEALTH STATUS QUESTIONNAIRE SURVEY

During the reporting year, a questionnaire survey was conducted among the employees of NC KTZ JSC in order to determine the impact of the past medical illnesses' consequences (including those of the COVID-19 pandemics) on the personnel's workability and to work out the efficient health improvement measures.

Over 17.5 thousand persons were questioned, most of them were the operating personnel aged 40 to 60.

The results of the survey showed that over 20% of the employees had chronic conditions and were vulnerable to frequent cold-related illnesses. As to the COVID-19 virus, 64% of the employees either were not infected or had a asymptomatic infection; 31.1% were vaccinated, but nevertheless fell ill, 76.8% of the employees did not inform their managers of the health problems, 21% mentioned the measures taken at work, which helped them recover fast, 11% had emotional burnout symptoms, 27.5% of persons who were infected with the COVID-19 virus, cope with the workload without feeling unwell, 8.1% have the residual COVID-19 infection symptoms, which affect their workability, including 0.8% of the employees cannot always cope with the usual workload.

In the result of the questionnaire survey, it is possible to determine a high-risk group of the employees, who require individualized rehabilitation programs. For this purpose, medical sick leave certificates are examined and chronic conditions are identified. The individualized

rehabilitation programs, such as sanatorium-resort therapy, regular medical check-ups and treatment of chronic conditions, are being worked out. In addition, periodic healthy lifestyle messages are delivered taking into consideration the personal examples.

PLANS TO IMPROVE THE WORKING ENVIRONMENT AND MITIGATE THE HEALTH RISKS EMPLOYEES ARE EXPOSED TO, FOR 2023 AND FOR THE MID-TERM PERIOD

NC KTZ JSC makes every reasonable effort to improve the working environment and mitigate the health risks its employees are exposed to. However, our investigations show that the measures that have already been taken prove to be insufficient. The main issues we have identified are the poor quality of the medical examinations, the low level active case detection, the lack of the follow-up monitoring of the employees' health and inefficiency of the measures aimed at improvement of the working conditions and the personnel's health improvement.

As to the healthcare issues revealed, it is planned to purchase the healthcare services under the Procurement Category Strategy (PCS), which will allow to consolidate the scopes of the regular, pre-shift and post-shift/post-trip examinations in the regions, and to procure on a long-term basis at a fixed price. The introduction of the long-term contracts will provide the suppliers with investments in their resource base, and this will allow to engage qualified suppliers and improve the quality of the services rendered.



In 2023, it is also planned to:

- ensure the regular monitoring of the personnel's health status, including their mental health;
- elaborate the action plan to prevent career stress and improve mental health through such measures as raising awareness of the sources of stress, provision of support tools, delivery of stress management trainings, etc.
- form a high-risk group of employees depending on their health status;
- automate the medical examinations, including creation of the single base;
- provide a material consideration for the sanatorium-resort therapy and give the employee from the decreed group an opportunity to choose a health resort at his/her discretion;
- develop the healthy lifestyle programs for all the employees, including material incentives.



SUSTAINABLE DEVELOPMENT MANAGEMENT

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SUSTAINABLE DEVELOPMENT MANAGEMENT

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

GOAL 5. TO ENSURE THE COMPANY'S SUSTAINABLE DEVELOPMENT

- One of the focus areas of the Development Strategy of NC KTZ JSC until 2029 is ensuring its sustainable development, which involves the implementation of the three strategic initiatives:
- improvement of social stability and development of the talent pool;
 - ecological sustainability; and
 - improvement of the corporate governance.

NC KTZ JSC's Sustainable Development Policy¹⁹ is an underlying document of the Company pertaining to the improvement of the Company's sustainable development management system.

The Policy sets forth the sustainable development goals and principles, stipulates the mechanism to achieve the goals and to introduce the sustainable development

principles, and the creation of an efficient stakeholder interaction management system.

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, welfare, and environmental safety.

Sustainable development principles of NC KTZ JSC:

- | | | |
|--|---|--|
| <ul style="list-style-type: none">• openness• accountability• transparency• ethical conduct | <ul style="list-style-type: none">• respect• lawfulness• respect for human rights | <ul style="list-style-type: none">• intolerance of corruption• inadmissibility of conflict of interest• personal example |
|--|---|--|

In its operations, NC KTZ JSC seeks to:

- | | |
|--|---|
| <ul style="list-style-type: none">• 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 projects; | <ul style="list-style-type: none">• 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, developing the railway transportation. |
|--|---|

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			
APPOINTMENTS AND EMOLUMENTS COMMITTEE	STRATEGY AND FINANCE COMMITTEE	SAFETY AND ENVIRONMENT COMMITTEE	AUDITING COMMITTEE
consideration of matters pertaining to the HR Policy, appointments, assessment and emoluments, corporate social responsibility	consideration of and control for the implementation of the Development Strategy, Development Plan of NC KTZ JSC, giving the recommendations on the investment strategy and financial stability of NC KTZ JSC	consideration of matters concerning health, safety and environment, traffic safety, sustainable development, and innovative development	monitoring of the development of the Corporate Governance System, quality and reliability of the financial statements, risk management system, internal controls, and external audit
MANAGING BOARD			
implementation and introduction of the sustainable development principles, monitoring of sustainable development activities			
DEPUTY CHAIRPERSON (STRATEGY AND DIGITALIZATION) OF THE MANAGING BOARD	STRUCTURAL SUBDIVISIONS	ALL EMPLOYEES	
control for the preparation of the Integrated Annual Report, fulfillment of the sustainable development KPIs, obtaining of the ESG rating	working out the sustainable development initiatives and measures, their implementation	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	

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

SUPERVISION OVER THE COMPANY’S EFFECTS ON THE ECONOMY, ENVIRONMENT, AND COMMUNITY

GRI 2-12, 2-13, 403-4

In compliance with the Code of Corporate Governance, the Board of Directors and the Managing Board shall ensure the creation of a proper sustainable development system and its introduction. Each of the Company’s employees across the entire entity shall contribute to the sustainable development.

According to the resolution of the Board of Directors, the Company has approved the NC KTZ JSC’s Sustainable Development Policy²⁰, which is an underlying document on the improvement of the Company’s sustainable development management system.

The Policy sets forth the sustainable development goals and principles, stipulates the mechanism to achieve the sustainable development goals, to introduce sustainable development principles, and to create an efficient stakeholder relations management system.

Pursuant to the Policy, the sustainable development performance evaluation is carried out on an annual basis. The evaluation shows the Company’s operating results through the three sustainable development aspects: the economic, environmental and social ones.

The evaluation findings are put before the Safety and Environment Committee. Ultimately, the Committee’s members are instructed to improve the achievements.

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. The responsibilities and roles are allocated 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 Deputy Chairman (Strategy and Digitalization) of the Managing Board shall administer the NC KTZ JSC’s operations 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 formation 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 reinforces 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.

Communication on the Company’s Progress is published on the UN Global Compact official web-site:



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.

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



CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS

NC KTZ JSC adheres to 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 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 assessing the achievement the above goals.

SDG Achieved by NC KTZ JSC in 2020 to 2022

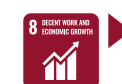


LTIFR (Lost Time Injury Frequency Rate)			
2020	2021	2022	
0.27	0.25	Target	Factual
		0.23	0.21



Proportion of women in leadership roles, in %			
2020	2021	2022	
—	21	Target	Factual
		24	24

Administrative staff engagement rate, in %			
2020	2021	2022	
81	81	Target	Factual
		61	82



Level of social stability, in %			
2020	2021	2022	
75	72	Target	Factual
		75	65



Traffic safety rate, incidents/million train-kilometers			
2020	2021	2022	
1	0.81	Target	Factual
		1.05	0.7



Fulfillment of the Energy Saving Action Plan, in %			
2020	2021	2022	
—	10	Target	Factual
		100	60



Environmental impact, in %			
2020	2021	2022	
0.641	0.630	Target	Factual
		0.620	0.619

As of the end of the reporting year, the two KPI targets were not achieved:

- the failure to achieve the target social stability level was caused by the deterioration in employees’ satisfaction with their financial security.

- the failure to implement the Energy Saving Action Plan was attributable to the circumstances that were beyond the Company’s reasonable control, in particular, to the lack of suppliers and the suppliers’ default.



PLANS FOR 2023 AND FOR MID-TERM AND LONG-TERM PROSPECTS

Updating of NC KTZ JSC's Development Strategy

In 2023, the Company will adopt the updated Development Strategy until 2029, which will cover the sustainable development goals. According to the Strategy, the Company will continue the integration of the ESG principles into its activities by improving social stability and the development talent pool, reducing the negative impact on the environment, as well as by introducing the corporate governance best practices.

The long-term top-priority objectives will be as follows: to reduce the greenhouse gas (GG) emissions, to achieve the gender equality, to improve the sanitary and living conditions, to improve the quality of employee training and incentives, etc.

NC KTZ JSC will continue to pay special attention to labor safety and creation of the zero harm environment.

Besides, pursuant to the Strategy, the Company will continue to improve the corporate governance approaches and principles, transparency, as well as anti-corruption principles.

Confirmation of the ESG Rating

The Company intends to improve its ESG assessment. In 2023, experts from the international rating agency are to be engaged for the purposes of the ESG confirmation.

For these purposes, the Company has elaborated the ESG Rating Improvement Road Map, subject to the recommendations received according to the results of the ESG rating assigned in 2022.

Introduction of the TCFD Standard

Within the context of measures aimed at improvement of transparency of the ESG disclosures, NC KTZ JSC intends to introduce the reporting standards based on the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD).

For these purposes, in 2023 the Working Group will analyze the impact of climatic changes on the Company's operating activities and its financial performance. The analysis findings are to be disclosed during the following reporting periods.

Updating of the HR Policy

In order to achieve a number of the strategic objectives, including those aimed at the improvement of operating efficiency, labor efficiency, employees' socioeconomic situation, and introduction of the IR and ESG principles, measures will be taken in 2023 to update the HR Policy.

ESG RATING



For reference only: The ESG rating is an assessment of a business' environmental and social risks, as well as corporate governance risks encountered by a company.

The ESG rating is a strategic instrument to be used by investors when making investment decisions, and helps identify the company's risks and potential in order to determine its long-term sustainability.



During the reporting year, NC KTZ JSC was assigned the ESG rating for the first time ever.

The rating agency Moody's ESG Solutions assigned 57 points (of the theoretical 100 ones), which correspond to the A2 sustainability rating, or the second-high score under the Moody's scale, to NC KTZ JSC ESG.

NC KTZ JSC's assessment results in terms of each ESG component were as follows:

- environmental – 53 points;
- social – 59 points;
- corporate governance – 57 points.

The ESG rating assigned proves that the Company's operating efficiency related to sustainable development is high and shows the Company's high readiness and ability to integrate the ESG factors into its business processes.

NC KTZ JSC became one of the TOP 25% companies with the highest performance, according to Moody's ESG Solutions.

ECONOMIC IMPACT

GRI 3-3, 201-1



NC KTZ JSC plays an essential role in the development of the national economy, regions of presence and community, by providing its transportation services to numerous sectors of the economy and ensuring communications between different regions and localities in Kazakhstan.

The most essential positive contributions made by our Company are as follows:

- transportation of cargoes, including raw materials and finished goods of the production and commercial enterprises operating in different industries, such as the oil and gas, coal, metallurgical industries,

- and agriculture, which promotes the economic development and an increase in the exports;
- passenger transportations, which ensure communications between different regions of Kazakhstan and promote the development of tourism and leisure industry;
- creation of the jobs;
- substantial amounts of taxes paid to the Country's budget;
- payment of salaries to employees and their development;
- investments and other commitments.

CREATED AND ALLOCATED DIRECT ECONOMIC VALUE

Direct economic value created and allocated in 2020 to 2022²¹

Particulars	2020	2021	2022	Changes 2021/2020, in %	Changes 2022/2021, in %
Created direct economic value					
Total income, in billion tenge	1,256.7	1,368.5	1,555.5	8.9	13.7
Allocated economic value					
Total expenses, in billion tenge	1,240.5	1,249.4	1,520.6	0.7	21.7
Retained economic value					
Net profit attributable to the Sole Shareholder, in billion tenge	16.2	119.1	34.9	633.6	−70.7

21 Data from the management statements.

FINANCIAL ASSISTANCE RECEIVED FROM THE STATE

GRI 201-4

Interest rate subsidized by the State

In May 2020, NC KTZ JSC and the Transport Committee of the Ministry of Industry and Infrastructural Development of the RK signed the agreement for partial subsidizing of the coupon rate on the bonds for the amount of 307,194 million tenge, which bonds had been issued in 2019 at the coupon rate of 11.5% p.a. and used for the advance redemption of the Eurobonds issued in 2017 for the amount of 780,000,000 US dollars, which, in turn, had been attracted and used for the modernization of the infrastructure, renewal of the locomotive and freight car fleet. The agreement stipulates that the amount of the subsidies shall be in compliance with the “Subsidizing of the coupon interest rate on the carrier’s bonds issued to develop the backbone railway network and the rolling stock” Central Government Budget Program. As the Program is available to any transportation company with the “carrier” status under the Law on Railway Transport, the NC KTZ JSC management recognizes the financing provided under the said Program as the state’s subsidy and include it in its financial income.

In 2022, NC KTZ JSC recognized proceeds from the state’s subsidies set forth by the Program, in the amount of 29,183 million tenge as a part of its financial income.

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 value of 51,692 million tenge and at the interest rate of 15% p.a., including 10% p.a. are 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 2022, KTZ Express JSC received 457 flat wagons and recognized the assets as right of use in the amount of 10,546 million tenge for 32 years and the lease liability in the amount of 4,777 million tenge with the maturity term of 15 years.

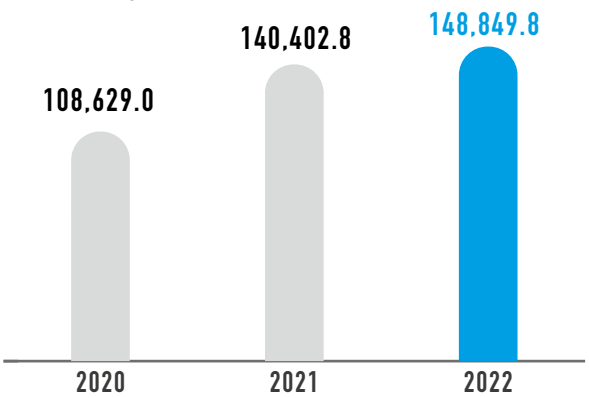
In December 2022, in pursuance of the “Passenger Cars Procurement” investment project, Passenger Transportation JSC signed the lease agreement with regards to 11 passenger cars for the total amount of 8,318 million tenge and at the interest rate of 1.5% p.a. The grace period for the repayment of the principal debt is 6 years. Passenger Transportation JSC acts as the lessee.

In December 2022, pursuant to this agreement, Passenger Transportation JSC received 5 passenger cars and recognized the assets as the right of use in the amount of 3,364 million tenge for 28 years and the lease liability in the amount of 2,151 million tenge with the maturing term of 20 years.

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 RK by NC KTZ JSC and its subsidiaries during the reporting year was 148,849.8 million tenge (140,402.8 million tenge in 2021).

Taxes paid by NC KTZ JSC in 2020 to 2022, in million tenge



Number of the employees' family members employed by NC KTZ JSC in 2022, in persons

Regions	Including	
	family members, in persons	minor children, in persons
TOTAL	285,129	152,893
Astana	23,809	10,898
Almaty	13,270	4,748
Shymkent	7,784	3,967
Akmola Oblast	16,788	8,922
Aktyubinsk Oblast	29,372	16,110
Almaty Oblast	19,038	11,436
Karagandy Oblast	28,877	15,621
Zhambyl Oblast	21,562	12,462
West Kazakhstan Oblast	3,649	1,751
East Kazakhstan Oblast	15,897	8,974
North Kazakhstan Oblast	3,181	1,569
Atyrau Oblast	14,249	7,938
Pavlodar Oblast	16,151	7,638
Kyzylorda Oblast	19,371	10,831
Turkestan Oblast	13,627	8,508
Mangistau Oblast	15,916	9,436
Kostanai Oblast	14,328	7,006
Abay Oblast	2,171	1,508
Zhetysu Oblast	5,912	3,403
Ulytau Oblast	177	167

INDIRECT ECONOMIC IMPACTS

GRI 203-2

The Company's activities cause various impacts on the economic areas and sectors. For example, the Company transports cargoes, and this affects the industries requiring transportation, as well as industrial and commercial enterprises. Besides, granting access to the comfortable and fast transportations improves people's quality of living.

Excursion trains arranged by the Company contribute to the development of tourism in the region and related services. The development of the transport infrastructure also facilitates the creation of new jobs and improvement of economic well-being of the regions of presence.

A cheaper and more reliable railway transport may promote the development of exports and an increase in the exporting companies' income. Besides, the Company has a substantial effect on the other sectors and industries of the Country due to procurements and its employees' consumer expenditures. The Company ensures the creation of additional jobs by its subcontractors. These generate income and salaries for their employees, as well as additional taxes paid to the Country's budget.

The Company also has an indirect economic impact on its employees' families by providing them with jobs, salaries and a recruitment package.



PROCUREMENT PRACTICES

GRI 2-6, 3-3, 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 ensure safety of passengers and cargoes. Therefore, the Company places special emphasis on a responsible approach to the procurements, which allows it to meet the Company's needs in an efficient and timely manner, to improve the interaction with its suppliers and to monitor the procurement activities. This allows the Company to ensure safety and quality of the services, as well as safety of passengers and cargoes.

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.

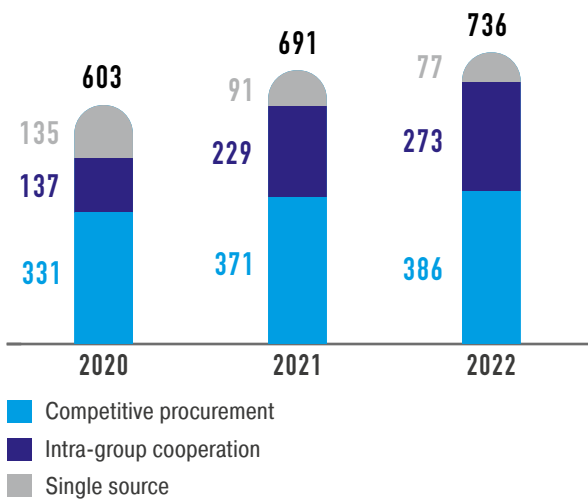
All the information relevant to NC KTZ JSC's procurements is published on the Company's corporate web-site

<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 effective way and to improve the interaction with the prospective suppliers.

The value of the agreements signed between NC KTZ JSC and its suppliers in 2022 amounted to 736,153 million tenge, including competitive procurements (52.4%), intra-group cooperation (37.1%), and single source procurements (10.5%).

Procurements by NC KTZ JSC in 2020 to 2022, with a breakdown by procurement methods, in billion tenge



Procurements by NC KTZ JSC in 2020 to 2022, with a breakdown by regions, in million tenge

	2020	2021	2022
Grand total, in million tenge	603,266	691,267	736,153
Republic of Kazakhstan	548,218	670,882	730,401
Astana	413,013	534,089	541,118
Almaty	42,089	44,014	40,177
Shymkent	2,799	6,977	17,309
Akmola Oblast	4,000	3,945	58,560
Aktyubinsk Oblast	5,009	4,130	5,183
Almaty Oblast	7,043	8,555	7,282
Atyrau Oblast	2,201	1,644	2,351
East Kazakhstan Oblast	7,031	5,313	3,956
Zhambyl Oblast	3,055	6,039	9,223
West Kazakhstan Oblast	1,010	451	852
Karagandy Oblast	20,243	20,879	15,533
Kostanai Oblast	2,003	2,481	3,750
Kyzylorda Oblast	1,089	1,064	2,455
Mangistau Oblast	3,680	11,639	3,719
Pavlodar Oblast	13,005	15,034	12,709
North Kazakhstan Oblast	9,039	855	1,475
Turkestan Oblast	11,909	3,773	4,577
Abay Oblast	—	—	130
Zhetysu Oblast	—	—	34
Ulytau Oblast	—	—	8
Nonresidents	55,048	20,385	5,752

LOCAL CONTENT DEVELOPMENT GRI 3-3, 204-1

Company seeks to enhance the development local businesses by supporting domestics suppliers and subcontractors. This facilitates the development of the domestic economy and creates a favorable economic and social environment for regional population.

In pursuance of this policy, NC KTZ JSC takes a number of measures, including:

- annually establishes the “local content share in goods, works and services purchased” motivational target for the management team of NC KTZ JSC, as well for the subsidiaries 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, advantage at equal prices, etc., as well as procurements from software developers and electronics producers;
- when purchasing building and construction works, for which the design and construction documents are available, requires that the concerned subcontractor should compulsorily acquire the goods from the commodity producers.

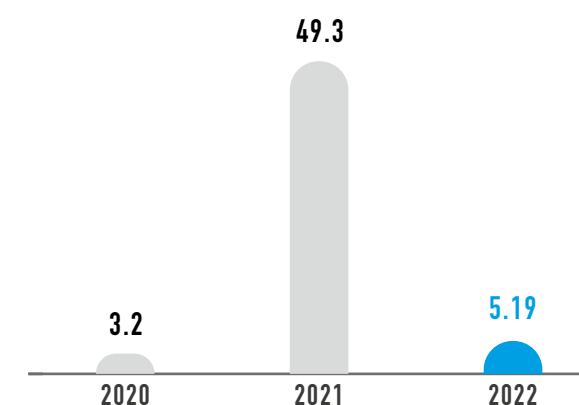
In 2022, the local content share in the procurements was as follows: 69% in the goods, 95% in the works and services. These values rose by 6.2 and 3.3%, respectively, versus 2021.



Local content share in goods, works and services purchased in 2020 to 2022, in %

Particulars	2020	2021	2022	Changes 2021/2020, in %	Changes 2022/2021, in %
Goods	64	65	69	1.6	6.2
Works and services	92	92	95	0	3.3

Offtake agreements in 2020 to 2022, in billion tenge



Within the context of the local business support, offtake agreements were signed in 2022 for the total amount of 5.19 billion tenge. The goal of these offtake agreements is to achieve the following results: creation of new enterprises, expansion of variety of goods produced by the existing enterprises, creation of new jobs, improvement of the local content share, growth in investments, taxes collected and enhancement of the small business development.

Category-based Procurement

Category management enables the Company to improve efficiency of its procurement activities thanks to the more in-depth cost analysis and category-related environment, and determination of the optimal approaches to the procurement.

In 2022, the volume of category-based procurement exceeded 230 billion tenge. The actual benefits from the implementation of the 18 Procurement Category Strategies exceeded 4 billion tenge.

These strategies were also supposed to enhance the development of domestic suppliers, to improve the quality of GWS (goods, works and services), to reduce labor intensity of the procurement procedures and to improve reliability and timeliness of the procurement.

CORRUPTION COMBATING

GRI 3-3, 205-1, 205-2, 205-3

Corruption at a railway company may have various forms, including bribery, under the table payments, abuse of power and other unlawful practices. The implications can be severe and affect the different aspects of the people's life and the Country's economy.

In particular, corruption can cause a deterioration in the quality of the services provided, violation of the laws and safety standards, which, in turn, may result in accidents and incidents. Besides, corruption can cause an increase in the costs incurred by passengers and cargo owners, as corrupt practices may cause a rise in the railroad tickets and rates, as well as cause damage to the Country's economy by hampering the investments and economic growth.

The Company's top priority objective is to fight corruption, which is a major barrier on its way towards the sustainable development, as corruption causes a slowdown of the economic growth, hampers the competition, erodes investors' trust, since it is associated with serious legal and reputational risks.

NC KTZ JSC has approved the Anti-Corruption Policy, which provides for the requirements of the anti-corruption laws of the Republic of Kazakhstan and stipulates obligations to comply with them, as well as a number of measures to prevent and combat corruption at the Company.

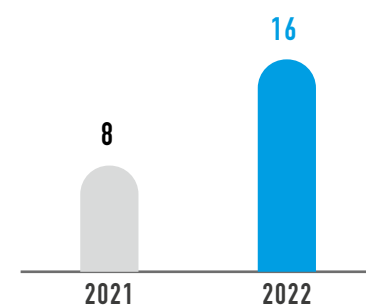
To assist the Company's Board of Directors in the creation and efficient operation of the compliance control system, the Compliance Service has been operating at the NC KTZ JSC Group.

The main objectives of the Compliance Service are as follows:

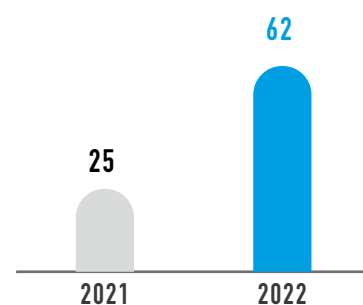
- to determine the regulatory requirements and assess the compliance risks;
- to conduct training events and trainings for the employees of the Company and its subsidiaries pertaining to the anti-corruption laws of the Republic of Kazakhstan, ethics and compliance;
- to elaborate and introduce the compliance procedures;
- to ensure the proper functioning of the confidential reporting channels, including the Hotline;
- to conduct internal investigations, as well as to elaborate and ensure the adoption of corrective actions;
- to carry out the due diligence of CEO-1 and CEO-2 office seekers for their affiliation and a conflict of interests, if any;
- to carry out the due diligence of candidates to the management and executive bodies of the Company's subsidiaries for their affiliation and a conflict of interests, if any;
- to approve single source procurements, as well as the Procurement Category Strategies;
- to approve all the materials, which are to be put before the Managing Board and the Board of Directors of the Company.

The Compliance Service's performance in 2022:

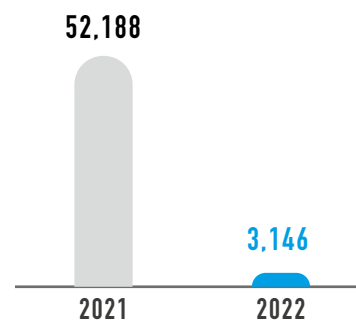
INTERNAL INVESTIGATIONS CONDUCTED



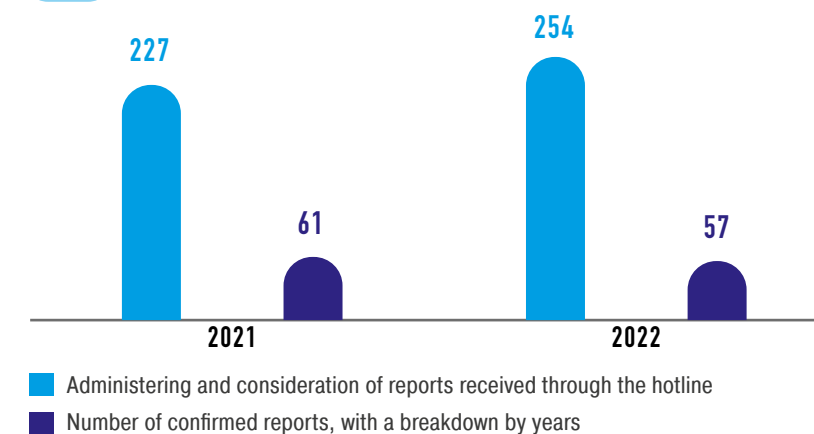
LOCAL ACTS APPROVED



EMPLOYEE TRAININGS



REPORTS THROUGH THE HOTLINE



243 office seekers underwent the due diligence. 26 office seekers were subjected to the due diligence from September 2021.



65 single source procurements were approved (over 700 stock items worth over 5 billion tenge).



Participation in the personnel screening and recruitment commissions' meetings.



Long-term contracts were reviewed.



Compliance controllers were appointed to 6 of 10 subsidiaries.

The Compliance Service shall put the annual compliance risk assessment report, including the compliance risk register and matrix, the compliance risk mitigation action plan, as well as the quarterly reports of its activities, before the Board of Directors.

Anti-corruption Monitoring, Analysis and Assessment of Corruption Risks

As a part of its anti-corruption activities, the Compliance Service of NC KTZ JSC is to assess the corruption risks associated with the operations of NC KTZ JSC and its subsidiaries.

In 2022, in the course of the residual risk assessment (46 key risks were identified in 2021), several factors were taken into consideration, including the fulfillment of the corruption risks mitigation action plan for 2021, reports received through the Hotline, publications in media and social networks, as well as inspection and internal investigation certificates and interviews with business process owners.

Based on the assessment findings, the Corruption Risk Register and Matrix for 2022–2023 were prepared. The Register includes 47 corruption risks associated with the procurement, HR management, service provision, investment activities, health and safety, as well as other focus areas of the Company. To minimize the identified risks, the Action Plan was worked out. The Action Plan includes measures to compile and update the internal documents, to introduce the review procedures, to



automate the business processes and transactions, as well as to ensure the compulsory training and testing in the anti-corruption laws, business conduct and ethics.

In addition, during the reporting year an external corruption risk analysis was conducted in liaison with the Anti-Corruption Service of the RK. The overall results of the analysis showed that the corruption risks identified in the course of the external analysis match those identified during the compliance risks assessment.

The Compliance Service prepared the Action Plan to eliminate the reasons and conditions being conducive to the corruption offences revealed in the result of the external corruption risk analysis in the activities of NC KTZ JSC. In addition, measures are being taken to set up a mechanism of interaction with the Anti-Corruption Service of the RK to combat the corruption risks associated with the Company's operations in a more efficient way.



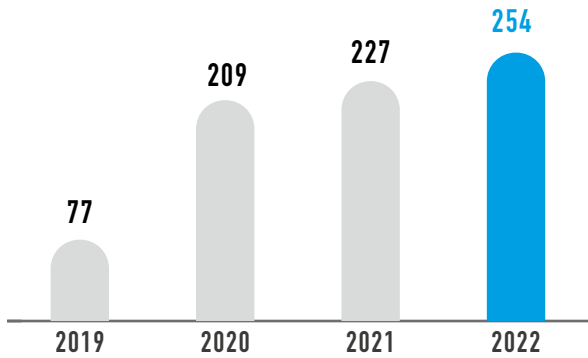
HOTLINE PERFORMANCE REPORT

There is a Hotline at NC KTZ JSC to confidentially report and express concerns about ethics and compliance. The channel is to be used to express concerns about corruption, embezzlements, improper accounting, unequal employment and labor terms, health hazards, safety and environment issues, violations in the course of operating activities and leakage/ destruction of the data.

An independent entity, KPMG Tax and Advisory LLP is the Hotline administrator.

For the last three years, the Company’s Hotline proved to be a highly effective and reliable confidential reporting channel. In total, 254 reports were recorded in 2022.

The number of reports received through the Hotline in 2019 to 2022



There was a substantial growth in the number of reports received through this channel in 2022, especially from the Company’s counter agents/customers: the share of such reports doubled, from 22% in 2021 to 41% of the total number of reports received in 2022.

Status of reports received through the Hotline in 2022

	Total	Dismissed without consideration	Considered	Verified	Non-verified
Number of reports	254	20	234	57	177

As to the verified reports, the following response measures were taken:

- in 15 cases, the relevant materials were forwarded to the authorized government bodies for the investigation;
 - the following disciplinary penalties were imposed:
- reprimands (including severe ones) – 29;
 - warning – 9;
 - reduction in position – 5;
 - employment termination – 12;
 - termination of agreements with counter agents – 3;
 - reinstatement in a job – 1.



FACTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN

GRI 406-1

For the reporting period, 6 alleged discrimination cases were reported about the confidential reporting channels, including via the Hotline. All the reports were considered and in the result of the inspection, the facts of discrimination were verified in two of six cases. The said cases were attributable to the violation of the employees’ rights when they were performing their job duties, as well as in the course of the annual employee performance evaluation.

Preventing Corruption in Procurement

In 2022, the Compliance Service reviewed the long-term contracts, which were associated with violations committed when signing and implementing the contracts. A transportation service provider engaged in the delivery of the engine crews repeatedly failed to comply with its contractual obligations, however, the relevant contract was regularly prolonged. This resulted in an increase of the total contract price and extension of its validity term. Furthermore, it was found out that the transportation service provider was affiliated with the client, i.e. deputy chairperson of the client employees’ Trade Union. According to the review findings, the said contract was terminated and a new tender procedures were released.

In the procurement category strategy (the “PCS”) long-term passenger car roadside-servicing contracts, two suppliers’ mutual affiliation was revealed as well. Such affiliation was inadmissible according to the procurement practices and procedures. Ultimately, it was decided to create the Working Group to identify the violations in the procurement procedure and work out the corrective actions to minimize the corruption risks in the implementation of the PCS.

In total, the Compliance Service considered 65 procurement files in 2022, which covered the purchase of over 700 stock items of the goods, works and services. The files related to the 5 procurements were rejected with the recommendation to choose the competitive procurement method.

Preventing Employment-related Corruption

In 2022, the Compliance Service’s employees participated in the meetings of the competition commissions to screen and recruit the personnel.

In the course of this work, they revealed 122 violations related to the testing process and arrangement of the meetings by the competition commission during the screening of candidates to the guard vacancies in Almaty (section of the subsidiary, “Express” Passenger Transportation JSC).





The revealed violations were relevant to the testing process aimed to determine the level of professional competence, as well as an improper arrangement of the competition commission’s meetings.

The HR Department’s corrective actions included a revision of the competitive admission procedures in terms of the candidate testing and the competition commission’s dealing with the candidates. In addition, the use of the special rooms to test the candidates is under consideration.

Besides, in 2022, the Compliance Service together with the recruitment unit of the HR Department elaborated recruiting risk Road Map and Matrix for the Company’s Group.

Number of employees trained in corruption combating, business conduct and ethics according to the 2022 results

Topic	Fighting corruption	Code of Business Conduct and Ethics
Total	2,025	1,631
Headquarters, subsidiaries of NC KTZ JSC	86	84
KTZ Freight Transportation LLP	1,247	1,025
Kedentransservice JSC	522	522
NC Aktau Sea Commercial Port JSC	67	—
KTZ-Passenger Locomotives LLP	103	—

COMPLIANCE WITH THE LAWS AND RULES

GRI 2-27, 206-1

The compliance with the laws and rules 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.

Development of the Anti-Corruption Culture

The Compliance Service on an ongoing basis conducts the training workshop on corruption combating, business conduct and ethics. Over 3 thousand employees attended the trainings according to the 2022 results.

To develop the anti-corruption culture and communicate KTZ’s key ethic and compliance messages, the following training courses were worked out:

- the electronic training online course regarding “Corruption combating” and “The Code of Business Conduct and Ethics,” which is placed in NC KTZ JSC’s distance learning and testing system. This system provides for the automation of the trainees’ knowledge assessment upon completion of the course, preclusively of the human factor;
- the “Compliance” module, which is installed in the corporate mobile application of KTZ HSE. The module contains the internal documents and informative presentations on ethics and compliance, as well as grants single-click access to the Hotline.

The Compliance Service is also engaged on an ongoing basis in consulting and awareness-building work with regards to corruption combating and ethical conduct. The consultation and awareness-building efforts are in the form of written answers to the inquiries, as well as in the verbal form, if employees contact them personally or via telephone.

In 2022, the total number of cases (excluding the subsidiaries), for which pecuniary penalties were imposed was 65, ones that required nonpecuniary sanctions in the form of a warning – 3. The penalty amount was 59.5 million tenge.

In 2022, KTZ Freight Transportation LLP and its subsidiaries were held administratively liable 204 times, and the amount of the relevant penalties was 19.3 million tenge.



The majority of the cases were attributable to the failures to comply with the customs legislation (Article 528 of the Code of the Republic of Kazakhstan “On administrative offenses”).

In 2022, Passenger Transportation JSC and its subsidiaries were held administratively liable 156 times, and the relevant penalties amounted to 58.1 million tenge.

The majority of the cases were attributable to the failure to comply with the laws on sanitary and epidemiological welfare of the population and hygiene guidelines (Article 425 of the Code of the Republic of Kazakhstan “On administrative offenses”), as well as violations of the rules of transportation of cargoes, passengers, package freights and cargo-luggage by railways (Article 571 of the Code of the Republic of Kazakhstan “On administrative offenses”).

In 2022, Kaztemirtrans JSC was once held administratively liable, and the relevant penalty amounted to 3.4 million tenge for the failure to submit timely the information requested by the Astana Department of the Agency of the Republic of Kazakhstan for the Protection and Development of Competition (failure to comply with an improvement notice or to comply with it in full, to submit the information or submission of the partial information to the antitrust authority by the specified time, submission of the untrue and/or false information to the antitrust authority, obstructing the access of the antitrust authority officers, who conduct an investigation, to the premises or territory (Article 162 of the Code of the Republic of Kazakhstan “On administrative offenses”).

In 2022, KTZ Express JSC was held administratively liable 53 times, and the relevant penalties amounted to 1.7 million tenge for the violation of the customs legislation (Articles 535, 538 of the Code of the Republic of Kazakhstan “On administrative offenses”), obstructing the lawyer activity (Article 668 of the Code of the Republic of Kazakhstan “On administrative offenses”).

In 2022, Kedentransservice JSC and its subsidiaries were held administratively liable 34 times and the relevant penalties amounted to 3.4 million tenge.

The cases were attributable to the submission of unreliable statements and failure to comply with the accounting procedures (Article 539 of the Code of the Republic of Kazakhstan “On administrative offenses”), including a violation of the customs procedures (Article 522 of the Code of the Republic of Kazakhstan “On administrative offenses”), a violation or failure to comply with the fire safety regulations, excluding requirements set forth by the technical regulation (Article 410 of the Code of the Republic of Kazakhstan “On administrative offenses”), as well as including a violation of the rules of safe work practices (Article 298 of the Code of the Republic of Kazakhstan “On administrative offenses”).

Anticompetitive Behavior

During the reporting year, the number of legal actions for the anticompetitive behavior and violations of the antitrust laws, under which KTZ Freight Transportation LLP was identified as a participator was 5 cases (including 2 completed ones and 3 pending ones).

ENVIRONMENTAL RESPONSIBILITY

GRI 3-3

Railway transport is an environmentally friendly mode of transportation due to the several factors. First, railroad trains emit a lower volume of harmful substances into the air thanks to the more effective fuel consumption. Second, railway transport generates less noise than the motor and aviation transport, which fact reduces the impact on the flora and fauna in the vicinity of the railway tracks. Besides, the railroad trains can transport a lot of cargoes at a time, which fact reduces the number of vehicles on the roads and harmful emissions into the air.

However, it should be noted that the railway transport also causes an adverse impact on the environment. The main source of pollution is consumption of the fuel emitting different hazardous substances into the atmosphere, such as carbon dioxide gas, nitrogen oxides, sulfur and others. Besides, the companies may generate wastes and effluents, whereas laying the tracks through natural areas can cause harm to the ecosystems. Railway trains also can cause a substantial level of noise, which is harmful to animals and people living in the vicinity of the railway lines.

To reduce its adverse impact on the environment, NC KTZ JSC takes measures, including ensuring the compliance with the environmental safety guidelines, using more environmentally friendly diesel locomotives, reducing of the greenhouse gas emissions, effluents and wastes, as well as periodic monitoring and elimination of the adverse impact on the environmental media.

ECOLOGY MANAGEMENT SYSTEM

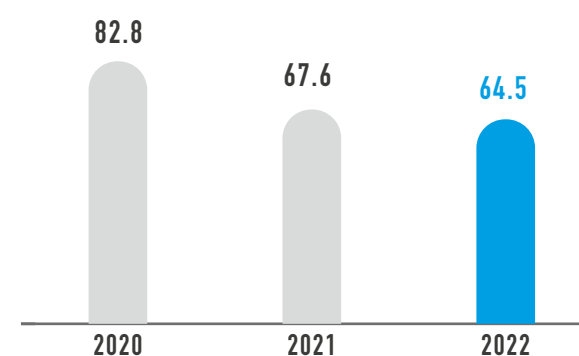
The Company's Ecology Management System has been certified as compliant with the ISO 14001 standard. The Standard stipulates requirements for the introduction of the Ecology Management System (EMS) at an enterprise. The ISO 14001 Certificate confirms that the Company has introduced the EMS aimed to reduce 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 2022 by auditors from the certificating authority Intercertifica – TÜV jointly with TÜV Thüringen LTD, confirmed the compliance of the Company's Ecology Management System with the international standard ISO 14001:2015 "Ecology Management System."

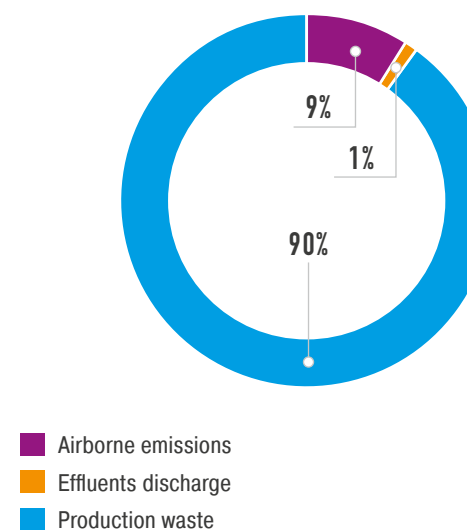
ENVIRONMENTAL EMISSIONS

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 their recycling, as well as application of energy-saving technologies.

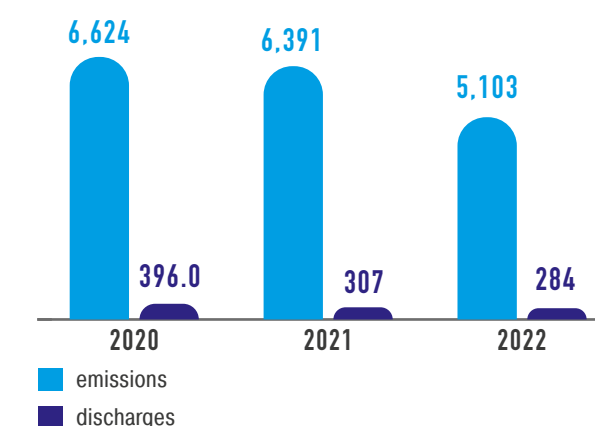
Dynamics of environmental emissions in 2020 to 2022, in thousand tonnes



Shares of Pollutant Emissions, in %.



Volumes of Emissions and Pollution Discharges in 2020 to 2022, in tonnes



Note. In ITS 2021 figure was 6,265 tons. At the present time, the volume has been changed due to the adjustment of the reporting data of KTZ-Cargo Transportation LLP.

During the reporting year, 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 en route, NC KTZ JSC has prepared and approved the 2022 Action Plan on prevention of leakages of hazardous cargoes en route.

At the same time, in the course of the implementation of the procedure for definition of environmental aspects and assessment of environmental risks it was found out that soil pollution is a significant environmental aspect.

Therefore, measures are taken to protect and prevent the soil from pollution. To fight the soil pollution, schedules inspections are conducted by specialists from the Labor Safety and Ecology Inspectorates in different regions. In 2022, the inspections covered Mangistau, Kyzylorda, Pavlodar, Semey, Kostanai, Aktobe, Zhambyl and Uralsk regions. Based on the inspections' results, improvement notices are issued with the view of elimination of violations related to soil pollution.

To ensure responsible persons' readiness for emergencies, including hazardous cargo leakage elimination, the subsidiaries of KTZ Freight Transportation LLP have elaborated and approved the Plans of Special Tactical Training Exercises. The exercises are to train in skills required to respond to emergencies occurred during the transportation of hazardous cargoes by railways. In 2022, a similar training was delivered at the station of Akzhaiyk (Atyrau section), within the context of environmental safety, where one of the topics was preventing soil pollution and requirements for response measures (1,107 employees attended the training).

In 2022, subsidiaries of KTZ Freight Transportation LLP' divisions documented 38 incidents related to a leakage of hazardous cargoes from the train's cisterns en route and 1 derailment. For the same period of the 2021, 46 leakages of hazardous cargoes from the train's cisterns en route and 1 derailment were recorded.

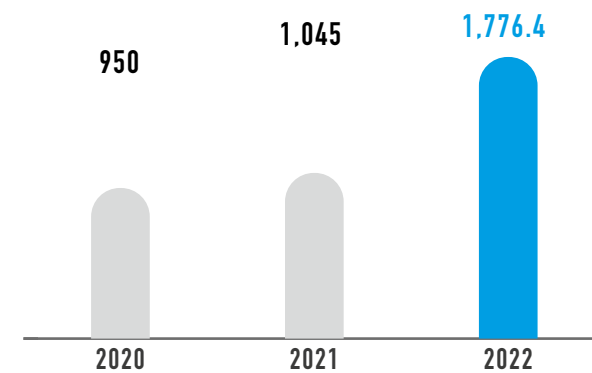
As to the types of the cargoes, the majority of the leakage incidents were attributable to the diesel (including aviation) fuel (19 incidents), gasoline (10 incidents), acid (4), kerosene (2), as well as gasoil, hydrogen peroxide, ore and cement (1 incident each).

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. At the same time, there were no leakages of hazardous cargoes attributable to the Company.

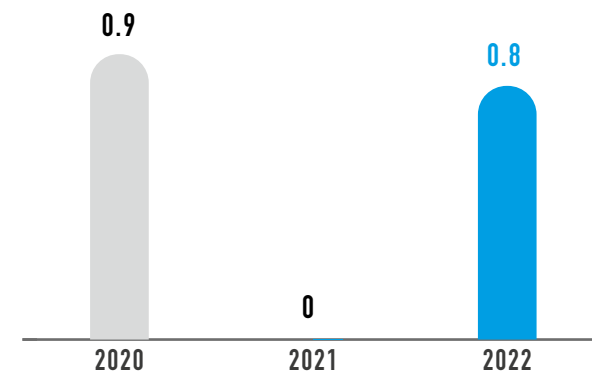
The root causes of the leakages of hazardous cargoes from cistern cars were identified as bottom discharge equipment valve push rod inadequately tightened up, overtopping of the upper suction and venting valves, as well as a faulty O-ring of the valve on the cistern car discharge equipment.

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 2020 to 2022, million tenge

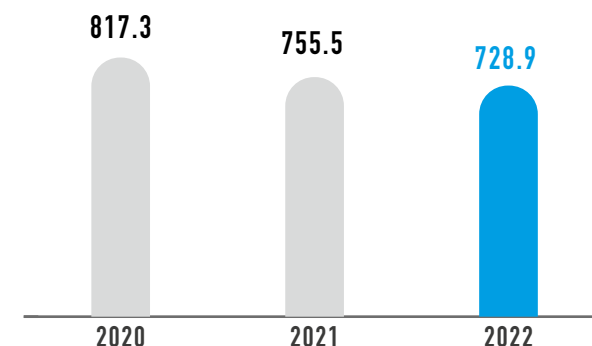


Dynamics of Economic Penalties for Environmental Disruptions in 2020 to 2022, in million tenge

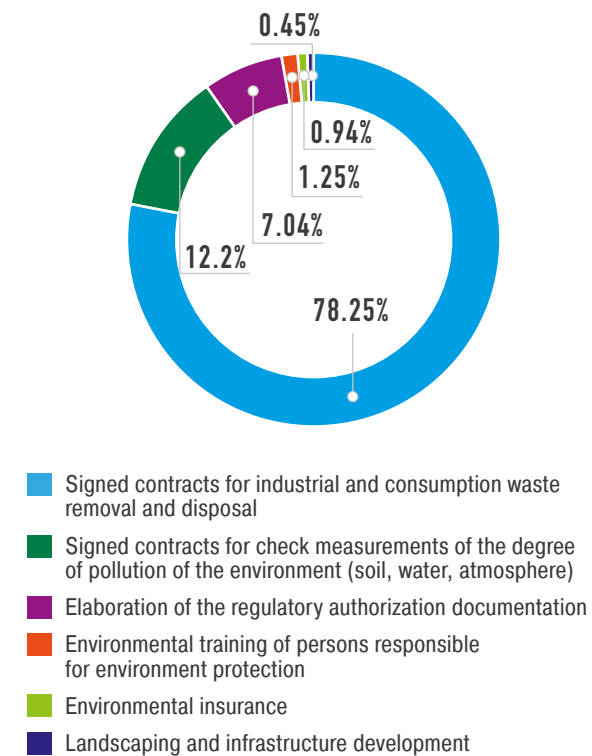


Note: In the 2021 Integrated Annual Report, this indicator was 1.4 million tenge for 2021. In this Integrated Annual Report, the penalties for environmental disruptions imposed in 2021 is changed to 0 tenge due to the fact that an ordinance has been received from the Environmental Regulation and Supervision Committee of the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan stating that the claim to compensate the economic damage has been cancelled.

Dynamics of Nature Protection Costs in 2020 to 2022, in million tenge

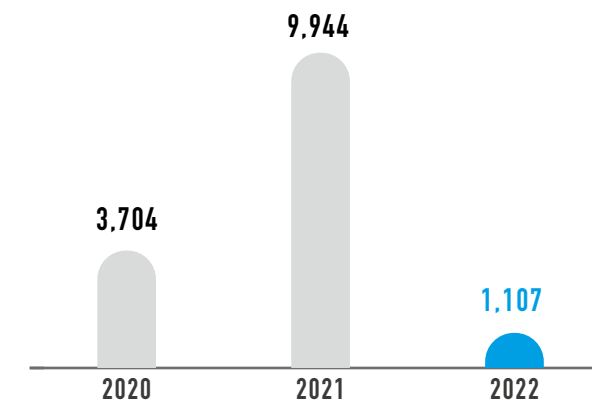


Nature Conservation Costs Structure, in %

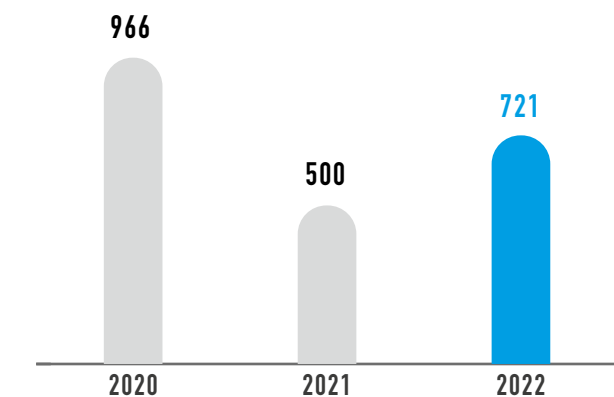


During the reporting year, 1,107 employees attended the environmental safety and protection training.

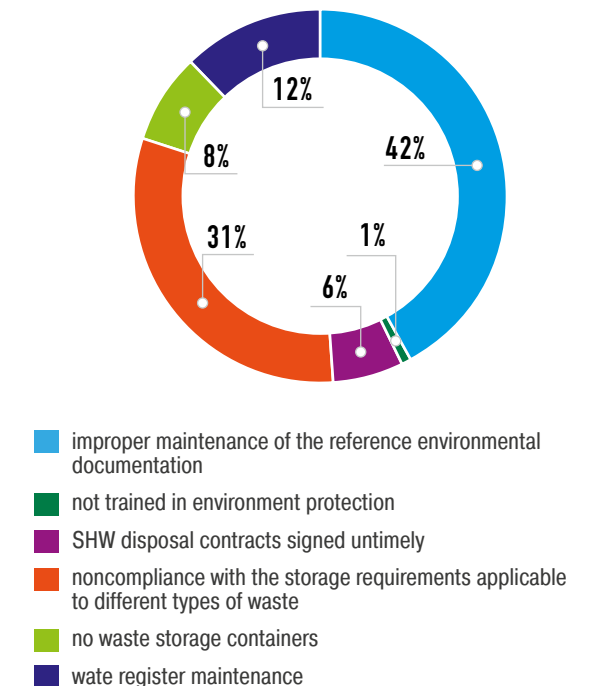
Number of Employees Trained in Environmental Safety in 2020 to 2022, in persons



Number of Identified and Rectified Violations of the Environmental Standards and Guidelines Committed by the Company, According to the Internal Control Findings for 2020 to 2022, in violations



Structure of the Company's Violations of the Requirements, as Revealed During Internal Controls, in %



CLIMATE CHANGE RISKS

GRI 201-2

The changing climate is an extreme global problem requiring measures aimed at fighting the climatic changes and their consequences. The railway transport and its infrastructure can be seriously affected by the climatic changes.

Climate change risk management is implemented in the framework of the corporate risk management system.

Changes in the climate can result in a number of financial risks, including, major climatic disasters can cause damage to the railway infrastructure, which will require substantial costs to restore and repair it. Besides, changes in the weather conditions can result in a reduction in the volumes of freight and passenger transportation, and this can have an adverse effect on the Company's income. The measures aimed to fight the climatic changes also can cause a rise in the fuel prices for the railway company, which will affect its operating costs.

All these risks can have substantial impact on the Company's financial standing, operating profit and profit margin. The analysis of financial risks attributable to the climatic change is to be carried out in 2023 in compliance with the recommendations received from the TCFD (Task Force on Climate-related Financial Disclosures).

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 railways, 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 railroads and cause a deformation of the tracks, which can be the risk to the train traffic safety.

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: 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, it is planned to continue to take measures aimed at mitigation of the risk and to prepare the design and estimate documentation with the view of bottom dredging within the Aktau seaport's harborage area. This includes determination of the scope of earth excavations, work performance practices, construction cost estimate, assessment of environmental emissions and compensation of the environmental damage.

The construction and assembling works are to be performed in 2023 to 2025 within the Aktau seaport's harbor waters of the estimated area equal to 80 hectares. In the result of these works, the bottom dredging will improve the navigation safety and enhance the full loading of the vessels.

LOW-CARBON DEVELOPMENT CONCEPT

GRI 305-1, 305-2, 305-5

The achievement of carbon neutrality becomes increasingly urgent now all over the world. This is required to comply with the requirements of the Paris Agreement. The Republic of Kazakhstan, which has ratified the Agreement, continues to demonstrate its commitment to the development of a decarbonized economy.

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.

To back up the initiative of President Q.-J. Toqayev with regards to Kazakhstan's achievement of the carbon neutrality by 2060, the Company has been working to reduce the carbon foot print.

In 2022, the Company's Managing Board approved the Low-Carbon Development Concept of NC KTZ JSC until 2060²².

Our goal is to make the railway transport more sustainable and environmentally friendly, while meeting the growing demand for the transportation services.

The Company 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.

The Company's carbon foot print includes both direct and indirect energy 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 energy 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.

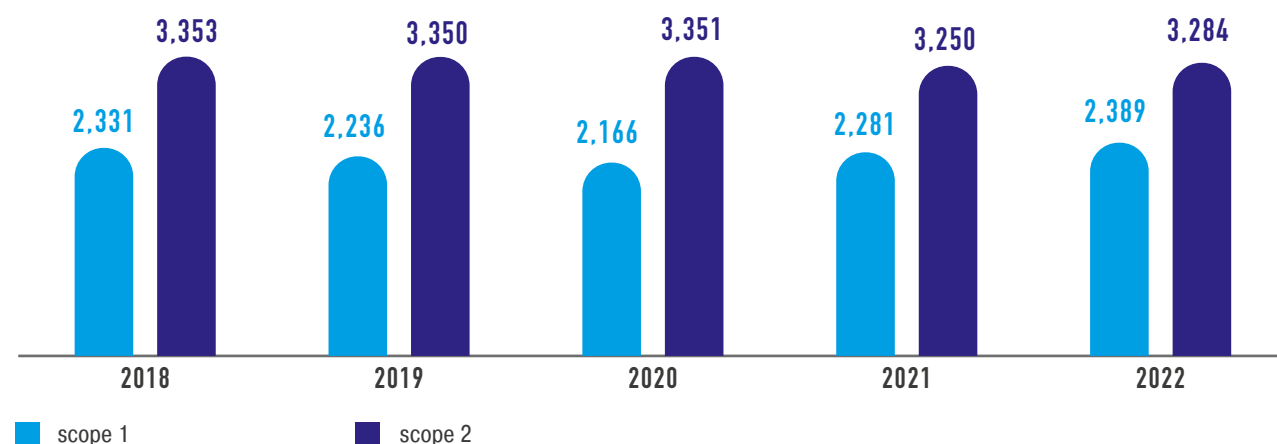
22 Approved by Resolution of the Managing Board of NC KTZ JSC dated December 26, 2022 (minutes #02/49).

In 2022, the total volume of the greenhouse gas emissions was 5,672.9 thousand tonnes, including direct emissions (2,388.6 thousand tonnes) and indirect ones (3,284.3 thousand tonnes). If compared to 2021²³, the volume of the emissions grew by 2.5%; the direct greenhouse gas emissions grew by 4.7%, and indirect energy ones – by 1% due to an increase in the power consumption for traction. The growth in the power

consumption is explained by the increased volume of the freight and passenger traffic (4.9%).

The scope of disclosure of information on greenhouse gas emissions includes subsidiaries of the Company under the operational control of NC KTZ JSC. More detailed information is provided in the [Perimeter Information section](#).

Dynamics of the Greenhouse Gas Emissions in 2018 to 2022 (scope 1, 2), in thousand tonnes of CO₂-equivalent



The calculation of direct greenhouse gas emissions was carried out according to the approach specified in the GHG Protocol Manual and using the Guidelines of the National Greenhouse Gas Inventories of the Intergovernmental Panel on Climate Change (IPCC), 2006. When converting the values of methane and nitrous oxide into tons of CO₂ equivalent, the current values of the Global warming Potential (methane – 25, nitrous oxide – 298) adopted in accordance with

Annex III to Decision of the Conference of the Parties 24/CP.19 of 10 November 2013. To calculate indirect GHG emissions, the approach specified in the 2 GHG Protocol Scope 2 Guidance is applied, and specific GHG emission coefficients are adopted according to the «List of benchmarks coefficients in Regulated sectors of the Economy» approved by Order No. 260 of the Acting Minister of Ecology, Geology and Natural Resources of the Republic of Kazakhstan dated July 19, 2021.

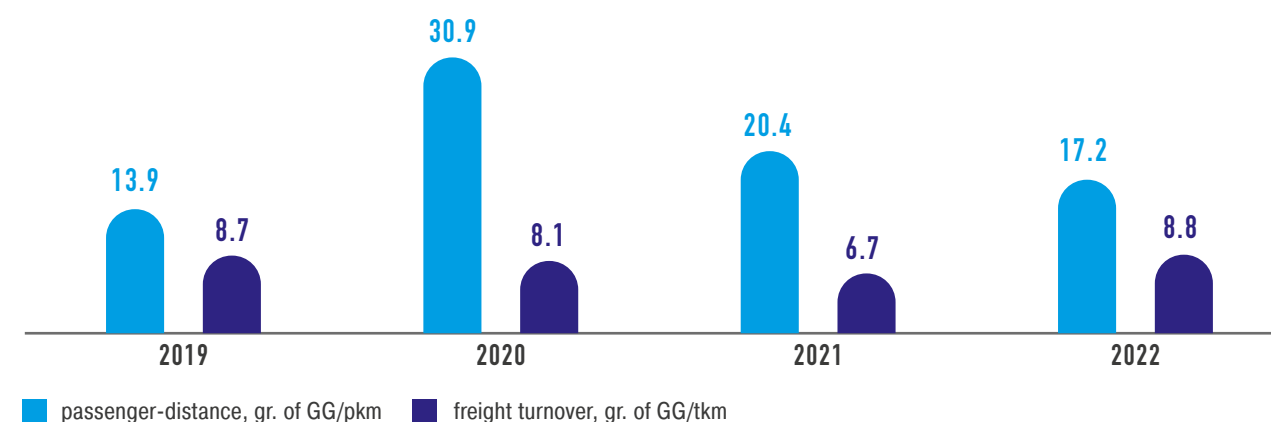
Dynamics of the Greenhouse Gas Emissions, with a Breakdown by Types

	2021	2022	Changes 2022/2021, in %
CO ₂ , in thousand tonnes of CO ₂	2,059	2,158	4.8
CH ₄ , in tonnes of CO ₂ equivalent	3,211	3,067	–4.5
N ₂ O, in tonnes of CO ₂ equivalent	218,785	227,800	4.1

The Company has no emissions from the combustion or decomposition of biomass, as well as emissions of HFCs, PFCs, SF₆, NF₃.

The CO₂ emission rate indicates the ratio of specific gross greenhouse gas emissions to unit of product.

CO₂ Emission Rates in 2019 to 2022 GRI 305-4



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 (NOx)

and sulfur oxides (SO₂) are emitted into the atmosphere, which also leads to pollution and contributes to the development of climate change.

Stationary Source SO₂ and NOx emissions in 2022, in thousand tonnes GRI 305-7

Emissions of pollutants	Volume
NOx	0.34
SOx	0.68
Solid particles	2.37
CO	1.42
Volatile organic compounds (VOCs)	0.25
Hazardous Air Pollutants (POPS)	5.1
Persistent organic pollutants (POPS)	0.0
TOTAL	5.1

To consolidate emissions of pollutants into the atmosphere, the reporting forms of the Management of the environmental management system of NC «KTZ» JSC and its subsidiaries, approved by the decision of the Board of NC «KTZ» JSC dated 6.11.2020, are used.

The calculation of pollutants was carried out in accordance with the following methods:

1. Collection of methods for calculating emissions of harmful substances into the atmosphere by various industries. Almaty, Kazekoexp, 1996 p.2. Calculation of emissions of harmful substances during fuel combustion in boilers with a steam capacity of up to 30 tons/hour.
2. Methodological guidelines for calculating emissions from enterprises that store and sell petroleum products (oil depots, gas stations) and other liquids and gases (Order of the Minister of Environment of the Republic of Kazakhstan dated July 29, 2011 No. 196-o).
3. Methodology for calculating emissions of pollutants into the atmosphere during welding operations (by the values of specific emissions). RND 211.2.02.03-2004. Astana, 2005.
4. Methodology for calculating emissions of pollutants into the atmosphere during metal machining (by the values of specific emissions). RND 211.2.02.06-2004. Astana, 2005.
5. Methodology for calculating emissions of pollutants into the atmosphere at railway transport enterprises (item 5.2. Appendix No. 21 to the Order of the Minister of Environmental Protection of the Republic of Kazakhstan dated April 18, 2008 No. 100-p).
6. Methodology for calculating emissions of pollutants from motor transport enterprises (Section 3) (Appendix No. 3 to the Order of the Minister of Environmental Protection of the Republic of Kazakhstan dated 18.04.2008 No. 100-p).
7. Methodology for calculating emissions of pollutants into the atmosphere when applying paint and varnish materials (by the values of specific emissions). RND 211.2.02.05-2004. Astana, 2005.
8. Methodology for calculating emission standards from Unorganized sources (Appendix No. 8 to the Order of the Minister of Environmental Protection and Water Resources of the Republic of Kazakhstan dated 12.06.2014 No. 221-G).

²³ 2021 is the reference year as to the greenhouse gas emissions, according to NC KTZ JSC's Low-Carbon Development Concept until 2060.

Based on the calculation of emissions of pollutants into the atmosphere according to approved methods, a «Report on the protection of atmospheric air» is compiled (form No. 2-TP (air), the frequency of which is established by the order of the Agency for Statistics of the Republic of Kazakhstan. In the reporting form, they provide data on the volumes of pollutants, in comparison with the standard values, with an analysis of the reasons for the increase / decrease. Once a year, branches and subsidiaries of NC KTZ JSC provide reports on the form 2-TP air.

The Company takes annual measures to reduce its carbon foot print. One of the critical measures is the shift to the new types of rolling stock, which are to facilitate the decrease in the greenhouse gas emissions. In particular, the Company introduces diesel locomotives of the EVOLUTION series, which emit 2.2 less pollutants than the old models. 20 electric locomotives, 28 mainline locomotives ТЭ33AC and 2 shunting diesel locomotives ТЭМ11A were introduced in 2022.

Besides, the Company purchases new passenger cars fitted with dual heating systems and hermetic toilets, which reduce the pollution discharge and eliminate the bacteria contamination. 67 cars were purchased in 2022.

The Company is also shifting to the gas fuel for its boiler houses and connecting its industrial buildings to the electric heating systems. This facilitates the reduction on the pollutant emissions from stationary sources. For these purposes, the Action Plan for Gasification/ Heating of Railway Transport Facilities in the Western

Region until 2024 has been approved. The Action Plan provides for the gasification of 9 facilities in order to reduce emissions into the environment. This will allow to reduce the CO₂ emission by 3,014.8 tonnes.

Besides, the Company took a number of measures during the reporting period to reduce the adverse impact on the climatic changes.

One of our environmental initiatives was the “Bring a battery – save a hedgehog” event, when we collected successfully 1,688 kg of used batteries, including 1,486 kg transferred for disposal and sale on a free-of-charge and payment basis to specialist contractors. 1,257 used battery boxes have been installed at out subdivisions.

In addition, during the reporting year the “Plant a tree – reduce the carbon foot print” ecological event was organized to improve the environmental situation and to arrange the territory well. In total, 5,808 trees were planted and over 500 flowerbeds were created.

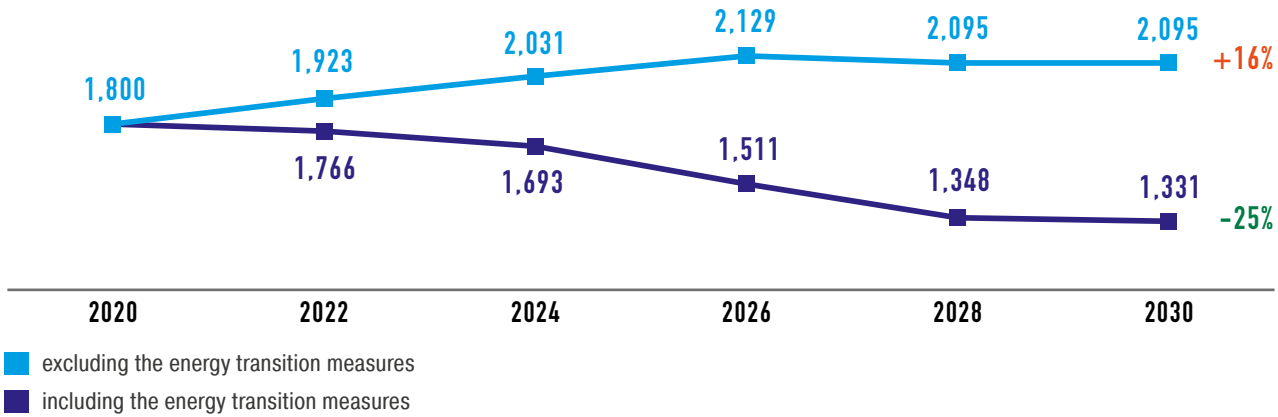
Besides, in June 2022, the “Environmental and radiological safety” workshop was held in Shymkent. The event was timed to the World Environment Day. During the workshop, matters related to the compliance with the environmental protection and ecological standardization principles were discussed with regards to the adoption of the New Environmental Code of the RK. Matters concerning the arrangement of internal controls and encouragement of responsible behaviors in case of violations of the environmental regulations were covered as well.

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, due to the lack of any energy

transition measures, emissions grew by 16% due to an increase in the diesel fuel consumption by the hauling operations.

Dynamics of the carbon foot print (direct CO₂ emissions), in million tonnes

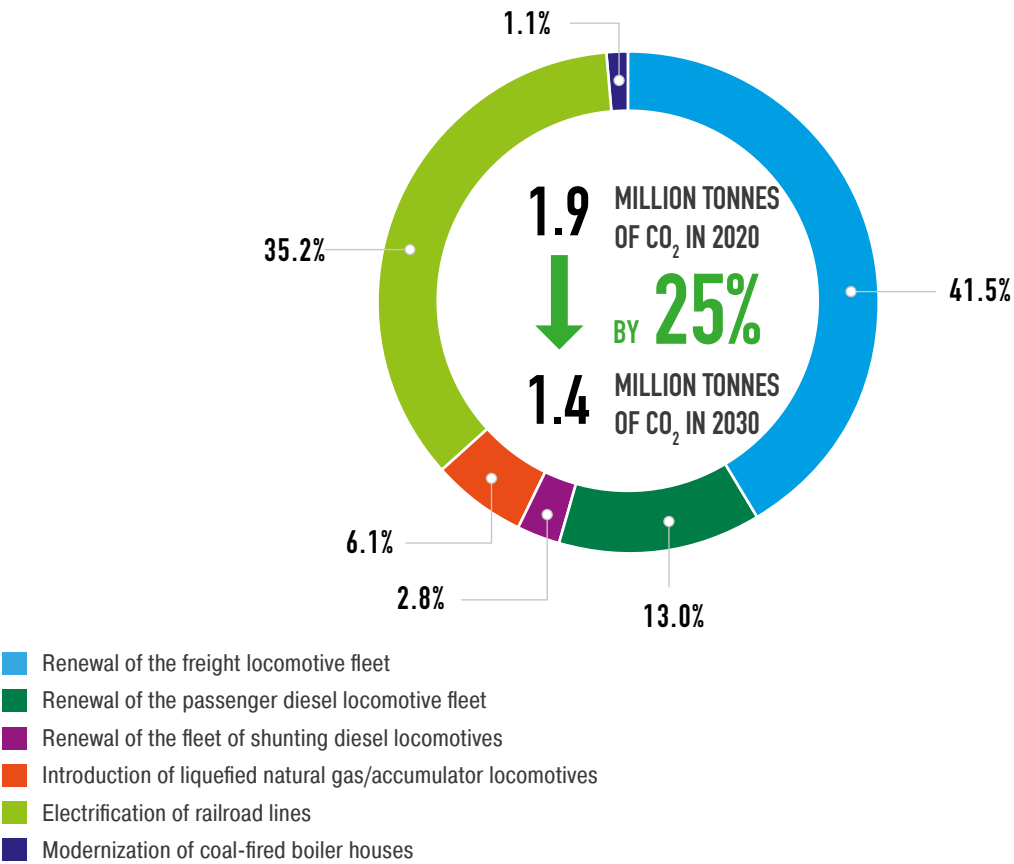


Key measures to implement the Low-Carbon Development Concept of NC KTZ JSC and its subsidiaries, until 2060

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 foot print by 2030



ENERGY EFFICIENCY AND ENERGY SAVING

NC KTZ JSC is the largest consumer of energy resources in the Republic of Kazakhstan. The Company consumes up to 30% of all diesel fuel and up to 4% of all electric power.

The Company plays an essential role in the Country's economy, as it ensures an efficient freight transportation and the development of the railway transport infrastructure.

However, the freight transportation by railways causes emissions of harmful substances into the environment, which, in turn, can have an adverse effect on human health and the ecosystem, including on human environmental rights to clean water, air and soil.

NC KTZ JSC, in turn, has been actively seeking to reduce its adverse impact and to continuously improve the efficiency through the implementation of the policy aimed to reduce emissions and consumption of energy resources.

Energy Management System

The Company arranges the annual external audits for the purpose of an expert evaluation of its the energy management system as to its compliance with the ISO 50001:2018 standard.

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 transportations.

The compliance with the principles of the ISO 50001:2018 standard is proved by the certificate received in 2022 from 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.

So, according to 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 in order to save approximately 3,160 tonnes of reference fuel or 2.6 % of the total consumption of fuel and energy resources (FER) versus 2018. The total savings expressed in terms of money will be about 868 million tenge.

In the result of the energy saving and energy efficiency measures (changed lighting lamps, low-emission films installed on the window frames, heat-reflective screens installed on the walls behind the heating equipment, new machinery and equipment introduced, and heating systems modernized) implemented in 2022, 300 tonnes of reference fuel or 14,246.1 GJ were saved.

In order to improve the energy management system on the basis of which a constant analysis of fuel and energy resources is conducted, the Company introduced and approved the Energy Analysis Methodology of March 17, 2016 by Order No. 291-CZ

The total energy consumption for the Company in 2022 amounted to 41,185.7 thousand. GJ, which is 3.5% higher than the level of 2021, or 1,425.9 thousand. GJ. The reason for the increase in energy consumption is explained by an increase in the volume of cargo and passenger transportation by 4.9%.

FER Consumption in 2020 to 2022

GRI 302-1

Particulars	2020		
	Total	operational and production (non-traction) needs	traction (diesel traction and electric traction)
electric power, in thousand kW	3,402,814.38	413,590.32	2,989,224.07
diesel fuel, in tonnes	561,019.13	31,827.33	529,191.80
coal, in tonnes	59,141.93	59,141.93	–
mazout, in tonnes	4,981.51	4,981.51	–
natural gas, in thousand m ³	6,791.64	6,791.64	–
gasoline, in tonnes	8,167.27	8,167.27	–
heat energy, in Gcal	34.74	34.74	–
total FER of all the types, in thousand tonnes of reference fuel	1,296.09	161.08	1,135.00
total FER of all the types, in thousand GJ	38,659.30	5,407.44	33,251.86

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	–
mazout, 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	–
heat energy, in Gcal	33.34	33.34	–
total FER of all the types, in thousand tonnes of reference fuel	1,334.32	145.36	1,188.96
total FER of all the types, 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	–
mazout, 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	–
heat energy, in Gcal	38.31	38.31	–
total FER of all the types, in thousand tonnes of reference fuel	1,378.40	166.76	1,211.63
total FER of all the types, in thousand GJ	41,185.74	5,687.54	35,498.20

Note: the data for 2020 and 2021 have been adjusted due to the fact that the coverage of subsidiaries of NC KTZ JSC has been increased, including Passenger Transportation JSC, Kedentransservice JSC, KTZ Express JSC, Temirzholsu JSC, Port Kuryk LLP, NC Aktau Sea Trade port JSC «.

To calculate the indicators, the Manual on the energy management system in «NC «KTZ JSC », the international standard ISO 50001:2018, the Methodology of energy analysis in «NC «KTZ JSC » were used.

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

Effectiveness of the FER Specific Consumption per Unit of Work in 2020 to 2022, in kg of reference fuel 10 thousand tkm, gross

Particulars	2020	2021	2022	Change 2021/2020, in %	Change 2022/2021, in %
Effectiveness of the FER specific consumption per unit of work, kg of reference fuel 10 thousand tkm, gross	28.8	30.1	29.3	4.3	–2.5
Gross volume of freight and passenger transportations, in billion tkm	429.1	423.1	443.6	–1.4	4.9

SPECIFIC ENERGY CONSUMPTION

GRI 302-3

The Company uses an energy efficiency indicator based on the specific consumption of fuel and energy resources (FER) in conditional calculus, as attributable to the freight turnover (in kg of reference fuel tkm, gross). According to the 2022 results, the Company's specific energy consumption was 29.3 kg of RF, or 13.8% below the 2015 baseline level.

The Company assesses the FER consumption effectiveness by measuring the actual fuel and energy resources consumption per unit of product (work), which is measured by the railway industry in tonnes of the reference fuel. The energy efficiency rate is calculated and the ratio of the actual energy resources consumed to the volume of cargoes transported.

PLANS FOR 2023 AND FOR MID-TERM AND LONG-TERM PROSPECTS

The Action Plan on the Low-Carbon Development of NC KTZ JSC and its subsidiaries for 2023–2027 is to be implemented in 2023. 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 the natural gas motor fuel. Depending on the global technological progress, the application of hydrogen technologies may be considered in the future.

WASTE MANAGEMENT

GRI 306-1

There are various types of wastes in the railway industry, including wastes generated in the result of repairs and maintenance of railway cars, railway stations and tracks, as well as wastes produced in the result of the railway

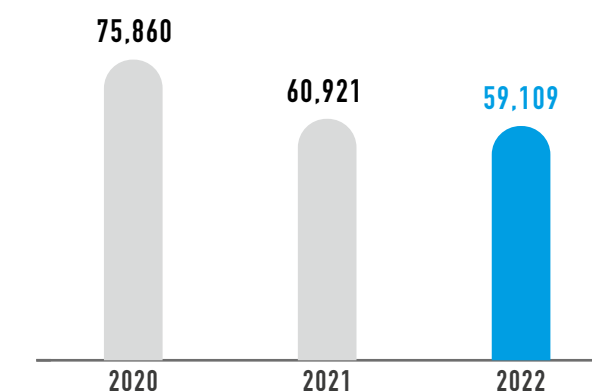
lines' operation. Wastes can contain hazardous substances, such as metals, plastic and other materials, which require to be disposed properly in order to prevent any impact on the environment. Therefore, waste management and disposal is an essential component of the railway industry's sustainable development.

In the course of operations carried out by the Company's departments and subsidiaries, production and consumption waste is generated, such as solid household waste, scrap metals, used oils, tyres, luminescent tubes and other materials.

In 2022, NC KTZ JSC had 59.1 thousand tonnes of wastes, or 3% less than in 2021.

Waste Volumes in 2020 to 2022, 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 main wastes produced by the Company are as follows:

- mercury wastes;
- wastes timber;
- 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;
- waste oils;
- ash and slag waste.

GRI 306-2

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 subsidiaries. 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 306-1, 306-5

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

To reduce the wastes to be removed to the landfill deposit and to reduce 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.

In 2022, the Company transferred on a payment basis 89,077 kg of wastes worth 6 million tenge to the third-party entities, including:

Wastes Transferred to the Third-Party Entities in 2022

SCRAP PAPER



36,271 KG

PLASTICS



4,031 KG

GLASS



1,989 KG

USED BATTERY CELLS



30,327 KG

USED OFFICE APPLIANCES



12,207 KG

USED TYRES



4,252 KG

It should be noted that as a part of efforts aimed to develop the separate waste collection and plastics recycling culture, a plastic and can recycling center has been operating since February 1, 2022 at Northern regional subsidiary. Wastes from each train trip are stockpiled there and subsequently the wastes are transferred for the recycling purposes. Employees who have delivered an item for the recycling receive a compensation. Besides, according to the initiative of Passenger Transportation JSC, the following wastes were sold: 144,516 plastic items for 722,580 tenge and 10,627 tin cans for 21,254 tenge.

CONSERVATION OF BIOLOGICAL DIVERSITY

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, by assessing the impact of the environment. 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 projects 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 and other factors is to be assessed.

During the reporting year, there was an accident when a freight train was going through a railway bridge. In the result of the accident, 6 cars with copper and zinc ore and dump slag fell into the Irtysh River.

To liquidate the environmental damage caused to the Irtysh River, a remediation program was worked out. Pursuant to the program, the following works were performed:

- The railway cars' spare parts and scrap metal were removed from the area and were subsequently disposed.

- The scattered cargoes were removed from the shoreline and disposed.
- The area was cleaned from the residual cargoes, which were removed and disposed.
- The engineering survey works were performed, divers involved.
- The quality of water was examined for the presence of heavy metals. In the result of the sampling procedure, no excessive content of heavy metals was found out; the findings were within the specification limits.

Besides, for the biodiversity preservation purposes, damage caused to the fishery at the place of the accident was assessed. According to the 2023 assessment results, to prevent any damage to and losses that can be incurred by the fishery, it is planned to release the fish seeds into the fishery area in the Ust-Kamenogorsk reservoir.

SUPPLIER ENVIRONMENTAL ASSESSMENT

GRI 308-1, 308-2

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 subsidiaries" 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.

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.

Besides, the Fund has been working to elaborate the ESG criteria of due diligence the supplier, subcontractors and partners shall undergo. After these criteria are approved, suppliers will be selected using the environmental criteria.

SOCIAL RESPONSIBILITY

GRI 3-3

NC KTZ JSC is still the largest employer and pays special attention to its employees' social conditions and the development of the talent pool.

The Company follows the principles of social responsibility and seeks to:

- create most favorable living and working conditions for its employees by providing them with a full recruitment package and giving them an opportunity to study and improve their job skills;
- improve living conditions of Kazakhstan's population by creating new jobs, reducing the transport costs, improving mobility of population and implementing the charitable projects.

Besides, the Company respects human rights, including:

- the right to work – compliance with the laws, employment, payment of a fair wage, health and safe working environment, as well as a proper working schedule and a vacation;
- the right to welfare protection – granting of social benefits, including medical insurance, a paid leave and other social protection coverage;
- the right to equality and nondiscrimination – compliance with the principles of equality and no sex, age, ethnicity, nationality, religion or other discrimination;
- the right to the education and advanced vocational training – opportunities to study and complete an advanced vocational training granted to its employees;
- the right to health protection and safety – ensuring safe and healthy working environment, including providing with the requisite protective equipment and a labor protection training;

- the right to respect of persons' dignity – respect of the employees' dignity and protection of their freedoms and rights from violence, discrimination or derogation.

HR POLICY

In pursuance of its strategic goals and objectives, in September 2019 the Board of Directors of the Company approved the new HR Policy of NC KTZ JSC for 2019–2029.

The HR Policy is an underlying document, which defines the key approaches, principles, requirements and courses of the development of the HR management function at the Company and its subsidiaries until 2029.

PERSONNEL OF THE COMPANY

GRI 2-7. 401-1, 405-1

As of the end of 2022, the Company's headcount was 113,769 persons (112,581 persons in 2021). There were no significant changes between the list size for 2022 and 2021.

Headcount, with a breakdown by gender, in 2020 to 2022, in persons

	2020	2021	2022
Total, including:	119,071	112,581	113,769
Women	27,658	26,400	26,350
Men	91,413	86,181	87,419

Headcount, with a breakdown by categories, in 2020 to 2022

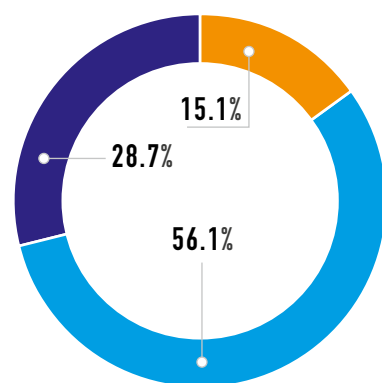
	2020	2021	2022
Total, including:	119,071	112,581	113,769
Administrative and managerial staff	8,939	7,876	7,108
Operating personnel	110,132	104,705	106,661

The main age group is represented by of the Company's employees aged 31 to 50. The share of the young employees aged up to 30 years old is minimum one (15.1% of the headcount).

Headcount, with a breakdown by age, in 2020 to 2022

	2020	2021	2022
Total, including:	119,071	112,581	113,769
Up to 30 years	22,869	17,929	17,233
31-50 years	63,228	62,835	63,864
Older than 50 years	32,974	31,817	32,672

Employees by age for the reporting period, %



■ up to 30 years old ■ 31-50 years old ■ 50 or older

The great majority of the Company's employees (87.4%) work under the long-term agreement, whereas 12.6% of them are employed under term contracts.

99.7% of the employees are full-time personnel, and 0.3% of the employees are hired on a part-time basis.

The term of contracts and the employment of employees is determined in accordance with labor legislation and internal local acts of the Company.

Headcount, with a Breakdown by the Type of Employment, in 2020 to 2022, in persons

Regions	Permanent employees		Temporary employees		Full-time employees		Part-time workers	
	Men	Women	Men	Women	Men	Women	Men	Women
Astana	5,521	3,542	1,228	489	6,745	4,027	4	4
Almaty	4,365	1,527	359	155	4,702	1,641	22	41
Shymkent	1,790	443	150	36	1,940	479	0	0
Pavlodar region	4,579	1,901	888	259	5,449	2,156	18	4
Almaty region	5,935	1,567	1,013	210	6,943	1,775	5	2
Kyzylorda region	4,924	886	510	37	5,431	919	3	4
Aktobe region	7,479	2,250	789	179	8,263	2,411	5	18
Atyrau region	3,197	1,136	410	111	3,605	1,243	2	4
Mangystau region	4,016	1,000	213	64	4,224	1,057	5	7
Akmola region	4,687	1,451	1,108	193	5,770	1,617	25	27
East Kazakhstan region	4,736	1,414	1,034	165	5,764	1,565	6	14
Zhambyl region	5,876	1,133	802	71	6,673	1,198	5	6
West Kazakhstan region	1,038	392	139	35	1,176	421	1	6
Karaganda region	8,117	2,653	1,426	274	9,528	2,891	15	36
Kostanay region	4,273	1,569	1,167	162	5,436	1,714	4	17
North Kazakhstan region	602	51	258	37	860	88	0	0
Turkestan region	3,346	486	344	28	3,688	508	2	6
Outside the Republic of Kazakhstan	1,090	436	10	8	1,100	444		
TOTAL	75,571	23,837	11,848	2,513	87,297	26,154	122	196



GRI 2-8

To implement the measures aimed at optimization of the staff numbers and improvement of the labor efficiency, which are being taken as a part of efforts made to improve the approaches to the labor force restructuring, as well as to reduce the social risks associated with the settlement of labor disputes, subject to the labor legislation of the RK, the Company introduced the outstaffing in 2022.

The outstaffing was introduced at the level of administrative assistants (24 persons), which allowed to ensure the effective documentation management at the Company.

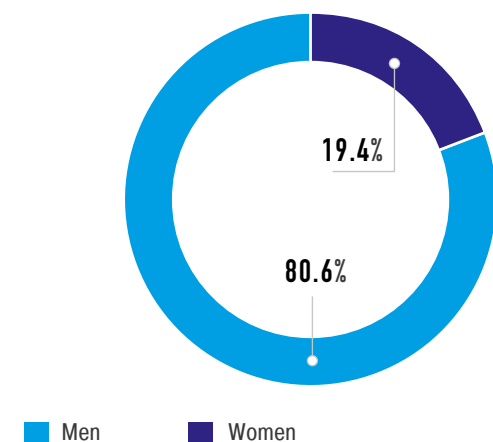
GRI 401-1

The number of employees with whom employment relations were terminated during the reporting period amounted to 14,447 people (including 11,894 people left the Company, 2,553 people carried out an internal transfer), which is 20.6% less than the level of 2021 (2021 – 18,185 people).

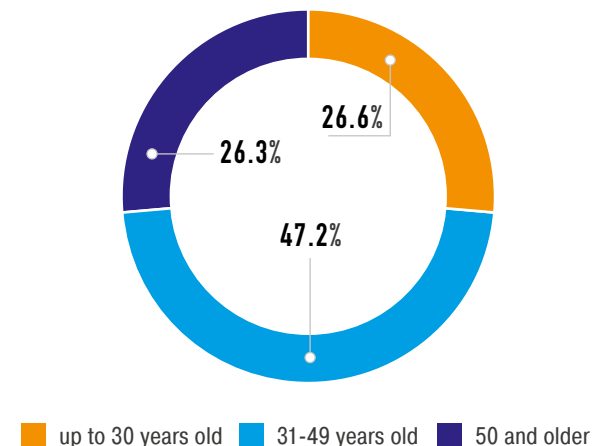
Number of Employees Who Left the Company, with a Breakdown by Categories, in persons

Regions	Up to 30		From 30 to 50		50 or older	
	Men	Women	Men	Women	Men	Women
Total	3,204	635	5,381	1,433	3,056	738
Astana	503	176	761	468	232	149
Almaty	212	55	293	118	148	31
Shymkent	17	1	57	20	35	12
Pavlodar region	223	46	484	113	231	88
Almaty region	282	44	458	83	209	33
Kyzylorda region	115	10	221	15	176	20
Aktobe region	320	36	417	70	254	37
Atyrau region	82	22	171	36	113	16
Mangystau region	62	12	126	20	76	12
Akmola region	211	57	356	80	279	64
East Kazakhstan region	221	29	387	84	261	42
Zhambyl region	213	22	381	62	227	44
West Kazakhstan region	45	7	79	13	43	9
Karaganda region	351	61	597	144	304	67
Kostanay region	232	41	404	72	274	63
North Kazakhstan region	36	11	36	20	38	5
Turkestan region	69	4	122	10	122	31
Outside the Republic of Kazakhstan	10	1	31	5	34	15

Employees Who Left the Company, with a Breakdown by gender, in the reporting period, in %



Employees who left the Company, by age for the reporting period, %



Labor Turnover Rate in 2020 to 2022, in %

	2020	2021	2022
Rate	8.2	11.1	12.7

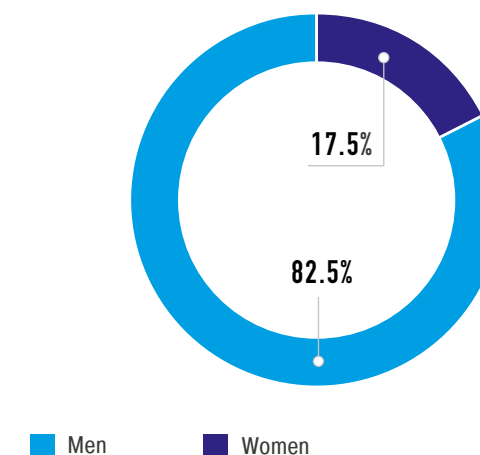
Note: the turnover ratio takes into account the number of all dismissed (at the initiative of the employee, retirement age, at the initiative of the Company, death, etc.) to the list number. The approach of calculating the yield coefficient has changed. In 2021, the coefficient takes into account only those who quit on their own initiative, in 2022, the number of all those dismissed is taken into account.

The number of employees accepted into the Company in 2022, broken down by gender, age and region, people GRI 401-1

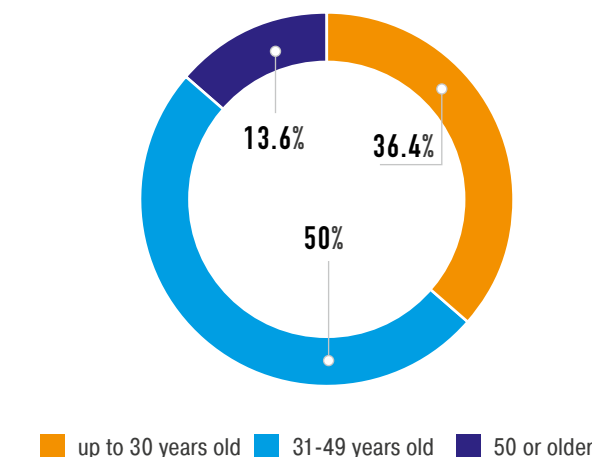
Regions	Up to 30		From 30 to 50		50 or older	
	Men	Women	Men	Women	Men	Women
Total	4,842	845	6,318	1,502	1,735	388
Astana	772	222	843	399	299	94
Almaty	401	79	534	117	251	67
Shymkent	28	9	40	14	5	2
Pavlodar region	300	64	481	120	138	40
Almaty region	510	73	568	91	79	10
Kyzylorda region	139	5	198	23	36	6
Aktobe region	332	49	391	100	92	14
Atyrau region	175	34	216	47	45	11
Mangystau region	114	20	144	30	14	3
Akmola region	331	57	455	97	165	33
East Kazakhstan region	304	42	543	88	118	12
Zhambyl region	349	21	378	41	63	10
West Kazakhstan region	57	12	78	16	20	3
Karaganda region	504	84	643	160	172	28
Kostanay region	383	64	461	108	195	49
North Kazakhstan region	12	0	99	8	0	4
Turkestan region	114	3	171	23	37	2
Outside the Republic of Kazakhstan	17	7	75	20	6	0

In 2022, the total number of employees employed amounted to 15,630 people, among them 13,038 people – external hiring, 2,592 – internal.

Employees employed by the Company, with a Breakdown by Gender, in the Reporting Period, in %



Employees employed by the Company, with a Breakdown by Age, in the Reporting Period, in %



Workforce Being on a Child Rearing Leave as of the End of 2020 through 2022, in persons GRI 401-3

	Men	Women	TOTAL
Total number of employees who were eligible for parental leave	87,399	26,370	113,769
Total number of employees who took advantage of parental leave	307	4,686	4,993
The total number of employees who returned to work in the reporting period after the end of parental leave	139	1,988	2,127
The total number of employees who returned to work after the end of parental leave (in 2021) and continue to work for 12 months after returning to work	103	2,661	2,764
The number of employees who were supposed to return to work after the end of their care leave in 2022	161	2,197	2,358
The number of employees who returned to work after the end of parental leave in 2021	111	2,772	2,884
Return to work ratio, %	86.3	90.5	90.2
Retention rate, %	92.8	96	95.8

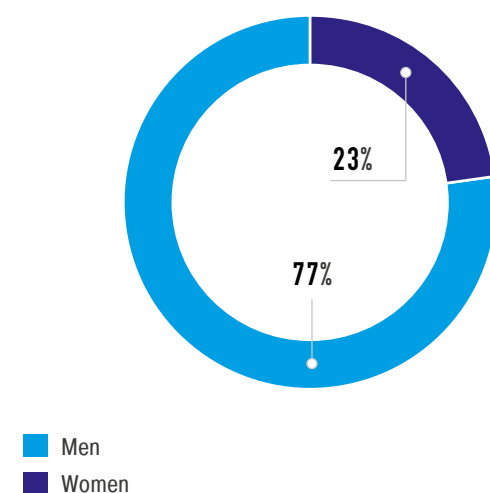
EQUAL OPPORTUNITIES

NC KTZ JSC ensures the equal access of its employees to the employment and professional development opportunities, regardless of their gender, age, race, ethnicity, disability or other attributes.

Each employee has equal opportunities to complete his/her advanced vocational training and education, in order to develop his/her potential and get new knowledge and skills.

There are no differences in the basic wage or bonus payments paid by the Company depending on an employee's gender. Salaries are established subject

Employees, with a Breakdown by Gender, in the Reporting Period, in %



In 2022, the share of women holding managerial posts at NC KTZ JSC was 24% of the total number of the management personnel (21% in 2021).

In 2022, Samruk-Kazyna JSC launched the modular "Gender Equality" Program aimed to increase the share of women in the governance bodies of the state-owned companies. The Program is to ensure the development of leadership competencies, such as strategic thinking, financial analysis, sustainable development, and personal performance. In total, 13 women, head of the corporate center, subdivisions and subsidiaries of NC KTZ JSC, participate in the Program.

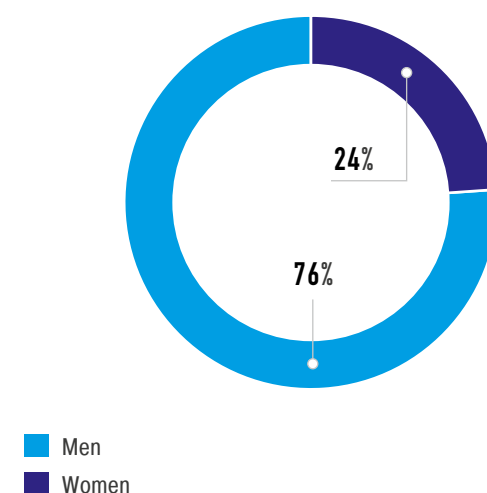
In addition, to achieve the gender balance, NC KTZ JSC prepared the Action Plan for 2023–2024, which provides for measures to raise awareness of the gender balance, to create an unofficial women's community, to develop

to the post, whereas men and women in the same position receive the equal salaries and other payments in compliance with the Company's Labor Remuneration Rules.

Gender Composition

Considering the specifics of the Company's activities, the personnel structure in terms of the gender is mostly represented by men (76.8%) of the total staff number. The share of women was 23.2% in 2022.

Management Personnel, with a Breakdown by Gender, in %



a pool of successors among the women, as well as to interact with independent organizations and associations that promote women's leadership and the gender balance.

Employment of People with Special Need

NC KTZ JSC employed people with special needs. In total, the Company employed 1,046 persons, including with a breakdown by disability groups: 7 persons of group 1, 189 persons of group 2, and 850 persons of group 3.

The main posts the employees with special needs hold are electromechanical technicians, grade-crossing attendants, etc.

Level of Men and Women's Basic Wages in the Reporting Period

GRI 405-2

	Administrative personnel ²⁴	Operating personnel ²⁵
women, in tenge	268,000	78,773
men, in tenge	268,000	78,773

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 2022, a number of measures were implemented to raise the financial aid to the employees, including:

- from January 1, 2022, the operating personnel's salaries were subject to a differential increase, while the salaries of those engaged in blue-collar jobs grew by 25 to 41 %;
- the shift from the zonal to regional coefficient had been completed in two stages (from July 1 and from October 15), which allowed to raise the "zonal" regional coefficients within a single Oblast to the then current maximum coefficient. The salaries rose by 7% on average;
- financial rewards were paid to the employees of the regional subsidiaries of NC KTZ JSC and its branch organizations, who had achieved the best performance according to the rating assessment results;

- certain work had been done to further scale up the current operating personnel bonus systems using the Index of Labor Distribution (ILD). The current bonus system covered 54% 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);
- according to the annual results, bonuses in the amount of 1 minimum salary were paid to the employees, including those being on a child rearing leave, as well as on long leaves;
- the amount of payments due in addition to departmental awards were doubled;
- 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 professional holiday, Day of Transport Workers, the Republic Day, and the Independence Day of the Republic of Kazakhstan.

In the result of measures being implemented, the average monthly salaries grew within the NC KTZ JSC Group by 37% versus 2021.

Average Monthly Salaries, with a Breakdown by Categories, in tenge

	2020	2021	2022
Administrative and managerial staff	345,763	417,192	525,578
Growth versus the previous year, in %	9	20.7	26
Operating personnel	192,649	236,287	329,206
Growth versus the previous year, in %	10	22.7	39

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 ²⁶	66,612
men, in tenge ²⁷	66,612
minimum salary ²⁸	42,500

²⁴ Salary of a manager at the NC KTZ JSC Central Staff (grade 13).

²⁵ Salary of a cleaner at KTZ- Freight Transportation LLP (rank 2).

²⁶ Salary of a cleaner at KTZ- Freight Transportation LLP (rank 2).

²⁷ Salary of a cleaner at KTZ- Freight Transportation LLP (rank 2).

²⁸ The minimum salary in the Republic of Kazakhstan shall be in compliance with Law # 379-VI "On Central Government Budget for 2021-2023" dated December 2, 2020.

STAFF EVALUATION GRI 404-3

Annually, evaluation of the activities of administrative and managerial personnel is carried out in all structural divisions, as well as branch organizations of NC KTZ JSC.

The evaluation of employees' activities in the Company is carried out throughout the calendar year and includes: setting goals, regular monitoring, performance evaluation, regular comprehensive evaluation and providing regular and constructive feedback to employees on the results of performance.

During the reporting year, the results of the Company's employee due diligence were summed up. The due diligence covered 91% of the employees, including those from the Central Staff of NC KTZ JSC (88.8%), subsidiaries (95.9%), and branch organizations (83%).

In compliance with the Rules of Creation and Rotation of the Talent Pool of NC KTZ JSC²⁹, according to the labor

performance evaluation carried out in 2022, 609 employees were included in the talent pool.

In 2022, a training was organized for 54 career reservists in the following topics:
1. "Re-born: New Birth of the Leaders";
2. "Management Skills: The System and Personal Influence."

There are 3 employees of NC KTZ JSC who have been included in the Presidential Youth Talent Pool. During the reporting year, one of them was rotated within the NC KTZ JSC Group.

In 2022, as part of the competence evaluation and identification of the degree of compliance of employees with their positions in NC KTZ JSC, a 360-degree evaluation was carried out.

The evaluation covered 41 employees, including 15 management employees, and 26 employees accountable to the Board of Directors.

"Zhas Temir" Program

In 2022, the Company launched a new program for young professionals' development entitled "Zhas Temir."

The goal of the "Zhas Temir" Program is to provide the Company with young skilled professionals of the railway profile, subject to the Company's development outlook and introduction of the best mentoring practices.

The candidates are selected with the help of an advertisement published in the social networks, awareness-building efforts made at the Universities with railway specialties.

Upon completion of the five-stage competitive admission procedure, 5 graduates of the railway industry were selected. Pursuant to the "Zhas Temir" Program, the young professionals are subject to 3 rotations 5 months long each at the NC KTZ JSC Group. If all the rotations are successful, the young professionals will be employed by NC KTZ JSC. The rotations' outcome is to be summarized in 2023.

The Welcome Book guide has been prepared for the new employees. They use it to get acquainted with the Company's history, establishment and development, mission, corporate values, structure, Compliance and Anti-Corruption principles, the corporate risk management system and other aspects of its activities. They are also provided with the image sets consisting of a notebook, a pen, and a wineglass.

The comprehensive introduction course is available in the distance learning and testing system (the online courses section).

PERSONNEL DEVELOPMENT GRI 404-2

Training and the professional development are the key elements of the Company's successful operations. They include the development of professional skills, personality traits and leadership, which promote the career growth and improvement of the employees' professional value.

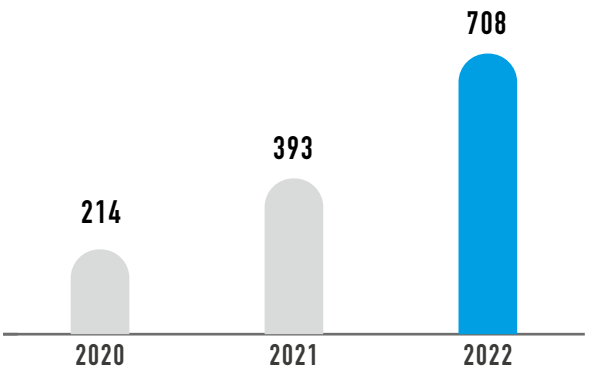
Investing in the employees' training and development is an efficient way to improve performance and loyalty of the employees, which, in turn, will improve the Company's performance. The training and development give the employees new opportunities to improve their knowledge and ensure their professional growth, due to which their confidence, motivation and satisfaction with the job grow.

The Company is regularly involved in the work aimed at the development of professional, personal and business, and management skills of its employees. At present, there are five training centers operating at the Company. They are located in different regions of the Country. On the basis of the training centers, 22,102 employees were trained in 2022 (22,671 employees in 2021), whereas the total number of trainees for the reporting year amounted to 41,295 employees (34,812 employees in 2021). The related costs were 1.7 billion tenge (1.49 billion tenge in 2021).

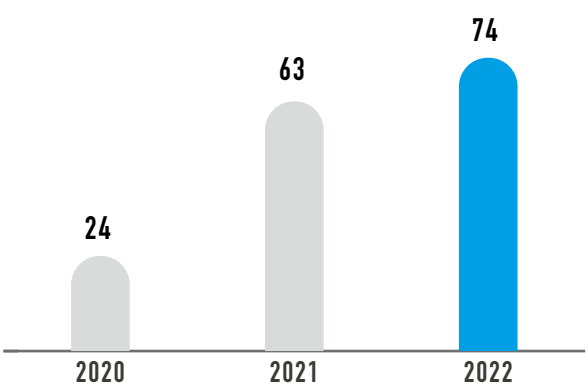
Number of Employees Covered by the Due Diligence, with a Breakdown by Gender and Categories, as of the end of the reporting period, in persons

	2020	2021	2022	Changes 2021/2020, in %	Changes 2022/2021, in %
TOTAL	2,415	3,067	2,994	27.0	-2.4
Women	1,371	1,697	1,581	23.8	-6.8
Men	1,044	1,370	1,413	31.2	3.1

Number of Employees Included in the Talent Pool, in persons



Number of Employees Rotated, in persons



YOUNG PROFESSIONALS

The Company pays special attention to the development of young professionals, which allows it to renew its talent pool through the introduction of new ideas and

approaches, to cope with the staff shortage and to demonstrate its social responsibility by supporting and developing the youth. We give them opportunities to learn, achieve a professional growth and increase the employment level of young persons.

29 Approved by Resolution of the Managing Board of NC KTZ JSC dated March 26, 2020.

Employees Trained, with a Breakdown by Focus Areas, in the Reporting Period, in %

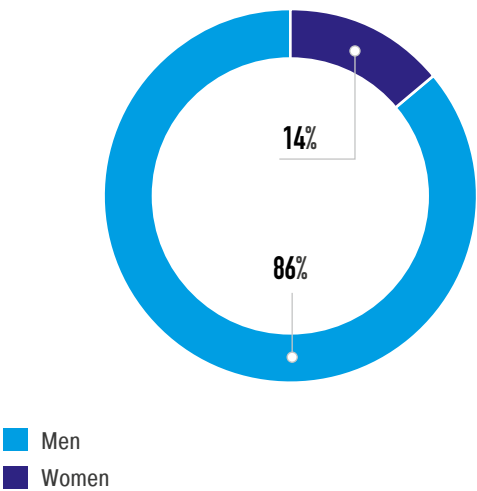


There are 50 highly qualified internal trainers in the Company. They are experts in their relevant areas. In 2022, the internal trainers delivered trainings to 5,600 employees in personality-related and business topics, such as conflict management, stress resistance, effective communications, client-oriented approach, digital skills, performance management, etc.

During the reporting year, the internal trainers also held the online health and safety trainings “Safe work permit,” “Briefings,” “Contractor organizations safety management” and “Behavior based safety dialogue 2” for 20,991 employees of the Company.

Besides, 3,146 employees of the Company were trained in ethics and compliance, including 1,326 employees completed the training and passed tests in “Fighting corruption” through the distance learning system, and

Employees Trained, with a Breakdown by Gender, in the Reporting Period, in %



1,098 employees were trained in “The Business Ethics Code.”

Under the “Mumkindik” development program, the course for the dismissed employees is published in the distance learning and testing system. The course consists of the 3 modules, including such topics as “Instruments of state support for startups. E-services portal,” “State procurement. From registration to first contracts,” “Personal growth as the key to success in life,” “Practical negotiating skills,” “Fundamentals of the entrepreneur’s legal literacy. How to do everything right?,” “Career counselling. Basics of the career choice,” “Taxes for the first-time entrepreneurs,” “Money management. How to save and increase?,” “How to prepare a resume”, etc.

GRI 404-2

Average number of hours of training per year per employee by gender and by category for the reporting period

Staff training	Top Management	Administrative and managerial staff	Production staff	Service personnel
The total number of hours of employee training per year for each category and gender	303	196,846	2,783,069	0
Total number of employees in each category and by gender (average number)	110	7,108	106,661	0
Total number of employees in each category and by gender (average number)	2.75	27.69	26.09	0

Staff training	Women	Men
The total number of hours of employee training per year for each category and gender	246,662	2,733,556
Total number of employees in each category and by gender (average number)	26,364	87,515
Average number of hours of training per employee of each category and by gender	9.36	31.24

“SHEBERLER KAZYNASY” CORPORATE TRAINING PROGRAM



To improve the professional and personal potential of each employee of the Company, who ensure the sustainable development, growth in the productive efficiency in a continuously changing environment, the Action Plan was approved to improve the quality of employee training in 2022–2024.

Pursuant to the Plan, Professional Competence Matrix of the subsidiary of NC KTZ JSC, Directorate of Backbone Railway Network (the signaling, centralization and blocking distance, the road distance, the power supply distance) and the “Sheberler Kazynasy” corporate training program for 200 foremen were developed and approved.

The goal of the training program is to improve the quality of the operational training, industrial safety level, understanding of the Company’s business priorities, to identify the efficient communication tools, to create a healthy environment and to ensure proper motivation of the personnel.

According to the results of the “Sheberler Kazynasy” implementation, the incentive system has been introduced for the foremen of vocational training, 20 new programs were worked out to deliver technical courses using digital skills, bonus pay performance targets were introduced, and a compensation was established for the attendance at the courses during non-working hours.

“WOW!HR KAZAKHSTAN 2022” AWARDS



In 2022, 12 projects of the Kazakhstani companies, including projects of NC KTZ JSC were recognized as the best ones during the most prominent in the CIS HR premium awarding ceremony “WOW!HR KAZAKHSTAN 2022.”

In the nomination of “SAVE” (employees’ welfare), the “The Attractive Optimization” project won, under which the early retirement program had been implemented.

The “Compact HR-dashboards (visualization of the HR analytical data)” project won in the nomination of “DIGITAL SOLUTIONS.” The project was created to provide a fast access to the high-quality HR-analytics data and to make the operating and management decisions.

SOCIAL POLICY



Understanding its business' social responsibility, NC KTZ JSC voluntarily undertakes obligations on its socially responsible engagement in the life of the Company's employees, population in the regions where the Company has been operating and community in general.

The Company guarantees to grant its employees the recruitment package, which includes various benefits and creates conditions for their professional and personal development. Besides, the Company pays special attention to the youth policy, healthy lifestyle promotion and implements a large-scaled charitable campaign. Pensioners and employees' families gain substantial support as well.

In 2022, costs towards social support to NC KTZ JSC's employees grew by 26% to 14.6 billion tenge (11.6 billion tenge in 2021), including:

- retirement allowances and one-time benefits to those retiring on a pension, in the amount of 460 million tenge;
- money paid to pensioners for health improvement and health support, in the amount of 269 million tenge;
- financial aid to employees for health improvement purposes, in the amount of 878 million tenge;
- maternity grants in the amount of 717 million tenge paid to employees;
- allowances in the amount of 49 million tenge paid to single employees raising physically challenged children;
- grants in the amount of 76 million tenge paid to employees on the occasion of registration of their marriages, etc.

COLLECTIVE BARGAINING AGREEMENT

GRI 402-1

The Industry Agreement and Collective Bargaining Agreement for 2021–2023 set forth additional standards and rules on protection of the employees' labor rights, labor remuneration, labor protection, health improvement and leisure time of the employees and their children, as well as other social protection coverage.

The Collective Bargaining Agreement stipulates the provision of medical support to all employees, sanatorium-resort therapy of employees and pensioners, children's health-improving rest in summer, compensation of medical treatment and care costs to physically challenged persons, etc.

The Collective Bargaining Agreement sets forth the following commitments of the Company:

- compliance with the standards pertaining social and labor relationship;
- rendering financial support and social protection to employees, retirees, and physically challenged persons within the Company, as well as those who suffer(ed) from occupational accidents and occupational diseases;
- social protection of the youth, employees' families, including summer holidays and health improvement of children of the Company's employees.

Besides, the Collective Bargaining Agreement provides for the Company's commitments 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 2-30

According to the 2022 results, the share of employees covered by the Collective Bargaining Agreements was 97.5%.

At the same time, the working conditions of employees not included in collective agreements are determined by the Labor Code of the Republic of Kazakhstan. The terms of employment and remuneration are regulated by separate local acts of the employer. The differences are in access to certain social benefits that are not stipulated in the local acts of the employer.

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 Infrastructural 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 for 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 2022, the Commission for Consideration of Changes and Amendments to the Collective Bargaining Agreement held 5 meetings together with the Trade Union. Based on the results of the said meetings, two supplementary agreements were signed. The supplementary agreements provided for the following improvements:

- extra pays for the work in the inclement weather conditions at the stations and rail junctions, where no meteorological reports are available may be applied according to the reports signed by the authorized managers;
- an extension of the period from 1 month to 1 year, during which the employees may use their paid leaves

on social grounds (3 business days long) in case of a child birth, or adoption of a child;

- payment of the pecuniary aid in connection with an adoption of a child of any age;
- an opportunity to have costs related to a trip in a "Business" railway car compensated once a year at the railway charges applicable to a "Tourist" car;
- the limitation to the number of school-aged children eligible for the financial aid payable by September 1 to single employees with children, was annulled.

SOCIAL STABILITY

The Fund's Center for Social Interaction and Communications conducts a research of the social stability index within the Company to determine the level of social stability. In 2022, the Company's social stability index was 65%, i.e. deteriorated versus the previous year (72%).

The index deteriorated in terms of the level of employees' satisfaction with their financial security.

Based on the research findings, the Company takes measures with regards to areas which require to be developed according to the action plans for the following year aimed to improve the social stability level and the personnel engagement rate.

In 2023, the Company and its branch organizations will make efforts to ensure the comfortable and safe working environment, to introduce the incentives, as well as to maintain the healthy and constructive interrelations within the work force in order to raise the social stability level and the personnel engagement rate.

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 RK, may become participants of the Program and receive a compensation depending on their official salary and length of employment.

In 2022, when the headcount was to be optimized by 1,242 persons, in total 1,062 employees were subject to dismissal, including 48 persons used the Early Retirement Program. The majority of the dismissed personnel (973 persons) were employed by the NC KTZ JSC Group. 20 persons were dismissed with a compensation paid under the Rules of Payment of Compensations to Dismissed Employees of NC KTZ JSC and Its Branch Organizations and the Methodology of Personnel Dismissal in Case of Downsizing or Optimization of the Headcount at NC KTZ JSC and Its Branch Organizations.

CHARITABLE ACTIVITIES AND SPONSORSHIP

Samruk-Kazyna Trust Corporate Fund is in charge of the implementation of the unified policy towards provision of the charitable support by the Samruk-Kazyna JSC Group.

The Company has been actively implementing the programs aimed at healthy lifestyle promotion, youth policy and support of 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 2022, over thousand corporate volunteers from the NC KTZ JSC Group organized a number of events and measures, including:

- celebration of a public, national and 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;
- New Year Tree Granting Child's Wishes for children with special needs on the New Year eve;
- The Food Basket and Domestic Coal for the Winter events for single veterans and retirees of the industry.

In 2022, 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, the Social Policy Department provided the required support to them. To collect funds for these purposes, the newsletters were sent via corporate email and articles were published in the Kazakhstan Temirzholsy newspaper with the call addressed to the Company's employees to make voluntary donations. These measures allowed to collect a substantial amount to support those in need.

In addition, in 2022 an environmental 10-dat challenge was launched. Over 300 employees of the Company participated in the challenge. Measures were taken to plant trees, save water and power, sort out the garbage and refuse from using disposable tableware. The event was widely supported by our employees, and drew attention to the environmental issues and the necessity to preserve our planet for the coming generations.

Another important aspect of the employees' charitable activities is their work on a charitable basis. During the reporting year, over 15 blood donating events were organized, when the railroadmen voluntarily acted as the blood donors. Over 300 employees donated more than 100 liters of their blood and so contributed to the general welfare of our society.

The total amount of the person-hours spent by the volunteers exceeded 20 thousand.

CARE FOR PENSIONERS

The Central Council of Railway Veterans has been functioning at NC KTZ JSC to provide social support to the 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 retirees get a social package, which includes an annual free trip, sanatorium-resort therapy, 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 9,500 employees and pensioners improved their health, including over 3,500



employees underwent the sanatorium-resort therapy at the health care center named after Saken Seifullin, which is subordinate to KTZ Freight Transportation LLP.

HEALTHY LIFESTYLE PROMOTION

NC KTZ JSC is a participant of the International Railway Sports Association (USIC), which unites 24 countries, and has been taking an active part in the USIC events, as well as in the Association's Congress.

In 2022, the Company held 322 sports events in all the regions, and this covered over 15 thousand persons, to promote the healthy lifestyle and physical culture.

Besides, 3 thousand railway workers participated in the 281 sports events organized by the local executive institutions and third-party organizations. Over 19 thousand employees are participants of the sports groups. Industrial gymnastics covers over 8.5 thousand employees.

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 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.

Within the context of the youth policy, the "KTZ's 100 Young Faces" and "Zhas Uzdik Maman" Programs are being implemented.

In 2022, to improve the youth engagement rate, the Company implemented a number of corporate actions, such as "KVN Festival," "Temirzhol Aruy – 2022" Competition, "Temirzhol Bilgirleri" Intellectual Games, as well as the "TieOFF" Project was launched on the Company's YouTube channel.



CORPORATE GOVERNANCE REPORT

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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 Code of Corporate Governance of NC KTZ JSC.

The competences of NC KTZ JSC’s governance bodies are strictly differentiated and stipulated by the Company’s Charter.

The restated Charter of NC KTZ JSC was approved in 2022³⁰. Changes were made to the Charter of NC KTZ JSC with the view of cutting red tape with regards to the corporate governance processes, introduction of the “flexible” wording, that would not require continuous amendments to the Charter.

The key changes in NC KTZ JSC’s Charter pertain to the redistribution of competences among the Board of Directors and the Managing Board with regard to decisions to be made as to the activities of branch organizations of NC KTZ JSC.

CODE OF CORPORATE GOVERNANCE

The Code of Corporate Governance of NC KTZ JSC³¹ is made in compliance with the laws of the Republic of Kazakhstan, internal documents of Samruk-Kazyna JSC and the Samruk-Kazyna JSC Transformation Program. The Code has regard to 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 reinforce adherence 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.

COMPLIANCE WITH THE PRINCIPLES AND PROVISIONS OF THE CODE OF CORPORATE GOVERNANCE

Pursuant to the Code of Corporate Governance, 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 Code of Corporate Governance of

NC KTZ JSC for 2022 was approved according to the resolution of the Board of Directors of NC KTZ JSC dated April 27, 2023 (minutes #4).

According to the review findings, as a matter of actual practice, the Company complies with 88% of the Code’s provisions, another 4% of the provisions thereof are complied with partially, 1% of the Code’s provisions are not complied with³² and 7% of its provisions are not applicable to the Company.

Compliance with the Code of Corporate Governance

Section of the Code	Complied with totally	Complied with partially	Not complied with	Not applicable
The shareholders’ rights and fair treatment of the shareholders	54%	2%	2%	41%
Performance of the Board of Directors and the executive body	93%	4%	1%	2%
Sustainable development	100%	—	—	—
Risk management, internal controls and audit	90%	8%	2%	—
Transparency	97%	6%	—	—

In 2023, the Company will continue to work to ensure compliance with the provisions of the Corporate Governance Code of NC KTZ JSC.

30 Approved by Resolution of the Sole Shareholder of NC KTZ JSC dated May 27, 2022 (minutes #29/22).
31 Approved by Resolution of the Sole Shareholder dated May 27, 2015 (minutes #22/15).

32 The efforts aimed to ensure the compliance with the provisions of the Code of Corporate Governance will be further continued.



IMPROVEMENT OF THE CORPORATE GOVERNANCE SYSTEM

In 2022, 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, the NC KTZ JSC Corporate Governance Improvement Plan for 2022–2023 was elaborated and approved.

In pursuance of the Plan, the following measures were taken during the reporting year:

- the restated Charter of NC KTZ JSC³⁴, which provides for a redistribution of competences among the Board of Directors and the Managing Board with regard to matters concerning activities of the branch organizations of NC KTZ JSC, was approved;
- the restated Policy on the governance of and interactions with the branch organizations of NC KTZ JSC was approved³⁵;
- the restated Guidelines on Preparation of Materials for the Board of Directors and its Committees were approved, which Guidelines include the new templates of agenda and explanatory notes to the draft resolutions prepared according to the Fund's recommendations³⁶;

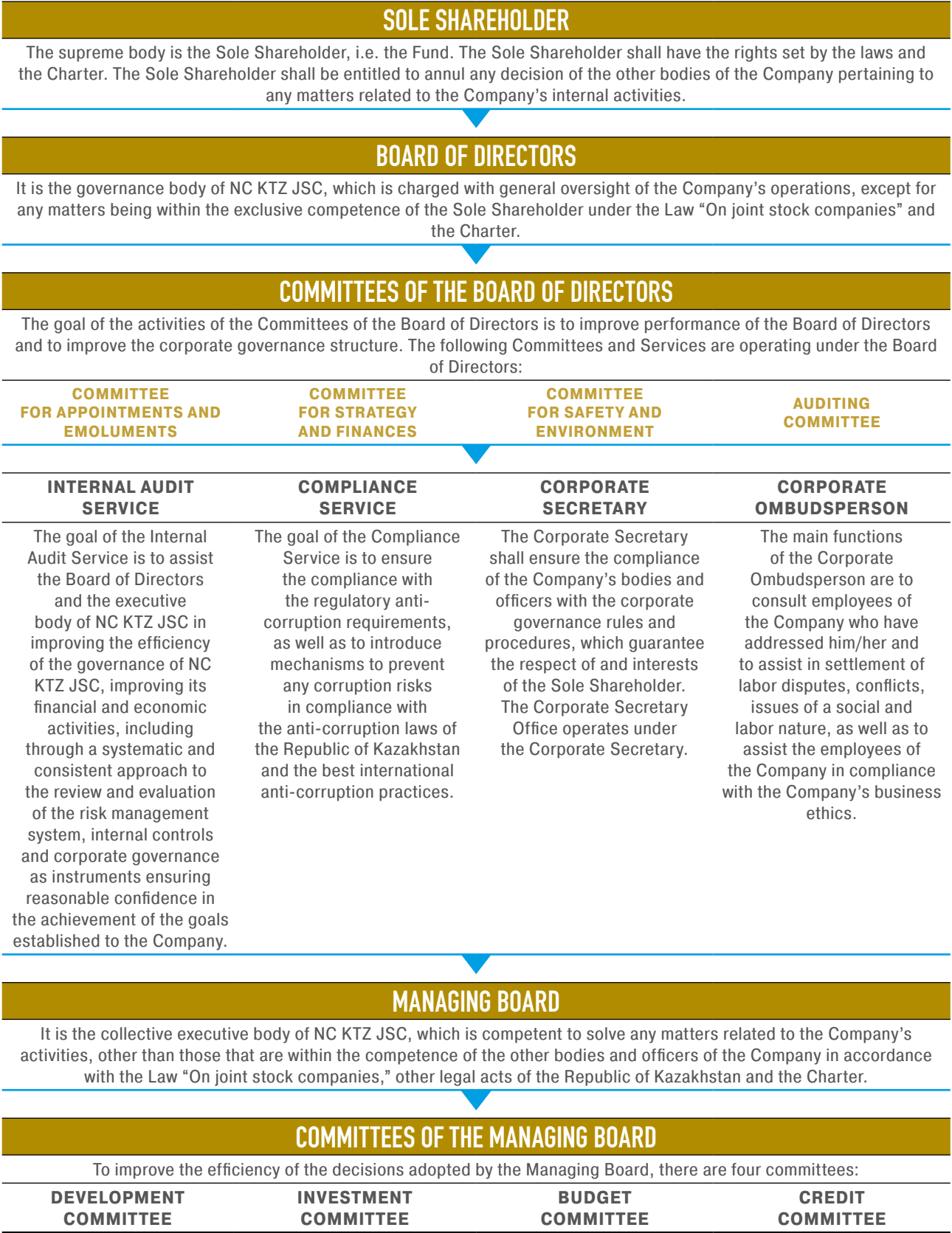
- the Low-Carbon Development Concept of NC KTZ JSC and its branch organizations until 2060³⁷ was elaborated and approved;
- the NC KTZ JSC Strategic Talent Pool Succession Plan³⁸ was approved;
- the Training Plan for the members of the Board of Directors of NC KTZ JSC³⁹ was approved;
- the adequacy of the Company's internal controls was analyzed and assessed in terms of protection of customers' personal data received through the Company's sales channels, etc.

The Board of Directors of NC KTZ JSC shall monitor the implementation of the action plans aimed to improve the corporate governance.

In 2023, it is planned to continue the efforts aimed to improve the Corporate Governance System of NC KTZ JSC and its branch organizations.

33 Approved by Resolution of the Board of Directors of NC KTZ JSC dated March 16, 2022 (minutes #3).
34 Approved by Resolution of the Sole Shareholder of NC KTZ JSC dated May 27, 2022 (minutes #29/22).
35 Approved by Resolution of the Board of Directors of NC KTZ JSC dated April 27, 2022 (minutes #7)..
36 Approved by Resolution of the Board of Directors of NC KTZ JSC dated July 8, 2022 (minutes #11).
37 Approved by Resolution of the Managing Board of NC KTZ JSC dated December 26, 2022 (minutes #02/49).
38 Approved by Resolution of the Board of Directors of NC KTZ JSC dated October 28, 2022 (minutes #14).
39 Approved by Resolution of the Board of Directors of NC KTZ JSC dated September 15, 2022 (minutes #12).

CORPORATE GOVERNANCE STRUCTURE **GRI 2-9**





SOLE SHAREHOLDER

BOARD OF DIRECTORS

The supreme managing body is the Sole Shareholder, i.e. 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 approved by the Sole Shareholder at its sole discretion and shall be made in written.

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 Code of Corporate Governance, appointment of the Board of Directors and Chairperson of the Managing Board, approval of the financial statements, etc.

In 2022, the Sole Shareholder considered the following matters:

- On the approval of the restated Provision on the Board of Directors of NC KTZ JSC (minutes #17/22 dated March 17, 2022);
- On the composition of the Board of Directors of NC KTZ JSC (minutes #29/22 dated May 27, 2022);
- On approval of the financial statements of NC KTZ JSC (minutes #27/22 dated May 19, 2022);
- On the procedure for allocation of net income for 2021 (minutes #27/22 dated May 19, 2022);
- On reports submitted by the Sole Shareholder of NC KTZ JSC with regards to actions of NC KTZ JSC and its officers for 2021 (minutes #27/22 dated May 19, 2022);
- On approval of the restated Charter of NC KTZ JSC (minutes #29/22 dated May 27, 2022), etc.

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 focus areas of its operations, 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, Code of Corporate Governance, 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 Chairperson of the Board of Directors are elected in the manner specified by the Law of the Republic of Kazakhstan “On joint stock companies,” the Code of Corporate Governance and the Charter of the Company.

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 the candidates. 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 Chairperson of the Company’s Managing Board, may not be elected to the Board of Directors. The Chairperson of the Company’s Managing Board may not be elected the Chairperson of the Board of Directors.

As of December 31, 2022, the Board of Directors consisted of nine Directors, including four Eligible Directors. The Chairperson of the Board of Directors is an Eligible Director. Members of the Board of Directors do not hold any shares in the Company/ participatory interests in the affiliates, or shares/ participatory interests in the Company’s suppliers or competitors.

Chairman of the Board of Directors and His/Her Role

The Chairperson 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.

Eligible Directors and Their Role

The Company complies with requirements of the Code with regard to the number of the Eligible Directors being members of the Board of Directors. Pursuant to the Code, the number of the Eligible Directors shall be up to 50% of the total number of members of the Board of Directors.

When choosing the Eligible Directors, the Sole Shareholder and the Company are governed by requirements of the laws of the Republic of Kazakhstan, the Company's Code of Corporate Governance, 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 Eligible Directors on a competitive basis.

Eligible Directors Y.I. Lavrinenko, N.Z. Akhanzaripov, J. McKay, and U. Vokurka 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 Eligible Directors.

Competences of the Members of the Board of Directors

The members of the Board of Directors have all the necessary competencies to make key decisions, including significant work experience and knowledge in the field of the railway industry, finance, investment, risk management, corporate governance, personnel management, sustainable development, transformation and digitalization.

The composition of the Board of Directors provides a balance of various skills, experience and knowledge, which allows it to make objective and effective decisions that are aimed at improving performance and improving financial condition.

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-assessment results. In addition, the training of the members of the Board of Directors is organized according to recommendations based on the results of the corporate governance diagnostics.

According to the results of the self-assessment for the compliance with the Matrix of Key Competences of the members of the Board of Directors approved by resolution of the Appointments and Emoluments Committee of NC KTZ JSC's Board of Directors dated June 8, 2019 (minutes #8), conducted in 2022, the Training Plan for the members of the Board of Directors for 2022–2023 was approved⁴⁰.

According to the Plan, in December 2022 the members of the Board of Directors attended the training "Topical matters of compliance and risk management" (based on the copyrighted program of the International Compliance Association, ICA).

In 2023, it is planned to organize a training of the members of the Board of Directors in sustainable development, IT and other main focus areas.

BOARD OF DIRECTORS PERFORMANCE EVALUATION

GRI 2-18

Pursuant to the Code of Corporate Governance 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 the Board of Directors and each of its members make 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.

During a meeting of the Board of Directors held in December 2022 it was decided to conduct a self-assessment of the performance of NC KTZ JSC's Board of Directors based on the 2022 results, in compliance with the Methodic Recommendations on Evaluation of Performance of the Boards of Directors of the Samruk Kazyna JSC entities.

As a part of the Board of Directors' performance self-assessment, it is planned to take the following measures,

Average Age of the Members of the Board of Directors

56 years

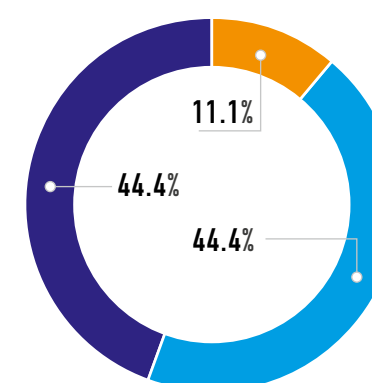
the results of which are to be considered by the Board of Directors and included in the relevant report:

- 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 Chairperson of the Board of Directors and the Appointments and Emoluments Committee;
- mutual assessment by the members of the Board of Directors.

Based on the results of the self-assessment of the activities of the Board of Directors, a Report on the self-assessment of the activities of the Board of Directors based on the results of 2022 will be formed.

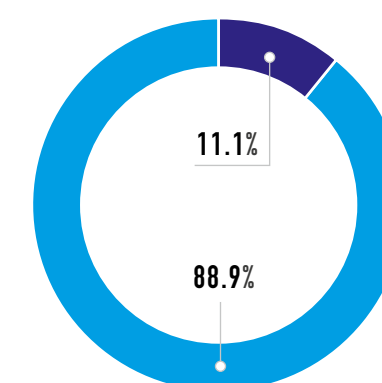
Structure of the Board of Directors, in %

GRI 2-9



- Chairperson of the Managing Board - 1
- Stewards for the Single Shareholder - 4
- Eligible Directors - 4

Diversity of the Members of the Board of Directors, in %

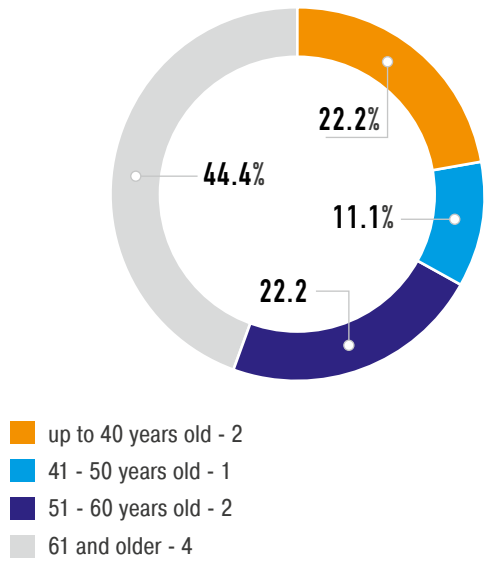


- Men - 8
- Women - 1

40 Approved by Resolution of the Board of Directors dated September 15, 2022 (minutes #12).



Age of the Members 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:

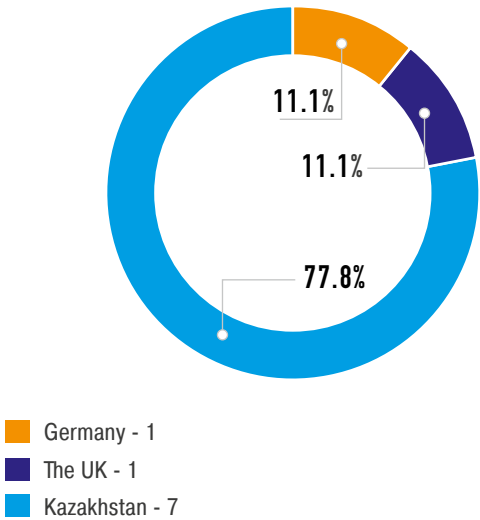
B.U. Akchulakov, A.N. Kravchenko and E.B. Zhanadil were removed from the offices of members of the Board of Directors ahead of schedule from February 18, 2022 (resolution of the Fund’s Managing Board #12/22 dated 18.02.2022);

On February 18, 2022, the members of the Board of Directors elected Y.K. Berdigulov, N.N. Nurbayeva and G.K. Auganov stewards for the Sole Shareholder (resolution of the Fund’s Managing Board #12/22 dated 18.02.2022);

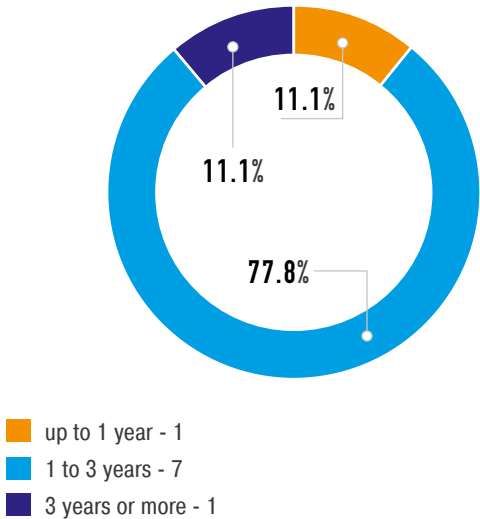
On April 8, 2022, K. Shomodi resigned from the Board of Directors (according to the resignation letter sent in compliance with the laws of the RK);

On May 27, 2022, Y.I. Lavrinenko was elected the Chairperson of the Board of Directors (resolution of the Fund’s Managing Board #29/22 dated 27.05.2022).

Citizenship of the Members of the Board of Directors, in %



Term of Powers in the Board of Directors, in %



The average term of members of the Board of Directors on the Board of Directors is 1.6 years.

As of the end of 2022, NC KTZ JSC’s Board of Directors consisted of the following members:

GRI 2-9

Full name	Date of election	Term of powers	Date of expiry of powers
Eligible Directors			
Y.I. Lavrinenko	27.05.2022	Until the date of expiry of powers of the current members of the Board of Directors	07.10.2024
N.Z. Akhanzaripov	07.10.2021	3 years	07.10.2024
J. McKay	07.10.2021	3 years	07.10.2024
U. Vokurka	07.10.2021	3 years	07.10.2024
Stewards for the Sole Shareholder			
Y.K. Berdigulov	18.02.2022	Until the date of expiry of powers of the current members of the Board of Directors	07.10.2024
N.T. Baidauletov	07.10.2021	3 years	07.10.2024
N.N. Nurbayeva	18.02.2022	Until the date of expiry of powers of the current members of the Board of Directors	07.10.2024
G.K. Auganov	18.02.2022	Until the date of expiry of powers of the current members of the Board of Directors	07.10.2024
Chairman of the Managing Board			
N.Y. Sauranbayev	07.10.2021	3 years	07.10.2024



YURY IVANOVICH
LAVRINENKO

Chairman of the Board of Directors
Eligible Director

Is a member of the Board of Directors from 2022.

Year of birth: 1945
Nationality: Republic of Kazakhstan

Education:
Leningrad Institute of Railway Transport Engineers, majored in Railway Operation;
Academy of the Social Sciences at the CPSU Central Committee, Moscow, majored in Theory of Socio-Political Relations.

Professional life stages:
His professional journey was from a yard master-on-duty to the senior positions at NC KTZ JSC.
In different years, he held the posts of the East Kazakhstan Oblast Akim, Deputy Akim for Akmola egion, Minister of Transport and Communications of

Holds no shares in Company, the Company’s suppliers or competitors.

the Republic of Kazakhstan, Counselor to the Prime Minister of the Republic of Kazakhstan, Managing Director – Director of the subsidiary of NC KTZ JSC – Directorate of Backbone Railway Network, General Director of Kamkor Repair Corporation LLP, and Kamkor Management LLP.
From 2010 to 2015 – Counselor to the President of NC KTZ JSC.
From 2015 till date – Deputy Chairperson of the Presidium of Union of Kazakhstan Transport Workers KAZLOGISTICS ALE (Union of Transport and Logistics Companies of Kazakhstan).



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 Samruk-Kazyna JSC, Vice-Minister of Industry and Innovations of the RK, Deputy Minister of Defense of the RK, Head of the Organizing Committee of the International Specialized Exhibition EXPO-2017.

Holds no shares in Company, the Company's suppliers or competitors.

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 RK.

From April 2021 till date – Chairman of the Managing Board of NC KTZ JSC.



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 Chairperson of

the Managing Board (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 Company, the Company's suppliers or competitors.



NURZHAN TALIPOVICH BAIDAULETOV

Member of the Board of Directors,

Steward for the Sole Shareholder

Is a member of the Board of Directors from 2018.

Year of birth: 1960

Nationality: Republic of Kazakhstan

Education:

Moscow Institute of Railway Transport, Russian Federation, majored in Railway Traffic Process Management.

Professional life stages:

Worked his professional way from a shunter to senior positions at Kazakhstan Temir Zholy RSE.

In different years, held positions of the Director of the Railway Transport Department of the Ministry of

Transport and Communications of the RK; Vice-Minister of Transport and Communications the RK; Chairman of the Committee for Transport Routes of the Ministry of Transport and Communications of the RK; and senior positions at the Fund.

From 2016 till date – Chairperson of the Board of Directors of Kazakhtelecom JSC.

From 2021 till date – Chairperson of the Board of Directors of Air Astana JSC.

Holds no shares in Company, the Company's suppliers or competitors.



NAZIRA NURTULEUOVNA NURBAYEVA

Member of the Board of Directors,

Steward for the Sole Shareholder

Is a member of the Board of Directors from 2022.

Year of birth: 1975

Nationality: Republic of Kazakhstan

Education:

Kazakh State Academy of Management, majored in Finances and Credit;

University of Wisconsin-Platteville Richland, USA, majored in Business Administration.

Professional life stages:

In 1998 to 2020, held the positions of Senior Tax Adviser at Lukoil Overseas Services Ltd.; Consultant, Senior

Consultant, Senior Manager, Director of the Tax and Legal Service Department, Head of the Atyrau Office of PricewaterhouseCoopers;

From 2020 to 2021 – a partner, Tax and Legal Service Department of Deloitte;

From April 2021 till date – Managing Director – Economics and Finance, Samruk-Kazyna JSC, a member of the Managing Board.

Holds no shares in Company, the Company's suppliers 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 (Public Relations and Change Management) of the Fund.

Holds no shares in Company, the Company's suppliers or competitors.



ULF VOKURKA

Member of the Board of Directors

Eligible 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 Chairperson of the Board of Directors of Kazpost JSC; Chairperson and a member of the Managing Board of the Kazakhstan Foreign Investors' Council Association under the President of the RK; the Chairperson of the Managing Board and a member of the Board of Directors of Kazkommertsbank JSC, Chairperson of the Managing Board of TsesnaBank JSC.

From 2019 till date – a member of the Board of Directors of Nurbank JSC, an Eligible Director of KEGOC JSC, AIFC Authority JSC and NC KAZAKH INVEST JSC.

Holds no shares in Company, the Company's suppliers or competitors.



NURLAN ZAMANBEKOVICH AKHANZARIPOV

Member of the Board of Directors

Eligible Director

Is a member of the Board of Directors from 2021.

Year of birth: 1965

Nationality: Republic of Kazakhstan

Education:

Semipalatinsk Technological Institute, Semipalatinsk University named after Shakarim, majored in Economist Accountant, Accounting and Audit;

Kazakhstan Institute of Management, Economics and Strategic Research under the President of the RK, MBA, Master of Business Administration;

Kazakhstan National Technical University named after K.I. Satbayev, majored in Geophysics.

Professional life stages:

Held the leading positions in the oil and gas industry, was a member of the Board of Management of the Kazakhstan Taxpayers Association (KTA), Expert Board of KAZENERGY Association and the Association of Independent Directors of the Russian Federation (AID RF); the Eligible Director – a member of the Board of Directors of SB AlfaBank Kazakhstan JSC, National Company "Kazakhstan Engineering" JSC, Fund of High Technologies Areket JSC, and Engineering and Technology Transfer Center JSC.

At present, he is an independent member of the Board of Directors of KEGOC JSC and AstanaGas KMG JSC.

Holds no shares in Company, the Company's suppliers or competitors.



JOHN IAN MCKAY

Member of the Board of Directors

Eligible 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 Chairperson of Police Negotiating Board & SPCF.

Holds no shares in Company, the Company's suppliers or competitors.

PROCEEDINGS OF THE BOARD OF DIRECTORS

In 2022, the Board of Directors held 17 meetings (versus 7 scheduled meetings), including 13 meetings in presentia, and 4 meetings in the form of absentee voting.

During the meetings of the Board of Directors held in 2022, 210 matters related to various focus areas of the Company were considered.

Matters Considered by the Board of Directors during meetings held in the reporting year

Category of the matter	Number of matters	Matters considered
Matters regarding activities of the services subordinate to the Board of Directors	39	- Report on the activities of the Compliance Service, Internal Audit Service, Corporate Ombudsperson - Approval of amendments to the Provision on the Internal Audit Service, Corporate Secretary and his/her Office - Approval of the Head of the Compliance Service, Head of the Internal Audit Service, Corporate Secretary and Corporate Ombudsperson performance evaluation sheet
Strategic matters	35	- Approval of the IT Development Strategy - Approval of the Information Security Strategy of NC KTZ JSC - Approval of the Development Plan (Business Plan)
Reporting	29	- Report of the Chairperson of the Managing Board; - Report on compliance with the principles and provisions of the Code of Corporate Governance of NC KTZ JSC - Report on the situation with the integrated health and labor safety within NC KTZ JSC - Consolidated report on risks NC KTZ JSC is exposed to
Corporate governance	21	- Approval of the Plan on corporate governance improvement - Approval of the restated Policy of governance and interactions with branch organizations of NC KTZ JSC - Approval of the restated Charter NC KTZ JSC - Approval of the Guidelines on Preparation of Materials for the Board of Directors and Committees of NC KTZ JSC's Board of Directors
Matters related to the conclusion of transactions	19	Conclusion of a major transaction, which results in an alienation (potential alienation) of the property worth fifty or more percent of the total book value of the assets
Approval of internal documents	17	- Approval of the Provision on the Representative Office - Approval of the list of documents to be approved by NC KTZ JSC's Board of Directors
Other matters	17	- Approval of the matrixes of the executive employees' motivational key performance indicators - Appointment/election of the General Director (Chairperson of the Managing Board) of a NC KTZ JSC branch organization
Other matters	33	- On some aspects of the information technologies - Information of the progress in the implementation of the privatization and divestment programs



Participation of the Members of the Board of Directors in the Meetings During the Reporting Period

Full name	Reporting period	Meetings attended	
			%
K. Shomodi , Chairperson of the Board of Directors – Eligible Director	01.01.2022 – 08.04.2022	6/6	100
Y.I. Lavrinenko , Chairperson of the Board of Directors – Eligible Director	27.05.2022 – 31.12.2022	8/8	100
N.Y. Sauranbayev , a member of the Board of Directors – Chairperson of the Managing Board	01.01.2022 – 31.12.2022	14/17	82
N.T. Baidauletov , a member of the Board of Directors – Steward for the Sole Shareholder	01.01.2022 – 31.12.2022	17/17	100
B.U. Akchulakov , a member of the Board of Directors – Steward for the Sole Shareholder	01.01.2022 – 18.02.2022	0/2	–
A.N. Kravchenko , a member of the Board of Directors – Steward for the Sole Shareholder	01.01.2022 – 18.02.2022	0/2	–
E.B. Zhanadil , a member of the Board of Directors – Steward for the Sole Shareholder	01.01.2022 – 18.02.2022	0/2	–
Y.K. Berdigulov , a member of the Board of Directors – Steward for the Sole Shareholder	18.02.2022 – 31.12.2022	12/15	80
N.N. Nurbayeva , a member of the Board of Directors – Steward for the Sole Shareholder	18.02.2022 – 31.12.2022	12/15	80
G.K. Auganov , a member of the Board of Directors – Steward for the Sole Shareholder	18.02.2022 – 31.12.2022	10/15	67
N.Z. Akhanzaripov , a member of the Board of Directors – Eligible Director	07.10.2022 – 31.12.2022	17/17	100
U. Vokurka , a member of the Board of Directors – Eligible Director	07.10.2022 – 31.12.2022	16/17	94
J. McKay , a member of the Board of Directors – Eligible Director	07.10.2022 – 31.12.2022	17/17	100

Incumbent members of the Board of Directors

The average attendance of Board members at meetings in the reporting year was 89%.



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 Appointments and Emoluments Committee;
- the Strategy and Finance Committee;
- the Safety and Environment Committee; and
- 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 the work at the relevant Committee.

Proceedings of the Committees of the Board of Directors are subject to the relevant Provisions on the Committees. According to the Provisions on the Committees, only the Eligible Directors may be elected members of the Auditing Committee; the Eligible Directors shall hold the majority of positions in the other Committees. The Eligible Directors are the Chairpersons of the Committees of the Board of Directors.

At the invitation of committee members, T.S. Sharipov, Director of the Department of Transport and Communications of Samruk-Kazyna JSC, periodically participated in committee meetings, which allowed to further increase the efficiency of the work of the committees, providing a fuller understanding of the interests of all stakeholders of the Company and making more informed and balanced decisions.

Functions and Objectives of the Committees of the Board of Directors

Committee	Objectives
Appointments and Emoluments Committee	To consider matters related to HR Policy, appointments, performance evaluation, remunerations and corporate social responsibility
Strategy and Finance Committee	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
Safety and Environment Committee	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 and compliance

APPOINTMENTS AND EMOLUMENTS COMMITTEE (AEC)

Composition of the Appointments and Emoluments Committee and Attendance at the Meetings in 2022

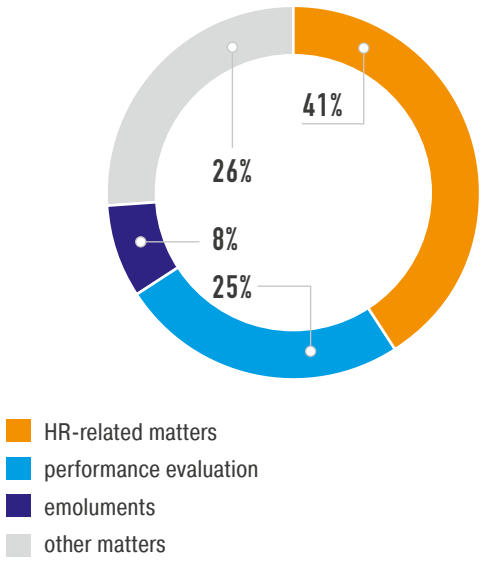
Full name	Reporting period	Meetings attended	
			%
J. McKay Chairperson of the Committee	01.01.2022 – 31.12.2022	8/8	100
A.N. Kravchenko a member of the Committee	01.01.2022 – 04.03.2022	0/2	–
U. Vokurka a member of the Committee	01.01.2022 – 31.12.2022	8/8	100
N.Z. Akhanzaripov a member of the Committee	01.01.2022 – 31.12.2022	8/8	100
Auganov Г.К a member of the Committee	04.03.2022 – 31.12.2022	6/6	100

■ Incumbent members of the Committee

Activities of the Committee in 2022

In 2022, the Committee held 8 meetings (versus 7 scheduled ones), during which 87 matters were considered.

Matters Considered by AEC During the Reporting Year, in %



In 2022, the AEC considered and approved the following documents:

- HR reports in pursuance of the HR Policy of NC KTZ JSC;
- The restated Provision on the Board of Directors of NC KTZ JSC's;
- The NC KTZ JSC Strategic Talent Pool Succession Plan;
- Changes and amendments to the Rules of Search for and Recruitment of Personnel to the Positions Subordinate in Their Activities to the Board of Directors, Corporate Ombudsperson and Corporate Secretary of NC KTZ JSC, as well as to the CEO-1, CEO-2 positions;
- Changes and amendments to the Program on Socially Responsible Dismissal of the Personnel Who Are to Be Dismissed by 2024, etc.

STRATEGY AND FINANCE COMMITTEE (SFC)

Composition of the Strategy and Finance Committee and Attendance at the Meetings in 2022

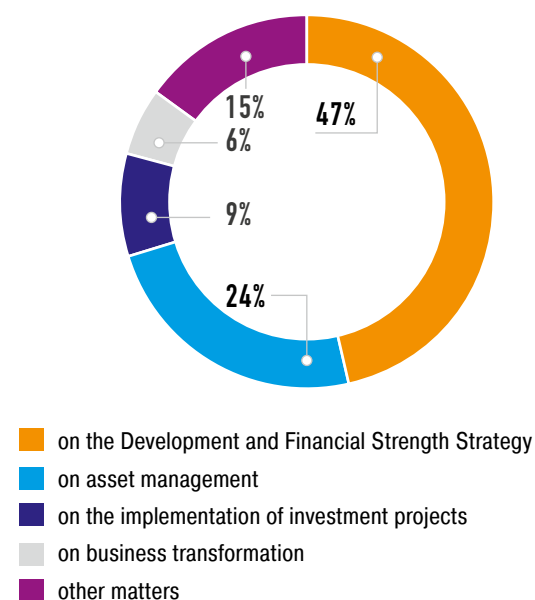
Full name	Reporting period	Meetings attended	
			%
U. Vokurka Chairperson of the Committee	01.01.2022 – 31.12.2022	14/15	93.3
K. Shomodi a member of the Committee	01.01.2022 – 08.04.2022	3/3	100
N.Z. Akhanzaripov a member of the Committee	01.01.2022 – 31.12.2022	15/15	100
N.T. Baidautetov a member of the Committee	01.01.2022 – 31.12.2022	15/15	100
B.U. Akchulakov a member of the Committee	01.01.2022 – 04.03.2022	0/2	–
E.B. Zhanadil a member of the Committee	01.01.2022 – 04.03.2022	0/2	–
Y.I. Lavrinenko a member of the Committee	14.06.2022 – 31.12.2022	8/8	100
Y.K. Berdigulov a member of the Committee	04.03.2022 – 31.12.2022	7/13	53.8
N.N. Nurbayeva a member of the Committee	04.03.2022 – 31.12.2022	10/13	76.9

Incumbent members of the Committee

Activities of the Committee in 2022

In 2022, the SFC held 15 meetings (versus 7 scheduled ones), where 125 matters were considered.

Matters Considered by the SFC During the Reporting Year, in %



In 2022, the SFC considered and approved the following documents:

- The restated Charter of NC KTZ JSC;
- The restated Policy for Governance of and Interactions with the Branch Organization of NC KTZ JSC;
- The report on the progress in the implementation of the NC KTZ JSC Development Strategy until 2029;
- The list of nonstrategic assets to be withdrawn from the NC KTZ JSC Group;
- Approval of the model charters of the branch organizations of NC KTZ JSC;
- Corrections to the NC KTZ JSC Development Plan for 2022–2026;
- Approval of the key parameters of the treasury portfolio of NC KTZ JSC;
- Information Security Strategy of NC KTZ JSC until 2026, etc.

SAFETY AND ENVIRONMENT COMMITTEE (SEC)

Composition of the Safety and Environment Committee and Attendance at the Meetings in 2022

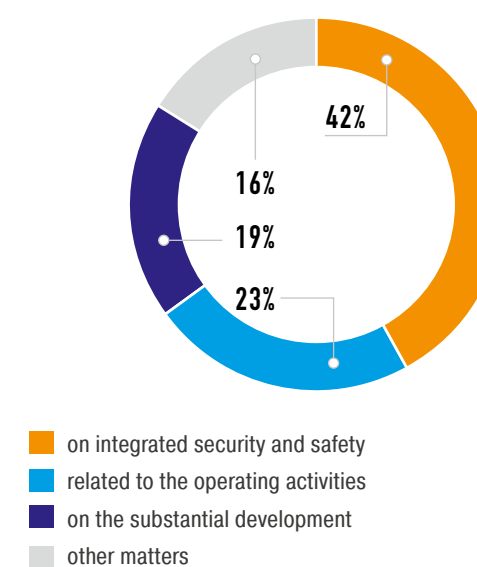
Full name	Reporting period	Meetings attended	
			%
K. Shomodi Chairperson of the Committee	01.01.2022 – 14.06.2022	2/2	100
Y.I. Lavrinenko Chairperson Committee	14.06.2022 – 31.12.2022	4/4	100
J. McKay a member of the Committee	01.01.2022 – 31.12.2022	8/8	100
N.T. Baydaudetov a member of the Committee	01.01.2022 – 31.12.2022	8/8	100
Y.K. Berdigulov a member of the Committee	04.03.2022 – 31.12.2022	4/7	57

Incumbent members of the Committee

Activities of the Committee in 2022

In 2022, the SEC held 8 meetings (versus 6 scheduled ones), where 49 matters were considered.

Matters Considered by the SEC During the Reporting Year, in %



In 2022, the SEC considered and approved the following documents:

- The Action Plan on NC KTZ JSC's Shift to the Low-Carbon Development for the period until 2060;
- Reports on the situation with integrated safety and labor protection at NC KTZ JSC according to the results of 2021, the 1st quarter, the 1st half of the year and 9 months of 2022;

- Reports on the fulfillment of operational indicators based on the results of 2021, quarter 1, first six months and 9 months of 2022;
- Report on the implementation of the Action Plan on Prevention of Fatalities;
- Method of evaluation of the Company's sustainable development performance, etc.

GRI 2-16

The facts of major violations of the traffic safety rules and fatalities require a thorough review of each case and the relevant information is communicated to the Company's key management personnel.

In particular, the Safety and Environment Committee under the Board of Directors is regularly informed of such cases and relevant measures taken.

The information of the fatalities, rolling stock run off the rails and relevant measures taken are considered in detail during a meeting of the Committee. During the reporting year, 4 matters were considered with regards to 6 cases. At the same time, in the course of the quarterly consideration of the Report on the Situation with Integrated Safety and Labor Protection at NC KTZ JSC the relevant materials shall be compulsorily supported with an accident informational memo.

AUDITING COMMITTEE (AC)

Composition of the Auditing Committee and Attendance at the Meetings in 2022

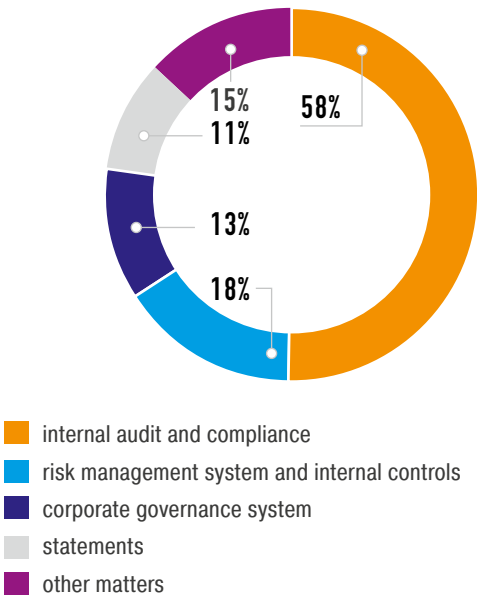
Full name	Reporting period	Meetings attended	
			%
N.Z. Akhanzaripov Chairperson of the Committee	01.01.2022 – 31.12.2022	11/11	100
K. Shomodi a member of the Committee	01.01.2022 – 14.06.2022	3/3	100
J. McKay a member of the Committee	01.01.2022 – 31.12.2022	11/11	100
U. Vokurka a member of the Committee	01.01.2022 – 31.12.2022	11/11	100

 Incumbent members of the Committee

Activities of the Committee in 2022

In 2022, the AC held 11 meetings (versus 8 scheduled ones), where 105 matters were considered.

Matters Considered by the AC During the Reporting Year, in %



In 2022, the AC considered and approved the following documents:

- Changes and amendments to NC KTZ JSC’s Risk Management and Internal Controls Policy;
- The Auditors Engagement Policy of NC KTZ JSC and its branch organizations;
- The Provision on the Internal Audit Service of NC KTZ JSC;
- The restated Guidelines on Preparation of Materials for the Board of Directors and Committees of NC KTZ JSC’s Board of Directors, etc.



INTERACTIONS BETWEEN MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY

To ensure the successful implementation of the Development Strategy, all governance bodies of the Company are interacting in a collaborative way and maintain an ongoing dialogue.

In 2022, the initiative of members of the Board of Directors and the Managing Board, meetings and sessions were regularly held, including with the heads of the branch organizations. The members of the Board of Directors attended from time to time the working meetings organized by the Business Transformation Team of the Company and the Fund.

In December 2022, the members of the Board of Directors participated in the 4th International Industrial Safety Forum initiated by the Company’s industrial safety unit.

STRATEGIC SESSIONS IN 2022

On September 16, 2022, NC KTZ JSC held an annual strategic sessions attended by members of the Board of Directors and the Managing Board. The main topic of the session was discussing the directions and preliminary plans of the transformation of NC KTZ JSC.

During the session, issues related to the Company’s activities were considered, preliminary data on the transformation of NC KTZ JSC into a transport and logistics company were analyzed, and directions and preliminary plans for the transformation of the Company were discussed.

Ultimately, based on the strategic session results, the members of the Board of Directors set a number of urgent matters and set missions aimed at the further implementation of the NC KTZ JSC transformation process.



MANAGING BOARD

GRI 202-2

The average age of the Managing Board members

49 years

As a collective executive body, the Managing Board administers the day-to-day operations of the entity and ensures the latter’s compliance with the Strategy, Development Plan and resolutions adopted by the Sole Shareholder and the Board of Directors.

The main objectives of the Managing Board are to prepare its propositions regarding the Company’s operating strategy, to implement the financial and economic policy of the Company, to work out decisions on its current economic activities and coordination of its subdivisions’ operations, to improve efficiency of the controls system and the risk monitoring system, to ensure respect 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

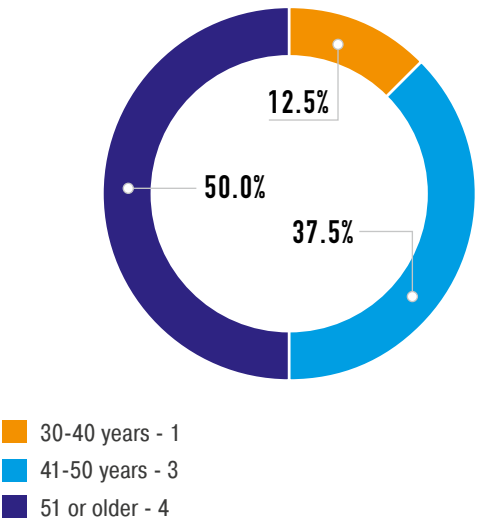
According to the Charter of NC KTZ JSC, it is within the competence of NC KTZ JSC’s Board of Directors to determine the quantitative composition and terms of powers of the Managing Board, to elect members of the Managing Board, as well to terminate their powers ahead of schedule. The appointment and early termination of powers of the Chairperson of the Managing Board shall be within the Sole Shareholder’s competence.

CHANGES IN THE COMPOSITION OF THE MANAGING BOARD

In 2022, the composition of the Managing Board changed as follows:

according to the resolution of the Board of Directors of NC KTZ JSC dated February 9, 2022, powers of M.A. Duzbayev and Ye.A. Zhangaurov were terminated ahead of schedule.

Age of the Members of the Managing Board, in %



As of the end of 2022, the Managing Board of NC KTZ JSC consisted of the following members:

Full name	Position
N.Y. Sauranbayev	Chairperson of the Managing Board
K.Y. Almagambetov	a member Managing Board, Deputy Chairperson of the Managing Board
A.M. Akhmetzhanov	a member Managing Board, Deputy Chairperson (Strategy and Digitalization) of the Managing Board
S.Z. Keulimzhayev	a member Managing Board, Chief of Staff
D.A. Kusherov	a member Managing Board, Managing Director (Finance)
B.P. Urynbasarov	a member Managing Board, Managing Director (Operating Processes)
Y.K. Koishibayev	a member Managing Board, Managing Director (Logistics)
Y.K. Nagaspayev	a member Managing Board, Managing Director (New Projects)



NURLAN YERMKOVICH 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 Samruk-Kazyna JSC, Vice-Minister of Industry and Innovations of the RK, Deputy Minister of Defense of the RK, 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 RK.

From April 2021 till date – Chairperson of the Managing Board of NC KTZ JSC.



KANAT YESMUKHANOVICH ALMAGAMBETOV

Member Managing Board

Is a member of the Managing Board from 2018.

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, President of Kaztemirtrans JSC, the Managing Director (Transportation Process), Managing Director (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 Chairperson of the Managing Board of NC KTZ JSC.



ANUAR MURATOVICH AKHMETZHANOV

Member 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; of the Deputy Karagandy Oblast Akim (Industry, SME Development, Industrialization and Investments); the Inspector, Executive Office of the President of the RK; the Executive Secretary, Ministry

of Defense and Aerospace Industry of the RK, Ministry of Digital Development, Innovations and Aerospace Industry of the RK.

From 2020 to 2021 – First Vice-Minister of Digital Development, Innovations and Aerospace Industry of the RK.

From July 2021 to February 2022 – First Deputy Chairperson of the Managing Board (Transformation and Digitalization) of NC KTZ JSC.

From February 2022 till date – Deputy Chairperson (Strategy and Digitalization) of the Managing Board of NC KTZ JSC.



KEULIMZHAYEV SERIK ZHETKERGENOVICH

Member 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 Chairperson of the Managing Board (Corporate and HR) of NC KTZ JSC.

From February 2022 till date – Chief of the Staff of NC KTZ JSC.



DAIR ADILBEKOVICH KUSHEROV

Member Managing Board

Is a member of the Managing Board from 2018.

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 (Economics and Finance), Deputy General Director (Economics and Finance) of KazTransGas JSC.

From December 2018 to February 2022 – Deputy Chairperson (Finance) of the Managing Board of NC KTZ JSC.

C February 2022 till date – Managing Director (Finances), NC KTZ JSC.



BAURZHAN PAZYKBEKOVICH URYNBASAROV

Member 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 (Field Operations) of NC KTZ JSC; Acting President, Kaztemirtrans JSC; Vice-President and Chief Engineer, NC KTZ JSC.

From 2017 to 2018 – Vice-President (Infrastructure Projects) of NC KTZ JSC.

From 2018 to 2020 – Managing Director (Infrastructure) – Director of the NC KTZ JSC subsidiary – Directorate of Backbone Railway Network.

From 2020 to 2021 – Deputy Chairperson (Infrastructure) of the Managing Board – Director of the NC KTZ JSC subsidiary, Directorate of Backbone Railway Network.

From 2022 till date – Managing Director (Operating Processes) of NC KTZ JSC.



YERLAN KHAMARDINOVICH KOISHIBAYEV

Member 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 RK, 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 (Logistics) of KTZ Express JSC.

From 2018 to 2019 – Deputy Chairperson 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 Chairperson (Logistics) of the Managing Board of NC KTZ JSC.

From February 2022 till date – Managing Director (Logistics) of NC KTZ JSC.



YERSAIYN KAIRGAZIYEVICH NAGASPAYEV

Member 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 RK, 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 RK; Chief of Staff, Aktau International Sea Trade Port RSE, Advisor to the Deputy

Prime Minister of the RK; Deputy Akim of the district named after Kazybek Bi, Karagandy; Shahtinsk Akim, Karagandy Oblast; Deputy Astana City Akim, (Economics and Finance).

In 2015 – Chairman of the Management Board of SEC Astana JSC.

From 2016 to 2020 – Deputy Director (Strategic Development), Novostroi Astana LLP.

From April 2021 to February 2022 – Managing Director (Procurements), NC KTZ JSC.

From February 2022 till date – Managing Director (New Projects) of NC KTZ JSC.

GENDER DIVERSITY OF THE MEMBERS OF THE MANAGING BOARD

The Managing Board of the Company consists solely of men. We do admit that it is necessary to involve women in the Company governance, which would promote a diversity of skills and background among members of the Managing Board.

In 2023, it is planned to approve the action plan on achieving a gender balance within the Company. The plant will provide for creation of the own pool of women from the middle-ranking management, who have strong professional skills and are ready to pursue a career at a higher level. The plan will initiate the mentoring programs directly attributable to the performance rates in order to establish transparent and clear criteria of development opportunities available to women and men, organization of training programs, consideration of the introduction of additional social benefits, etc.

PROCEEDINGS OF THE MANAGING BOARD IN 2022

In 2022, the Managing Board of NC KTZ JSC held 50 meetings, where 354 matters were resolved.

For the reporting period, the Company's Managing Board considered matters pertaining to the operating activities, implementation of the Development Strategy, resolutions of the Sole Shareholder and NC KTZ JSC's Board of Directors, etc.

During 2022, the Managing Board of NC KTZ JSC approved the following documents:

- NC KTZ JSC's Single Digital Window (SDW)/SM design concept;
- The list of goods, works and services required on a daily and/or weekly basis (for the period from the tender announcement date and to the date when a contract is awarded based on the tender results);
- Rules of employment and reassignment to certain positions in NC KTZ JSC;
- "Digitalization of freight transport process management (FTPM/TMS)" Design concept;
- NC KTZ JSC Internal Controls Guidelines;
- "Medium-term and short-term (annual) planning and budgeting" standard operating procedure;
- Standard procedure for organization of activities of NC KTZ JSC's structural subdivisions and branch organizations when protecting the proprietary and other legal rights and interests of the NC KTZ JSC Group;

- Road Map of National Company Kazakhstan Temir Zholy Joint Stock Company on the improve of its ESG rating for 2022–2023;
- NC KTZ JSC's strategy on currency risk hedging, approval of the growing liabilities, conclusion of transactions by signing confirmations under the 2002 ISDA Master Agreements;
- Standard procedure for preparation of separate and consolidated financial statements and interaction with the external auditors within the context of an audit of the separate and consolidated financial statements of NC KTZ JSC;
- NC KTZ JSC cash flow regulations;
- Low-Carbon Development Concept of NC KTZ JSC and its branch organizations until 2060, etc.

REMUNERATIONS OF COMPANY 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 of Labor Remuneration and Bonuses due to key personnel, employees of the Office of Corporate Ombudsperson, employees of the Corporate Secretary Office, Internal Audit Service and Compliance Service, as approved according to the resolution of NC KTZ JSC's Board of Directors dated July 12, 2017 (minutes #5).

The above Rules are based on the following principles:

- a correlation between the remuneration and performance of the tasks being 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 employees.

The amount of the official salary of a Company employee shall be established by the Board of Directors according to the recommendations of the Appointments and Emoluments Committee /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 in 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 calculated based on the actual overall fulfillment of the corporate and functional key performance indicators (KPI).

The concerned subdivision shall, in due order, submit the key performance indicator matrixes with the actual figures and calculations of the financial rewards for consideration by the Company's Appointments and Emoluments Committee and Board of Directors.

In 2022, the KPI included the ESG rates: traffic safety, LTIFR, implementation of the plan for obtaining of the ESG rating, the local content share in the works/ goods and services procured.

Fulfillment of the Corporate KPI in 2022:

KPI name	Meas. unit	2022		KPI fulfillment
		Target	Fact	
Net income	Million tenge	–36,391	34,887	Target exceeded
Traffic safety	incidents/ million train- kilometers	1.05	0.7	Target exceeded
LTIFR (Lost Time Injury Frequency Rate)	rate	0.26	0.2	Target exceeded
Financial recovery	rate	K1=7.00 K2=1.89 K3=1.27	K1=5.28 K2=2.32 K3=1.22	Target exceeded
Implementation of the plan to obtain the ESG rating	%	80	96	Target exceeded
Studying of the sources of financing for the Dostyk – Moyinty Project	date	quarter 4	quarter 4	Target achieved
Local content share in goods/works/ services procured	%	74	90	Target exceeded

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 adopted by the Board of Directors of NC KTZ JSC.

In accordance to the Charter of the Company, 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, as required by the internal documents of the Sole Shareholder. The members of the Board of Directors shall be paid solely a fixed remuneration. No additional compensation shall be payable for their participation in the Committees of NC KTZ JSC Board of Directors.

In 2022, the total amount of remuneration, including salaries, to members of the Management Board and the Board of Directors amounted to 577 million tenge.

Corporate KPIs for 2023

Name of KPI	Unit of meas.	2023
		Plan
Net income	million tenge	123 068
Traffic safety	case/million train-km	1,04
The level of industrial safety	ratio /%	A1=0,17 A2=0,08 A3=26 A4=91
Social Stability rating	%	65
ESG rating	score	58
Financial recovery	ratio	K1=5,45 K2=2,89 K3=1,64
Carbon footprint	%	-2,5

INTERACTIONS WITH THE SOLE SHAREHOLDER

The information of the parent company’s participation in any placements

On July 4, 2022, according to the resolution of NC KTZ JSC’s Board of Directors (minutes #10 dated June 14, 2022), one (1) ordinary share in NC KTZ JSC was placed, to the extent of the number of authorized shares, at the offering price of 239,265,541 tenge. The Sole Shareholder paid the price to the authorized capital of NC KTZ JSC by means of a transfer of its property worth 239,265,541 tenge (movables in the form of wage wheels for the railway rolling stock);

- As of January 1, 2023:
- The number of authorized ordinary shares was 502,040,458 shares;
 - The number of ordinary shares placed was 496,692,666 shares;
 - The authorized capital of NC KTZ JSC amounted to 1,086,324,359,541 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 an approach to the determination of

- the dividends, terms, conditions of, and procedure for the dividend payment.
- The main principles of the Dividend Policy are as follows:
1. to ensure the guaranteed payment of the dividends to the Fund on the latter’s shareholding;
 2. to ensure financial stability of the Fund and the Fund’s Group;
 3. to ensure financing of the Fund’s operations, including financing of the new types of activities and investment projects implemented against the Fund’s assets;
 4. the Companies are required to finance their development costs, including their investment activities.
- In 2022, as to NC KTZ JSC, the Managing Board of the Fund decided not to pay dividends to the Shareholder for 2021 (minutes #27/22 dated May 19, 2022).

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.

Particulars	2020	2021	2022
(Loss)/earnings per ordinary share (tenge)	33	240	70
Book value of a share (tenge) ⁴¹	2,218	2,470	2,853

FINANCIAL STATEMENTS

The financial statements of NC KTZ JSC and its subsidiaries (hereinafter jointly referred to as the “Group”) comply with requirements of the International Financial Reporting Standards (the “IFRS”), including those 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 have been approved and complied with: Period Close-Out Regulation, Operating Financial and Management Statements Preparation and Compilation Regulation, and 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. To prepare its consolidated financial statements, the Group has introduced the procedure for the review and coordination of the information to be disclosed in the financial statements with the concerned structural 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 its structural subdivisions and branch organizations, upon receipt of the information required for the preparation of the financial statements and conducting of an external audit, the Company has 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 is subject to the subsequent approval by the Board of Directors and the Shareholder.

The 2022 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.

41 The book value of the shares shall be calculated according to the KASE requirements

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 Policy⁴².

The Company has been introducing its corporate risk management system (CRMS) in compliance with the COSO model.

The CRMS 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 the NC KTZ JSC Group, which is based on establishment of the proper "tone at the top level," a high level of awareness and information of the risks, responsibility of the risks/risk factor owners, and active management of the timely reporting risks.

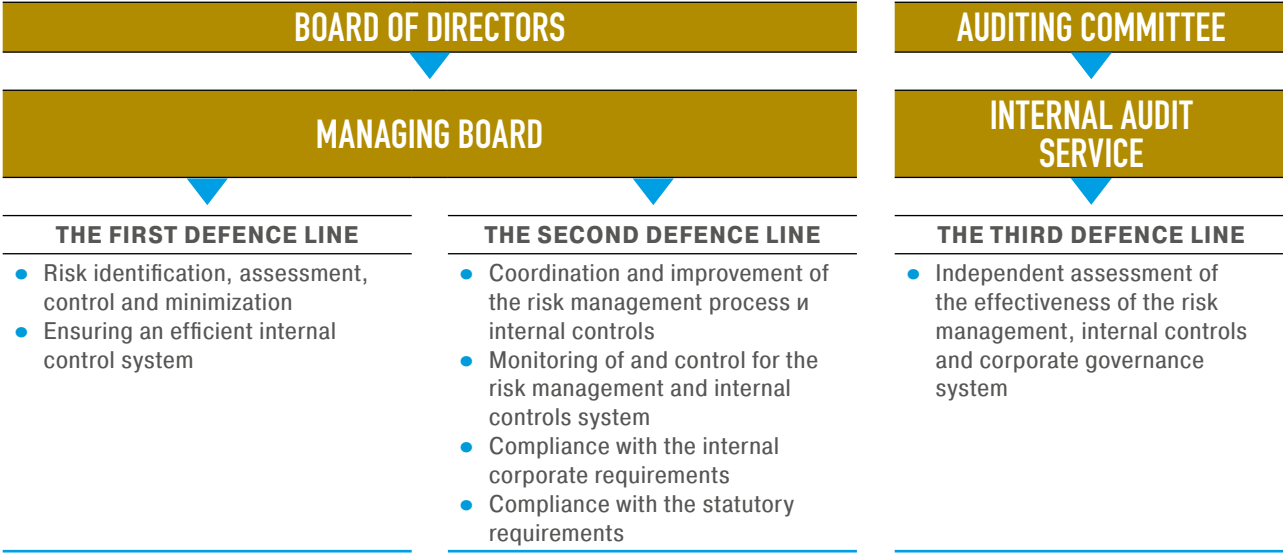
The key principles of the Company's risk management process are as follows:

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 CRMS is aimed at the achievement of an optimal balance between the rise in the value of the Company, its profitability and risks. The CRMS 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 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 risk management and internal controls system is based on the "three defence lines" model.



42 Approved by the Resolution of the Board of Directors of NC KTZ JSC dated October 28, 2022 (minutes #14).

The Company has a structural subdivision that is in charge of risk management and internal controls. The subdivision shall arrange the functioning of the risk management system, ensure the development and updating of the local regulatory acts pertaining to risk management and internal controls, provide risk identification and assessment methodological support to the other structural subdivision, and give recommendations.

Risk Appetite

The Company's risk appetite characterizes its own risk retention level, to the extent of which the Company may achieve its established strategic and operating goals, as well as determines the upper limit of the critical risks/risk factors, which the Company is ready to accept.

Development of the Risk Management System

The risk management system and internal controls are improved by taking measures aimed at the prevention of actual occurrence of the risks and minimization of the implications thereof. Reports on the implementation of the preventive measures are prepared on a regular basis. The Company's top management are permanently and directly involved in the risk management. The consolidated risk management reports are prepared on a quarterly basis for the Company's Board of Directors, which reports shall disclose the information regarding the key risks, occurred risks, as well as preventive and reactive measures taken to minimize the risks, and regarding the anticipated risks.

The risks are assessed depending on each risk's position in the risk matrix:

	Risks viewed as ones of the highest, the potential damage caused by the actual occurrence of such risks varies between 75% and 100% or is 3 billion tenge or more;
	The second-priority risks; the potential damage caused by their actual occurrence varies between 50% and 75% or is 1 billion to 3 billion tenge;
	The third-priority risks; the potential damage caused by their actual occurrence varies between 25% and 50% or is 0.5 billion to 1 billion tenge;
	Risks which can cause damage varying between 0% to 25% or 0.2 and 0.5 billion tenge.

Measures to Develop and Improve the CRMS

The Company has been continuously improving the CRMS and regularly improves its regulatory and methodical risk management framework.

- In 2022, the Company implemented the following measures:
- made changes and amendments to the Company's Risk management and Internal Controls Policy;
 - introduced the daily report forms and requirement to submit data regarding the Company's key events and risks with the view of keeping the Fund informed;
 - employees of the Risk Management and Internal Controls Department delivered the training workshops to the risk managers of the branch organizations.

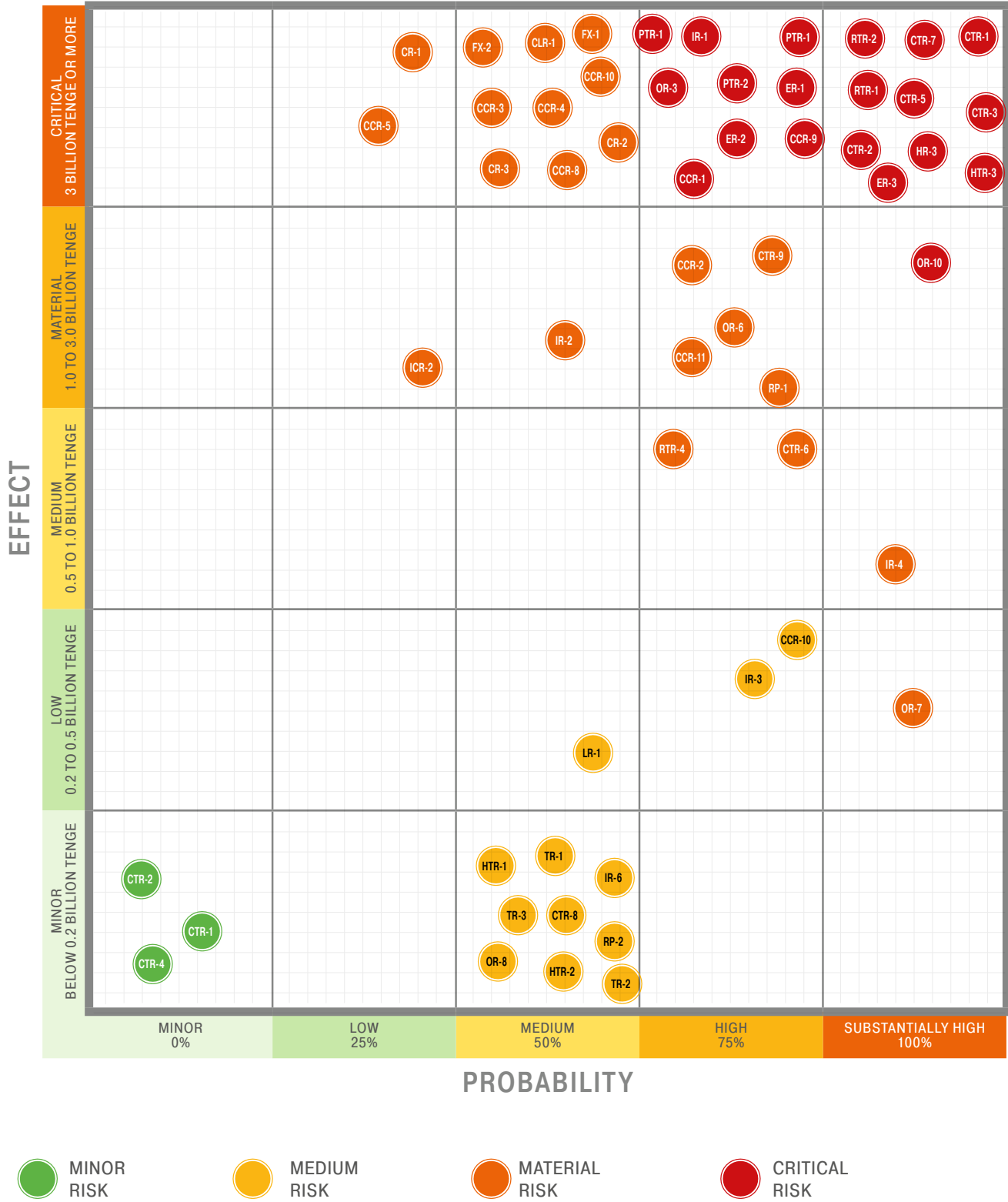
Plans to Develop the Risk Management System for 2023:

- 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.

RISKS

The NC KTZ JSC risk register and risk matrix are prepared and approved annually. The risk matrix is divided into the zones of exposure and zones of likeliness. According to the risk register of NC KTZ JSC approved for 2022, the following 58 risks were identified and assessed:
within the red zone – 20 risks;
within the orange zone – 19 risks;
within the yellow zone – 16 risks;
within the green zone – 3 risks.

NC KAZAKHSTAN TEMIR ZHOLY JSC INHERENT RISK MATRIX FOR 2022 (CONSOLIDATED)



CRITICAL RISKS

FREIGHT TURNOVER RISKS	
CTR-1	Volume of domestic freight turnover
CTR-3	Volume of exports freight turnover
CTR-5	Risks associated with transshipping operations at the interstate division points
CTR-7	Risks associated with freight cars handling
PASSENGER TURNOVER RISKS	
PTR-1	Risk of non-receipt/partial receipt of state subsidies
PTR-2	Reduced passenger traffic
EPIDEMIOLOGICAL RISK (SUPER RISK)	
ER-1	Cars and rail fitting platforms handling
ER-2	Reduction in income due to a decreased passenger traffic in the result of the quarantine measures declared
ER 3	Introduction of the temporary prohibition from acceptance of the cargoes in the PRC
COUNTRY RISK	
STR-1	Risks of a negative impact om the freight and passenger turnovers
STR-2	Application of the navigation seals
TARIFF RISK	
RIR-1	Controllable backbone railway network's rates
RTR-2	Controllable tariffs of the locomotive traction services
CURRENCY RISK	
FX-1	Balance of assets and liabilities
FX-2	Foreign exchange contracts
MACRO RISK	
MR-1	Risk of inflation
OPERATING RISK	
OR-3	Lack of the locomotive fleet engaged in freight traffic
OR-10	Excessive car fleet involved in the freight traffic
INFRASTRUCTURE RISK	
IR-1	Deterioration of the superstructure
PROJECT AND INVESTMENT RISKS	
PIR-1	Risk of depreciation of investments
CONTRACT RISK	
CCR-1	Risk of enforcement of the contracts
CCR-9	The purchase prices of the rails are increased by the supplier, Aktobe Rail and Section Works LLP
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

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
FX	CURRENCY RISK	Decrease the share of the debt in hard currencies, restructure the credit portfolio
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
FR	FINANCIAL RISK RISK OF THE RISE IN FINANCING COSTS	- Comply with covenants - Subsidize the interest rate on the loans
OR	OPERATING RISK	- Implement the measures to mitigate the risk of non-implementation of the investment projects - To 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
IR	INFRASTRUCTURE RISK	- Carry out the overhaul repairs of the tracks in compliance with the overhaul schedule - Current maintenance of the track
HTR	TRAFFIC SAFETY AND HEALTH RISK	- Monitor the safety measures - Behavior based 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 Key Operating System Incentive System - Create the Center of Labor Force Restructuring on the basis of the NC KTZ 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)



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 IB;
- 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 RK	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.

Name of the risk	Measures
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, guards, 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 Fund’s payroll 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.

ENVIRONMENTAL AND CLIMATIC RISKS

Risk of the fall in the Caspian Sea level	To take the bottom dredging measures. To measure the depths (bathymetry).
Risks associated with a change in 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

The internal controls system (ICS) is an integral part of the CRMS. 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.

According to the Guidelines on the Internal Controls System, in 2022 NC KTZ JSC⁴³ developed and approved the risk and controls matrixes for the "Proceeds," and "Treasury" processes of NC KTZ JSC's subsidiary, Directorate of Backbone Railway Network and branch organizations: NC Aktau Sea Commercial Port JSC, Kedentransservice JSC, Passenger Transportation JSC, Kaztemirtrans JSC, KTZ Freight Transportation LLP, Port of Kuryk LLP, and KTZ Express JSC.

The business process ranking matrixes and calendar schedules of the Company's branch organizations and subsidiaries (Directorate of Backbone Railway Network and Directorate of Automation and Digitalization) were approved.

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 require 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 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 structural subdivisions, subsidiaries and affiliates;



- 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 Financial Statements and Consolidated Statements

To eliminate any 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.

According to the Resolution of the Managing Board dated July 22, 2022 (minutes #02/27), the restated NC KTZ JSC Internal Controls Guidelines were approved.

Pursuant to the above Internal Controls Guidelines, in 2022 the Company developed and approved the risks and controls matrixes for the processes "Proceeds," "Treasury" of NC KTZ JSC's subsidiary, Directorate of Backbone Railway Network, and branch organizations: NC Aktau Sea Commercial Port JSC, Kedentransservice JSC, Passenger Transportation JSC, Kaztemirtrans JSC, KTZ Freight Transportation LLP, Port of Kuryk LLP, and KTZ Express JSC.

The business process ranking matrixes and calendar schedules of the Company's branch organizations and subsidiaries (Directorate of Backbone Railway Network and Directorate of Automation and Digitalization) were approved.

⁴³ Approved by Resolution of the Managing Board of NC KTZ JSC dated July 22, 2022 (minutes #02/27).

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 2022 annual audit plan of the Internal Audit Service included performance of the 15 audit tasks which covered 20 entities to be audited. The tasks were fulfilled in full.

According to the results of the audit tasks fulfilled in 2022, 317 recommendations were given, including 158 ones (or 50%) complied with by the audited entities, 41 recommendations (or 13%) are being fulfilled, and the 118 recommendations have not become due.

As the second protection line of the risk management and internal controls 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. In 2022, in the result of an internal audit, 18 non-compliances with

the requirements of the international standards were revealed and 13 recommendations were issued. Pursuant to the international standards, any non-compliance shall be viewed as a potential area of improvement. Each non-compliance resulted in the efforts aimed to analyze the causes. Corrective action plans were elaborated and implemented.

Plans for 2023

The 2023 annual audit plan of the Internal Audit Service⁴⁴ provides for 15 audit tasks to cover 24 entities.

The internal audit top priorities in 2023 shall be as follows:

- asset management (productivity of fixed assets and inventories);
- implementation of the IT projects;
- income generation;
- recording of accounts receivable and complaint management;
- quality of the services rendered and measures to improve the service;
- HR management.

COMPLAINT FILING MECHANISMS

GRI 2-25, 2-26

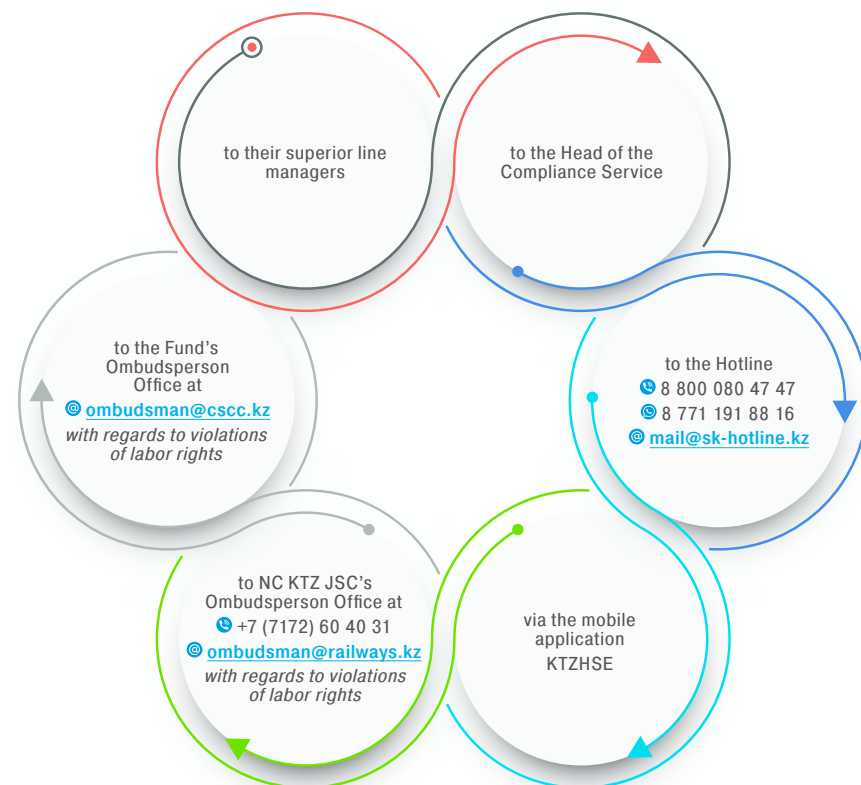
We appreciate openness and direct communications between our employees and other stakeholders. The creation of platforms of dialogues and channels to file complains is an essential component of our stakeholder management procedure.

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.

44 Approved by the Board of Directors of NC KTZ JSC on December 8, 2022 (minutes #16).

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 concerned persons to report and file their complaints:



CORPORATE ETHICS

To develop and maintain the Company's ethical standards and rules, the Board of Directors approved the Code of Business Conduct and Ethics of NC KTZ JSC and its branch organizations (minutes #14 dated September 20, 2019).

The Code of Business Conduct and Ethics is aimed to improve the corporate culture and stipulates the principles of an open and bona fide business, standards and rules of ethics and business conduct based on declared values, as well as the Company's mission and strategies.

According to the Code, the Company shall adhere to the principles of objectivity and integrity when making any HR decisions. To prevent any compliance risks in the course of employment, evaluation, promotion and dismissal of the personnel, the Company introduces the efficient control procedures. The Company seeks to create such working conditions and climate among its staff, where all the employees are supposed to establish interrelations based on mutual respect, demonstrate an absolutely proper and professional conduct. Therefore, the Company has no tolerance for the discrimination, including discrimination as to religion, race, ethnicity, gender, age, etc. The Company forbids any form of conduct which appears to be insulting, aggressive or hostile.

Provisions of the Code are applicable to all the officers and employees of NC KTZ JSC and its branch organizations, regardless of the position held by them.

Business partners, customers, suppliers and other third parties interacting with the Company or representing the Company, shall adhere to the provisions of the Code.

The Code is an open document and is available for the review by stakeholders on the Company's corporate web-site



<http://www.railways.kz>

The Compliance Service shall, on a quarterly basis, notify the Board of Directors of NC KTZ JSC of the practices of compliance with the Code by employees of the NC KTZ JSC Group.

CORPORATE OMBUDSMAN

The Ombudsperson of the Company shall be appointed by the Board of Directors.

Pursuant to the Provision on the Corporate Ombudsperson of NC KTZ JSC, the key functions of the Ombudsperson shall include:

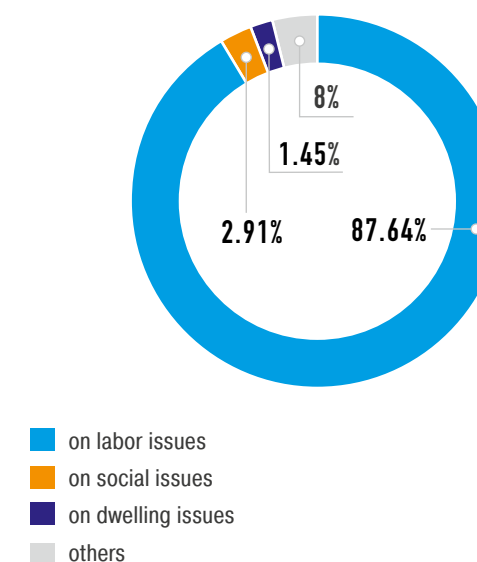
- assistance in the prevention and settlement of any conflicts between employees, groups of employees, suppliers, customers of the Company and its subsidiaries, at an early stage;
- assistance in the Company and its subsidiaries' adherence to the principles and rules of the Business Ethics Code;
- review of the local acts of the Company and its branch organizations, as well as participation in the elaboration and regular revision of the local acts of the Company and its branch organizations, which regulate the social and labor matters;
- assisting the management of the Company and its branch organizations, as well as parties to a labor or social conflict in obtaining the requisite information by means of verbal or written inquiries;
- consulting parties to the labor or social conflicts on matters related to the conflict situations;
- submission of the report of his/her performance to the Board of Directors of the Company and

the Appointments and Emoluments Committee of the Board of Directors – at least once a year;

- analysis and summarization of the reports submitted by the employees, a group of employees, suppliers, customers of the Company and its branch organizations and considered by the Ombudsperson with the view of prevention of the labor and social conflicts;
- examination and introduction of the best global practices of the institute of corporate ombudspersons.

For the reporting period, the Office of the NC KTZ JSC Corporate Ombudsperson received verbal and written requests from 275 persons, including 223 ones received via the Hotline and 52 ones through the Office of the Ombudsperson.

Inquiries Received by the Office of the Corporate Ombudsperson during the reporting year, in %



Of the 275 received requests, 13 ones are being considered, 262 ones have been considered, including 11 ones forwarded to the other structural subdivisions, and 11 ones sent back and dismissed without consideration.

The performance indicator of the 240 requests that have been directly considered was 91.6%. 59 requests were satisfied, clarifications were issued on the 100 ones, and 81 ones were rejected.

To prevent the conflict situations, 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 2022, this work was performed by means of control examinations of the situation with the disciplinary practice, by sending a letter of recommendation on the labor, housing 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, and in some instances – the legislative acts.

CONFLICT OF INTEREST MANAGEMENT

GRI 2-15



NC KTZ JSC approved the Policy on prevention and settlement of conflicts of interests between the officers and employees of NC KTZ JSC⁴⁵. The Policy provides for:

- requirements of the Law and internal documents of the Company pertaining to ethics and compliance;
- key principles of the conflict of interest management;
- mechanisms of the timely and complete detection of the conflicts of interests;
- the procedure for and potential measures to settle the conflict of interests;
- responsibilities of the Company's officers and employees for failure to comply with their obligations to prevent a conflict of interests.

Pursuant to the Rules of Employment and Reassignment to Certain Positions at NC KTZ JSC and its branch organizations⁴⁶, candidates to the vacant offices related to the performance of any organizational and administrative functions shall be subject to a compulsory due diligence for an affiliation and a conflict of interests, if any.

In 2022, NC KTZ JSC and its branch organizations checked 243 candidates to the administrative offices for a conflict of interests.

In the result thereof, the Compliance Service revealed some violations. So, of 61 candidates to an executive position, certain conflicts of interests were detected. One candidate did not have any practical business background, a criminal case was initiated against a candidate for a corruption-related offence, which was subsequently dismissed for reasons other than exoneration. In addition, one executive office seeker had been held criminally and administratively liable in the past.

A negative media coverage was identified as to the nine candidates.

45 Approved by Resolution of the Board of Directors of NC KTZ JSC dated May 6, 2020 (minutes #7).
46 Approved by Resolution of the Managing Board of NC KTZ JSC dated July 13, 2022 (minutes #02/26).



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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 2022

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 2022, 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 2022 were approved for issue by management on 13 March 2023, 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 2023


Yelena Stahkova
Chief Accountant
13 March 2023

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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 2022, 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

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’ *Code of Ethics for Professional Accountants* (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?
Impairment of property, plant and equipment and goodwill	
At each reporting date the Group assesses whether there is an indication that assets may be impaired. If any indication exists, or when annual impairment testing of goodwill is required, the Group estimates the asset's recoverable amount. The Group's property, plant and equipment, which is mainly represented by infrastructure and rolling stock, comprises 81% 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 2022, the management of the Group performed an analysis 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 2022 that should be considered as impairment indicators of the Group's single cash-generating unit as at 31 December 2022. However, due to the existence of goodwill, the Group has made an estimate of the cash-generating unit's recoverable amount, which was determined by calculating their value in use based on the Group's cash flow forecast. Value in use reflects management's estimations of the future cash flows derived from the assets use, the expectations about the amount or timing of those future cash flows, and other assumptions, which are subjective in nature.	We performed the following procedures: - evaluated the appropriateness of the management's identification of a single cash-generating unit, - evaluated whether the Group analysis of impairment indicators of property, plant and equipment is accurate and complete and in line 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, - evaluated whether the methodology applied and the model used to calculate the value in use are in line with the requirements of IAS 36 <i>Impairment of Assets</i>, - challenged assumptions used in the determining the discount rate and recalculated it with the assistance of our valuation specialists, - evaluated contradictory information and evidence obtained in relation to significant assumptions used in the impairment model including the discount rate, projected foreign exchange rates, tariffs growth, freight turnover growth, as well as expected capital expenditures for assets' maintenance and replacement, - challenged projected cash flows, including revenue and operating profit growth assumptions, based on historical data, market forecasts, the Group's cash flow forecast. We also analysed the accuracy of the management's preceding forecasts, appropriateness of the assumptions used in the forecasts, and their consistency with the plans approved by the Board of Directors, - assessed the completeness and adequacy of disclosures in the consolidated financial statements.

Why the matter was determined to be a key audit matter?	How the matter was addressed in the audit?
Due to the material total amount of property, plant and equipment and goodwill and the significance of the professional judgements described above and their potential impact on the consolidated financial statements we determined the impairment of property, plant and equipment and goodwill to be a key audit matter. Please refer to Notes 4 and 6.	
Liquidity and the going concern principle	
As at 31 December 2022, the Group's current liabilities exceeded its current assets by 118,431 million tenge. Current liabilities include borrowings of 256,506 million tenge payable due within twelve months after the reporting date. As disclosed in Note 15, the terms of the long-term loans received from EBRD and HSBC Continental Europe (formerly – "HBSC France") with a carrying value of 9,627 million tenge and 69,197 million tenge, respectively, include certain covenants, whereby non-compliance may result in the loans becoming payable on demand. 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 a due course. Management's plans in respect of this matter are disclosed in Notes 2 and 31. Given the pervasiveness of the effect of the going concern conclusion to the consolidated financial statements, this is considered to be a key audit matter.	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: - 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,

Why the matter was determined to be a key audit matter?	How the matter was addressed in the audit?
	- 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.

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, related safeguards.

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



Zhangir Zhilybayev
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 2023

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (in millions of tenge)

	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,241,505	3,038,289
Goodwill		15,520	15,520
Intangible assets		14,416	16,481
Investments in joint ventures	7	165	895
Investments in associates	7	28,634	26,793
Deferred tax assets	18	63	145
Other non-current assets	8	200,967	164,572
Total non-current assets		3,501,270	3,262,695
Current assets			
Cash and cash equivalents	9	266,956	178,000
Inventories	10	45,029	42,401
VAT recoverable		37,809	34,417
Trade accounts receivable	11	14,773	23,248
Contract asset		3,065	6,644
Prepaid income tax		2,139	3,945
Other current assets	12	79,056	52,784
		448,827	341,439
Assets held for sale	13	45,825	-
Total current assets		494,652	341,439
Total assets		3,995,922	3,604,134
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,086,324	1,086,085
Hedging reserve	14	-	(51,997)
Foreign currency translation reserve		12,138	9,925
Retained earnings		348,377	214,574
Equity attributable to the Shareholder		1,446,839	1,258,587
Non-controlling interests		15,853	13,855
Total equity		1,462,692	1,272,442

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022
(in millions of tenge)

	Notes	31 December 2022	31 December 2021
Non-current liabilities			
Borrowings	15	1,430,825	1,361,403
Deferred tax liabilities	18	357,491	308,300
Employee benefit obligations	17	37,406	37,083
Lease liabilities	16	38,861	34,443
Other non-current liabilities	21	55,564	54,497
Total non-current liabilities		1,920,147	1,795,726
Current liabilities			
Borrowings	15	256,506	215,809
Trade accounts payable	19	117,207	116,531
Contract liabilities	20	119,393	95,310
Lease liabilities	16	14,221	25,355
Other taxes payable		22,540	17,250
Employee benefit obligations	17	6,213	9,100
Other current liabilities	21	76,972	56,611
		613,052	535,966
Liabilities directly attributable to assets held for sale	13	31	-
Total current liabilities		613,083	535,966
Total liabilities		2,533,230	2,331,692
Total equity and liabilities		3,995,922	3,604,134

On behalf of management of the Group:

Dair Kuserov
Finance Director

13 March 2023

The notes below are an integral part of these consolidated financial statements.

Yelena Stankova
Chief Accountant

13 March 2023

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(in millions of tenge, unless stated otherwise)

	Notes	2022	2021
Revenue and other income			
Revenue from freight transportation	22	1,283,513	1,184,271
Revenue from passenger transportation	22	88,421	57,256
Government grants	5	38,205	39,235
Other revenue	23	71,326	47,775
Total revenue and other income		1,481,465	1,328,537
Cost of sales	24	(1,204,233)	(980,898)
Gross profit		277,232	347,639
General and administrative expenses	25	(93,063)	(90,777)
Finance income	26	61,099	17,847
Finance costs	26	(144,860)	(126,268)
Foreign exchange loss	31	(34,143)	(11,147)
Share of the profit of associates and joint ventures	7	8,547	10,826
Impairment losses on financial assets and contract asset		(5,702)	(131)
Impairment losses on non-financial assets		(617)	(1,934)
Other profit and losses		(69)	8,688
Profit before tax		68,424	154,743
Corporate income tax expenses	18	(31,541)	(34,132)
Profit for the year		36,883	120,611
Other comprehensive income, net of income tax:			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of employee benefit obligations	17	4,214	345
Items that may be reclassified subsequently to profit or loss:			
Net fair value (loss)/profit on cash flow hedging instruments	14	(2,445)	823
Reclassification of the loss on cash flow hedging instruments	14,22	54,442	-
Foreign exchange difference on translation of foreign operations		2,213	1,137
Other comprehensive income for the year		58,424	2,305
Total comprehensive income for the year		95,307	122,916
Profit for the year attributable to:			
The Shareholder		34,887	119,085
Non-controlling interests		1,996	1,526
		36,883	120,611
Total comprehensive income attributable to:			
The Shareholder		93,309	121,390
Non-controlling interests		1,998	1,526
		95,307	122,916
Earnings per share, in tenge	27	70	240

On behalf of management of the Group:

Dair Kuserov
Finance Director

13 March 2023

The notes below are an integral part of these consolidated financial statements.

Yelena Stankova
Chief Accountant

13 March 2023

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(in millions of tenge)

	Notes	2022	2021
Cash flows from operating activities:			
Profit for the year		36,883	120,611
Income tax expenses recognised in profit or loss, including discontinued operations		31,541	34,132
Adjustments for:			
Depreciation and amortisation		145,946	140,846
Finance costs	26	144,860	126,268
Impairment losses on financial assets and contract asset		5,702	131
Impairment losses on non-financial assets		617	1,934
Finance income	26	(61,099)	(17,847)
Post-employment benefits and other long-term employee benefit expenses	24,25	9,143	6,113
Share of the profit of associates and joint ventures		(8,547)	(10,826)
Foreign exchange loss	31	34,143	11,147
Reclassification of the loss on cash flow hedging instruments	14,22	54,442	-
Others		13,351	748
Operating income before changes in working capital and other balances		406,982	413,257
Change in trade accounts receivable		(5,032)	(19,372)
Change in inventories		379	(2,647)
Change in other current and non-current assets (including long-term VAT recoverable)		(76,159)	10,916
Change in trade accounts payable		20,219	20,679
Change in other taxes payable		3,706	(12,864)
Change in other liabilities and contract liabilities		32,929	25,902
Change in employee benefit obligations		(7,493)	(3,041)
Cash generated from operations before interest and income tax payments		375,531	432,830
Interest paid		(118,930)	(119,450)
Interest received		8,631	8,893
Income tax paid		(2,889)	(5,706)
Net cash flows from operating activities		262,343	316,567
Cash flows from investing activities:			
Purchase of property, plant and equipment, including advances paid for property, plant and equipment		(340,353)	(256,843)
Proceeds from the sale of property, plant and equipment		122	3,427
Proceeds from the sale of other non-current assets		1,932	2,330
Dividends received from associates and joint ventures		7,675	5,743
Investments acquired in joint ventures		(70)	(4,752)
Others		(1,606)	127
Net cash flows used in investing activities		(332,300)	(249,968)

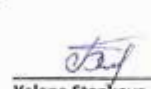
KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(millions of tenge)

	Notes	2022	2021
Cash flows from financing activities:			
Proceeds from borrowings	15	1,137,878	125,839
Repayment of borrowings	15	(956,465)	(156,007)
Repayment of lease liabilities	15	(17,334)	(12,274)
Others		(2,397)	(1,619)
Net cash flows generated from/(used in) financing activities		161,682	(44,061)
Net increase in cash and cash equivalents		91,725	22,538
Cash and cash equivalents at the beginning of the year	9	178,000	155,407
Effect of changes in foreign exchange rates on cash and cash equivalent balances held in foreign currency		(2,691)	64
Effect of changes in the allowance for expected credit losses		(2)	(9)
Cash and cash equivalents at the end of the year	9	267,032	178,000
Non-cash transactions:			
Purchase of property, plant and equipment from borrowed funds by direct bank transfer to the supplier	15	5,706	27,705

On behalf of management of the Group:


Dair Kuserov
Finance Director
13 March 2023


Yelena Stankova
Chief Accountant
13 March 2023

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 2022
(millions of tenge)

	Share capital	Hedging reserve	Foreign currency translation reserve
As at 1 January 2021	1,082,299	(52,820)	8,788
Profit for the year	-	-	-
Other comprehensive income for the year	-	823	1,137
Total comprehensive income for the year	-	823	1,137
Issue of share capital (Note 14)	3,786	-	-
Other contributions (Note 14)	-	-	-
Disposal of subsidiary (Note 14)	-	-	-
As at 31 December 2021	1,086,085	(51,997)	9,925
As at 1 January 2022	1,086,085	(51,997)	9,925
Profit for the year	-	-	-
Other comprehensive income for the year	-	51,997	2,213
Total comprehensive income for the year	-	51,997	2,213
Issue of share capital (Note 14)	239	-	-
Other contributions (Note 14)	-	-	-
As at 31 December 2022	1,086,324	-	12,138

Retained earnings	Shareholder equity	Non-controlling interests	Total equity
88,858	1,127,125	11,480	1,138,605
119,085	119,085	1,526	120,611
345	2,305	-	2,305
119,430	121,390	1,526	122,916
-	3,786	-	3,786
6,286	6,286	-	6,286
-	-	849	849
214,574	1,258,587	13,855	1,272,442
214,574	1,258,587	13,855	1,272,442
34,887	34,887	1,996	36,883
4,212	58,422	2	58,424
39,099	93,309	1,998	95,307
-	239	-	239
94,704	94,704	-	94,704
348,377	1,446,839	15,853	1,462,692



On behalf of management of the Group:

Dair Kusherov
 Finance Director

13 March 2023

Yelena Stankova
 Chief Accountant

13 March 2023

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 2022
(millions of tenge, unless stated otherwise)**
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 Welfare 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 differ 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, 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. From 16 October 2022, CRNM agreed to increase the tariffs for freight transportation services and, as a result, the increase was in average 14.67% for the year ended 31 December 2022. The differentiation led to a 6.2% freight transportation tariff increase for carriages and containers in 2022 (2021: 13%).

From 1 July 2022, 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 (2021: 7%).

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly and are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the government’s fiscal and monetary policies, 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.

At the start of January 2022, Kazakhstan witnessed mass protests, which turned into mass unrest. The situation in Kazakhstan stabilised and was under the control of the authorities by 15 January 2022. These events have not had a significant effect on the Group’s operations.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(millions of tenge, unless stated otherwise)**

The conflict between 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 block major financial institutions and many state enterprises.

In 2022, the average price for Brent crude oil was 101.8 USD per barrel (2021: 68.63 USD per barrel). According to preliminary estimates, the Kazakhstan’s gross domestic product (“GDP”) grew by 3.1% in 2022. The inflation in Kazakhstan accelerated in 2022 to 20.3% per annum (2021: 8.4%).

In 2022, the National Bank of the Republic of Kazakhstan raised the base rate from 10.25% to 16.75% per annum with a corridor of +/- 1.0 percentage points to reduce the negative impact of the external factors on the Kazakhstan’s economy, and also, in the first half of 2022, the interventions were made in the foreign exchange market in order to support the tenge exchange rate against foreign currencies.

However, uncertainty 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 2022, 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 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 2029 will continue in accordance with the Concept. At the same time, the Group will continue to work to improve operating efficiency, develop transit traffic, including alternative routes, optimise the structure of the corporate portfolio in line with the state privatisation program, ensuring financial stability for the Group, improving customer satisfaction, guaranteeing train traffic safety, and ensuring sustained Group development.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(in millions of Tenge, unless stated otherwise)

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 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 2022, current Group liabilities exceeded its current assets by 118,431 million tenge (31 December 2021: 194,527 million tenge). As at 31 December 2022, current liabilities include borrowings of 256,506 million tenge that are payable within twelve months of the reporting date. In addition, at the start of 2022, Kazakhstan witnessed mass protests, in February 2022 the tenge depreciated significantly against major foreign currencies amid the external geopolitical situation. The impact of these events on the Group’s operations is described in Note 1. However, profit for the year ended 31 December 2022 amounted to 36,883 million tenge (2021: 120,611 million tenge), and cash inflows from operating activities amounted to 262,343 million tenge (2021: 316,567 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 and a positive decision from the discussions is recognised as high.

In assessing its going concern status, management also considered the Group’s financial position, expected future performance and cash flows from operations, its borrowings, available credit facilities, its capital expenditure commitments, expected tariff growth, exchange rates and other risks that Group is facing. Besides that, the Group received 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.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(in millions of Tenge, unless stated otherwise)

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. 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 2022	31 December 2021	Weighted average rate for 2022	Weighted average rate for 2021
US\$	462.65	431.80	460.48	426.03
Euros	492.86	489.10	484.22	503.88
Swiss Francs	501.19	473.15	482.60	466.13
Russian Roubles	6.43	5.76	6.96	5.79

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(in millions of Tenge, unless stated otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2022. Their adoption has not had any significant impact on the disclosures or on the amounts reported in these consolidated financial statements.

- Amendments to IFRS 3 *References to the Conceptual Framework*
- Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*
- Amendments to IAS 37 *Onerous Contracts—Cost of Fulfilling a Contract*
- Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture*

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
IFRS 17 (including the June 2020 Amendments to IFRS 17) <i>Insurance Contracts</i>	1 January 2023
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined by the IASB
Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 1 <i>Non-current Liabilities with Covenants</i>	1 January 2024

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.

Significant accounting policies

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.

KAZAKHSTAN TEMIR ZHOLY NATIONAL COMPANY JSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(in millions of Tenge, unless stated otherwise)

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.

Borrowing costs

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset.

The Group capitalises borrowing costs on general purpose borrowings to the extent they are used to obtain a qualifying asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the Group's borrowings used to construct and produce a qualifying asset, other than borrowings received specifically for the purpose of obtaining a qualifying asset. Moreover, if the loan remains outstanding after the relevant qualifying asset is ready for its intended use, then in calculating the capitalisation rate, the loan is included in the general borrowing pool.

Investment income generated on a temporary investment of specific borrowings pending their use on qualifying assets is deducted from borrowing costs eligible for capitalisation.

Borrowing costs also include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. As a result, capitalised borrowing costs denominated in foreign currencies, adjusted for exchange differences, cannot exceed the borrowing costs that would have been capitalised if the borrowing had been denominated in the functional currency. Any excess exchange difference is recognised in profit or loss.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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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.

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).

In the current year, 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 (Note 4).

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.

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Derivative financial instruments

The Group uses the currency swap derivative financial instrument to manage its currency risk.

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 unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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.

Assets held for sale

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable within 12 months since classification date and the asset (or disposal group) is available for immediate sale in its present condition. Assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

When the asset ceased to be classified as held for sale, the Group includes any required adjustment to the carrying amount of the asset in profit or loss from continuing operations in the period in which the classification criteria are no longer met. If the disposal group or asset that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate, the Group amends retrospectively the financial statements for the periods since classification as held for sale.

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.

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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.

Other distributions

Distributions are recognised in equity when the Group has irrevocably committed to transfer cash or non-monetary assets to its Shareholder/Ultimate Shareholder free of charge and the amount of the commitment can be reliably measured. Distributions are recognised in equity net of any related deferred tax effects, where appropriate.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of a hedge relationship, an entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of financial instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. A gain or loss relating to the ineffective portion is recognised immediately in profit or loss for the reporting period, and is included in the 'finance costs' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

Hedge accounting is discontinued when:

- a) the Group revokes the hedging relationship,
- b) the hedging instrument expires or is sold, terminated, or exercised, or
- c) it no longer qualifies for hedge accounting.

Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

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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.

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 2022 and 2021, the Group has no obligations to counterparties associated with provision of discounts.

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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.

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.

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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*.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in compliance with IFRSs requires Group management to make judgements and use estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on historical experience and other factors that are considered to be relevant, events or actions may mean that actual results ultimately differ from those estimates.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has 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.

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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.

Assets classified as held for sale

In 2020, the Government of Kazakhstan approved the "Comprehensive Privatisation Plan for 2021-2025" ("the Plan"). Under the Plan, management of the Group approves a list of subsidiaries, associates and joint ventures of the Group subject to disposal. IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* requires management judgement regarding the high probability of the sale of an asset. As at 31 December 2022, the management of the Group reviewed the status of implementation of the Plan and classified certain assets and liabilities as disposal groups held for sale related to the entities that meet IFRS 5 criteria (Note 13).

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 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.

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As at 31 December 2022, 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 2022, 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 2022 that could be considered as an indicator of the impairment of the single CGU as at 31 December 2022.

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 to Industrial Development Fund JSC 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).

Since financing was provided at preferential interest rates and the terms were provided exclusively to finance the upgrade of the Passenger transportation JSC passenger carriage fleet based on a Kazakhstan Government Resolution, the Group considers these transactions as transactions with the ultimate Shareholder and recognises fair value adjustments of the loans received at below market rate through equity within retained earnings as other contributions (Notes 14 and 15).

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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, intangible assets and goodwill

The Group performs an impairment indicators analysis of property, plant and equipment and intangible assets 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 and thus an impairment reversal being recognised in future periods.

Management assesses the recoverability of goodwill annually as at 31 December and whenever there is an indication that the CGU may be impaired.

For the analysis of goodwill impairment, management has used the detailed calculation of value in use of the single cash-generating unit as at 31 December 2022.

A number of subjective factors, both operational and financial, using the best evidence available, had been used to estimate cash flows.

The Group applied the cash flows forecast period of 10 years, as the Group prepares its Development Strategy for 10-year period and makes forecasts within the framework of this strategy, projecting an increase in freight turnover based on GDP growth rates of the Republic of Kazakhstan and neighbouring regions, since such dependence was noted in the past. Given the availability of forecasts for GDP growth rates over a 10-year horizon, the Group's management believes it can reliably forecast its cash flows over a 10-year period. The level of tariffs for access to the mainline railway network used in the forecast period is based on the tariffs approved by the CRNM for 2021-2025, while in subsequent periods the tariffs were adjusted taking into account the forecasted inflation rate. The transit rates have been adjusted based on the forecasted Swiss Franc to tenge exchange rate. The long-term growth rate in terminal period is 4%.

Operational assumptions used in the test reflect expected volumes of transportation services, including transit volumes, based on projected demand and historical growth dynamic of transit freight transportation volumes.

Financial assumptions include significant estimates associated with tariff forecasts and growth rates, discounts, and projected tenge to Swiss Franc exchange rates, in which the revenue from transit transportation is denominated. The discount rate (WACC) used in calculating the value in use of the Group amounted to 12.61%.

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Management of the Group concluded that the recoverable amount of the goodwill exceeds its carrying amount as at 31 December 2022.

The Group conducted a sensitivity analysis and concluded that when using the following reasonably possible changes in key assumptions individually and unchanged remaining parameters, the fair value of property, plant and equipment, intangible assets and goodwill will equal its carrying value:

- *Freight transportation volumes* – A decrease of the volumes by 12.53% compared to the calculation;
- *Discount rate (WACC)* – An increase of the discount rate from 12.61% to 14.58%.

However, with more significant changes in any of the above key assumptions or simultaneous adverse impact of several factors, could result in the carrying amount of Group non-current assets being higher than their recoverable amount, and the requirement to recognise impairment in the future.

Recoverability of VAT

As at each reporting date, the Group assesses the recoverability of VAT on international transportation sales. The Group cannot charge VAT onwards to these customers, and accordingly can only recover the amount in question from the tax authorities. 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 2022, VAT recoverable of 37,809 million tenge was classified as current assets. The Group expects that the given amount will be reimbursed by the tax authorities during 2023.

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

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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 20.94% 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 2022. Any differences between the estimated amount and the actual amount paid, if any, could have a significant impact on future operating results.

Significant increase in credit risk

The Group recognises an allowance for expected credit losses for financial instruments in the amount equal to 12-month expected credit losses for stage 1 assets, or lifetime expected credit losses for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The Group also recognises an expected credit losses allowance under financial guarantee agreements for 12 months or lifetime, depending on the change in credit risk since initial recognition. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For the purpose of internal credit risk management, the Group considers the following to be a default, as past experience has shown that a financial asset that meets one of the following criteria is generally non-recoverable:

- overdue: more than 90 days overdue on the counterparty's obligations (except when the Group has reasonable and substantiated information demonstrating that it is more appropriate to use the default criterion with a long delay in payment);
- downgrade of the external credit rating of the counterparty to the default “D”;
- inability to fulfil obligations as a result of financial difficulties of the counterparty (suspension of interest accrual or decrease in the interest rate on the financial asset, write-off of the principal amount, extension of maturity of the financial asset, restructuring, leading to a decrease or write-off of the loan amount or debt forgiveness, etc.); or
- information generated internally or obtained from external sources indicates that the debtor is unlikely to make full payments to creditors, including the Group (not taking into account the collateral held by the Group).

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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.

The Group does not have a specific pricing policy for inter-segmental sales.

	For the year ended 31 December 2022					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
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	130,408	14,657	145,065	1,614	(117)	146,562

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	For the year ended 31 December 2021					
	Freight transportation	Passenger transportation	Reportable segments	Others	Consolidation	Total
Key operating indices						
Revenue and other income						
Transportation revenue from third parties	1,184,271	57,256	1,241,527	-	-	1,241,527
Transportation revenue from intersegment transactions	1,129	58,371	59,500	-	(59,500)	-
Government grants	-	39,235	39,235	-	-	39,235
Other income from third parties	33,334	3,022	36,356	11,419	-	47,775
Other income from intersegment transactions	27,519	629	28,148	6,292	(34,440)	-
Total revenue and other income	1,246,253	158,513	1,404,766	17,711	(93,940)	1,328,537
Cost of sales	(932,063)	(127,798)	(1,059,861)	(13,121)	92,084	(980,898)
Gross profit	314,190	30,715	344,905	4,590	(1,856)	347,639
General and administrative expenses	(78,238)	(10,737)	(88,975)	(3,171)	1,369	(90,777)
Finance income	18,026	1,803	19,829	977	(2,959)	17,847
Finance costs	(120,040)	(4,783)	(124,823)	(3,178)	1,733	(126,268)
Foreign exchange (loss)/gain	(11,776)	577	(11,199)	(24)	76	(11,147)
Share of the profit of associates and joint ventures	10,826	-	10,826	-	-	10,826
Reversals of impairment losses/(impairment losses) on financial assets and contract asset	512	(30)	482	(783)	170	(131)
Impairment losses on non-financial assets	(1,587)	(345)	(1,932)	(2)	-	(1,934)
Other profit and losses	8,323	256	8,579	109	-	8,688
Profit/(loss) before tax	140,236	17,456	157,692	(1,482)	(1,467)	154,743
Corporate income tax expense	(32,660)	(4,284)	(36,944)	(11)	2,823	(34,132)
Profit/(loss) for the year	107,576	13,172	120,748	(1,493)	1,356	120,611
Other key segment information						
Capital expenditure	344,865	183	345,048	238	11,854	357,140
Depreciation of property, plant and equipment	130,643	8,643	139,286	1,694	(5)	140,975

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	2022	2021
Kazakhstan	1,440,584	1,291,832
Russia	23,595	23,576
Others	17,286	13,129
	1,481,465	1,328,537

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
Carrying value as at 1 January 2021	1,157,450	321,322	281,881
Additions	55	701	6,430
Lease additions	-	122	-
Disposals	(4,296)	(506)	(2,425)
Depreciation charge	(37,139)	(7,957)	(36,940)
Depreciation on disposal (Impairment)/impairment reversal	4,076 (618)	317 (13)	2,323 (131)
Other movements and transfers ¹	86,303	(8,551)	15,764
Carrying value as at 31 December 2021	1,205,831	305,435	266,902
Cost	1,511,717	371,214	525,167
Accumulated depreciation and impairment	(305,886)	(65,779)	(258,265)
Carrying value as at 31 December 2021	1,205,831	305,435	266,902
Including:			
Right-of-use assets:			
Cost	-	1,925	37,728
Accumulated depreciation and impairment	-	(506)	(18,900)
Carrying value	-	1,419	18,828
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	184	5

Vehicles	Land	Others	Construction-in-progress	Total
926,519	3,969	14,177	131,099	2,836,417
31,575	-	89	274,437	313,287
42,552	-	-	-	42,674
(4,733)	(8)	(419)	-	(12,387)
(56,858)	-	(2,081)	-	(140,975)
4,546	-	389	-	11,651
(268)	-	4	(834)	(1,860)
128,371	(1)	278	(232,682)	(10,518)
1,071,704	3,960	12,437	172,020	3,038,289
1,619,960	3,960	29,474	183,870	4,245,362
(548,256)	-	(17,037)	(11,850)	(1,207,073)
1,071,704	3,960	12,437	172,020	3,038,289
59,990	-	7,614	-	107,257
(6,991)	-	(1,857)	-	(28,254)
52,999	-	5,757	-	79,003
24,225	-	-	-	24,414

¹ Other movements and transfers also include transfers to/from inventories

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	Rail track infrastructure	Buildings and constructions	Machinery and equipment
Carrying value as at 1 January 2022	1,205,831	305,435	266,902
Additions	324	663	5,922
Lease additions	-	363	-
Disposals	(178)	(629)	(2,661)
Depreciation charge	(39,410)	(7,455)	(35,434)
Depreciation on disposal	166	408	2,525
Impairment	(92)	(40)	(112)
Transfer to assets classified as held for sale (Note 13)	-	(4,347)	(791)
Other movements and transfers ²	124,838	944	9,269
Carrying value as at 31 December 2022	1,291,479	295,342	245,620
Cost	1,628,325	364,564	535,430
Accumulated depreciation and impairment	(336,846)	(69,222)	(289,810)
Carrying value as at 31 December 2022 including:	1,291,479	295,342	245,620
Right-of-use assets:			
Cost	-	2,115	37,728
Accumulated depreciation and impairment	-	(598)	(28,762)
Carrying value	-	1,517	8,966
Property, plant and equipment that are subject to operating lease (Group as the lessor)	-	234	3

Vehicles	Land	Others	Construction-in-progress	Total
1,071,704	3,960	12,437	172,020	3,038,289
1,241	7	2,532	339,433	350,122
13,910	-	686	-	14,959
(4,550)	(10)	(536)	(2,883)	(11,447)
(61,173)	-	(3,090)	-	(146,562)
4,265	-	527	-	7,891
(269)	-	(840)	(73)	(1,426)
(3)	-	(556)	(3)	(5,700)
242,726	2	(223)	(382,177)	(4,621)
1,267,851	3,959	10,937	126,317	3,241,505
1,868,356	3,959	30,943	138,141	4,569,718
(600,505)	-	(20,006)	(11,824)	(1,328,213)
1,267,851	3,959	10,937	126,317	3,241,505
73,901	-	9,219	-	122,963
(11,836)	-	(4,536)	-	(45,732)
62,065	-	4,683	-	77,231
23,005	-	-	-	23,242

² Other movements and transfers also include transfers to/from inventories

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As at 31 December 2022, construction-in-progress mainly consists of project costs to build the Zhezkazgan-Beineu and Siding 19-Dostyk railways, a ferry complex at the Kuryk port and other railway reconstruction infrastructure.

As at 31 December 2022 and 2021, Group property, plant and equipment with a carrying amount of 11,172 million tenge and 19,577 million tenge, respectively, was used as collateral for specific borrowings.

For the year ended 31 December 2022, the Group recognised depreciation expenses on right-of-use assets of 16,811 million tenge (2021: 14,410 million tenge).

For the years ended 31 December 2022 and 2021, capitalised borrowing costs amounted to 5,673 million tenge and 4,794 million tenge, respectively. The Group’s average capitalisation rate varies between 3.88% and 8.82% (2021: between 2.08% and 10.78%).

As at 31 December 2022 and 2021, the cost of the Group’s fully depreciated property, plant and equipment in use was 359,365 million tenge and 337,592 million tenge, respectively.

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7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Description	Primary activity
Associates	
United Transport and Logistics Company - Eurasian Rail Alliance JSC (UTLC ERA JSC)	Domestic and international rail transportation and freight forwarding
Transtelecom JSC	Telecommunication services
Chinese-Kazakhstan International Logistics Company in Lianyungang	International multimodal transportation
Others	
Total investment in associates	
Joint ventures	
KIF Warehouses LLP	Warehouse operations and supporting transport operations
Total investment in joint ventures	

Main country of operation / country of registration	31 December 2022		31 December 2021	
	Carrying amount	Ownership interest	Carrying amount	Ownership interest
Russia	16,959	33.33%	12,312	33.33%
Kazakhstan	8,502	25%	11,239	25%
China	3,173	49%	3,242	49%
	-	40-47%	-	40-47%
	28,634		26,793	
Kazakhstan	165	50%	895	50%
	165		895	

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Movements in investments in associates and joint ventures are as follows:

	2022	2021
Associates		
As at 1 January	26,793	21,218
Foreign exchange difference on translation of foreign operations	2,058	1,144
Share of profit	8,509	10,893
Dividends receivable	(8,726)	(6,462)
As at 31 December	28,634	26,793
Joint ventures		
As at 1 January	895	-
Acquisitions	-	962
Share of profit/(loss)	38	(67)
Contributions to share capital	58	-
Impairment	(826)	-
As at 31 December	165	895

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Summary financial information on significant associates as at and for the years ended 31

	2022			
	Chinese-Kazakhstan 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
Income	5,545	4,298	83,904	385,409
Profit/(loss) and total comprehensive income/(loss) for the year	407	11,034	(10,950)	33,140
Recognised share of the Group in profit/(loss)	200	-	(2,737)	11,046

December:

	2021			
	Chinese-Kazakhstan Logistics Company in Lianyungang	Aktau Marine North Terminal LLP	Transtelecom JSC	United Transportation and Logistics Company – Eurasian Railway Alliance JSC
	5,060	873	42,524	47,302
	25,152	38,399	156,379	48,348
	30,212	39,272	198,903	95,650
	1,058	15,625	52,501	25,338
	357	43,068	110,340	33,375
	1,415	58,693	162,841	58,713
	28,797	(19,421)	36,062	36,937
	49%	40%	25%	33.33%
	14,111	(7,768)	9,016	12,312
	(10,869)	-	-	-
	3,242	(7,768)	9,016	12,312
	-	(7,768)	-	-
	-	-	2,223	-
	3,242	-	11,239	12,312
	3,705	3,642	83,947	375,449
	183	(831)	5,176	28,528
	90	-	1,294	9,509

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8. OTHER NON-CURRENT ASSETS

	31 December 2022	31 December 2021
Advances paid for property, plant and equipment	101,631	104,054
VAT recoverable	81,883	43,797
Investment property	8,496	8,629
Others	907	1,027
Less: allowance for non-recoverable VAT	(11,823)	(10,380)
Less: allowance for advances for property, plant and equipment	(1,056)	(4,362)
Total other non-financial assets	180,038	142,765
Restricted cash	14,010	13,737
Loans issued	6,865	6,146
Loans to employees	1,623	2,178
Bonds of commercial banks and other credit institutions, and other debt securities	1,399	1,262
Long-term trade accounts receivable (Note 11)	39	47
Derivative financial instrument (Note 31)	27	-
Others	571	1,663
Less: allowance for expected credit losses on loans issued	(3,113)	(2,349)
Less: allowance for expected credit losses on other non-current financial assets	(492)	(877)
Total other financial assets	20,929	21,807
	200,967	164,572

Restricted cash is mostly amounts in Euros used as security on loans from HSBC Continental Europe (formerly – “HSBC France”). 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 2022	31 December 2021
Electro locomotive supplies	72,753	68,036
Rail purchases	9,959	21,356
Diesel locomotive supplies	9,075	4,996
Railroad switch supplies	5,240	-
Construction of a ferry complex at Kuryk port	649	2,244
Freight carriage supplies	-	3,000
Others	3,955	4,422
	101,631	104,054

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9. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Short-term tenge bank deposits	68,187	128,371
Short-term Russian Rouble bank deposits	-	597
Cash in tenge current accounts	186,774	30,653
Cash in US\$ current bank accounts	7,642	13,098
Cash in Russian Rouble current bank accounts	3,309	2,482
Cash in bank accounts in other currencies	599	1,158
Cash in Euro current bank accounts	474	1,667
Petty cash	4	5
Less: allowance for expected credit losses on cash and cash equivalents	(33)	(31)
	266,956	178,000
Cash included in assets classified as held for sale (Note 13)	76	-
	267,032	178,000

As at 31 December 2022, the weighted average interest rate on cash in current accounts was 0.22% in tenge and 1.64% in other currencies (31 December 2021: 1.75% in tenge and 1.92% 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 2022, the weighted average interest rate on short-term bank deposits was 16.18% in tenge (31 December 2021: 9.18% and 8%, respectively).

As at 31 December 2022, cash placed by the Group on current accounts in Kazpost JSC, a related party of the Group, amounted to 162,854 million tenge (31 December 2021: nil 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 2022 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 2022	31 December 2021
Track structure materials	14,647	11,050
Materials and supplies	12,481	10,995
Spare parts	8,311	7,129
Fuel and lubricants	6,034	9,401
Construction materials	1,478	1,278
Others	3,562	3,580
	46,513	43,433
Less: allowance for inventories	(1,484)	(1,032)
	45,029	42,401

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11. TRADE ACCOUNTS RECEIVABLE

	31 December 2022	31 December 2021
Trade accounts receivable	22,405	28,541
Less: allowance for expected credit losses	(7,593)	(5,246)
	14,812	23,295
Current portion of trade accounts receivable	14,773	23,248
Long-term portion of trade accounts receivable (Note 8)	39	47
	14,812	23,295

As at 31 December 2022, trade accounts receivable arising from contracts with customers amounted to 21,149 million tenge (31 December 2021: 26,031 million tenge), expected credit losses on trade accounts receivable amounted to 6,873 million tenge (31 December 2021: 3,060 million tenge).

12. OTHER CURRENT ASSETS

	31 December 2022	31 December 2021
Other taxes prepaid	43,120	41,874
Advances paid	24,821	6,777
Prepaid expenses	1,795	1,223
Others	5,451	4,702
Less: allowance for the impairment of advances paid and other current non-financial assets	(5,938)	(6,034)
Total other non-financial assets	69,249	48,542
Claims, interest and fines	4,136	1,721
Due from employees	1,751	1,664
Others	8,120	2,973
Less: allowance for expected credit losses on other current financial assets	(4,200)	(2,116)
Total other financial assets	9,807	4,242
	79,056	52,784

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13. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE
Railway Passenger Coach Construction Plant LLP

During 2022, the Group reorganised its subsidiary Tulpar Wagon Construction Plant LLP by spinning off a new legal entity - Railway Passenger Coach Construction Plant LLP with a part of Tulpar Wagon Construction Plant LLP property and employees. 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. Since this subsidiary does not represent a separate major line of business for the Group, the Group did not classify the financial performance of the subsidiary as a discontinued operation. The management of the Group expects the transaction will be completed within 12 months after the reporting date (Note 32).

The assets and liabilities of Railway Passenger Coach Construction Plant LLP are presented as follows (with intragroup elimination):

	31 December 2022
Assets	
Property, plant and equipment (Note 6)	5,700
Cash and cash equivalents	76
Other current assets	40,049
Total assets held for sale	45,825
Liabilities	
Trade accounts payable	17
Other taxes	4
Other current liabilities	10
Total liabilities directly attributable to assets held for sale	31
Net assets held for sale	45,794

14. EQUITY

As at 31 December 2022 and 2021, 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 2021	502,040,458	496,654,806	1,082,299
Shares issued	-	37,859	3,786
As at 31 December 2021	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

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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 2022, the Group issued 1 share that was paid by 607 units of wheel sets of 239 million tenge by the Shareholder.

During 2021, the Group issued 37,859 shares that were paid by intangible assets of 3,786 million tenge by the Shareholder.

Other contributions

In 2022, the Group recognised an adjustment to loans received at rates lower than market to fair value of 118,380 million tenge (2021: 7,857 million tenge) less the deferred tax effect of 23,676 million tenge (2021: 1,571 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 is the hedged item, accordingly, the cumulative deferred loss attributable to this hedging instrument was reclassified from other comprehensive loss to revenue from freight transportation in the amount of 54,442 million tenge (Note 22).

For the year ended 31 December 2022, the effective portion of 2,445 million tenge was recorded in the hedging reserve in other comprehensive income as net hedging instrument loss (2021: 823 million tenge as a net profit).

Disposal of subsidiaries

In January 2021, following the loss of control over the subsidiary Vostokmashzavod JSC, the Group recognised the disposal of a non-controlling interest of 849 million tenge.

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15. BORROWINGS

Borrowings, including accrued interest, which is accounted for at amortised cost consisted of the following:

	31 December 2022		31 December 2021	
	Amount	Weighted average effective interest rate (%)	Amount	Weighted average effective interest rate (%)
<i>Fixed interest rate borrowings</i>				
Loans received	300,748		240,890	
- in tenge	231,551	11.34	164,644	7.51
- in Euros	69,197	6.57	76,246	6.57
Debt securities issued	1,052,191		1,158,930	
- in tenge	563,621	10.20	468,570	10.81
- in US\$	363,221	2.00	396,207	6.95
- in Swiss Francs	125,349	3.25	207,321	3.42
- in other currencies	-	-	86,832	8.75
<i>Variable interest rate borrowings</i>				
Loans received	152,426		124,017	
- in tenge	152,426	15.01	13,066	12.39
- in Russian Roubles	-	-	110,951	11.00
Debt securities issued	181,966		53,375	
- in tenge	181,966	16.64	53,375	9.92
	1,687,331		1,577,212	
Current portion of borrowings	256,506		215,809	
Non-current portion of borrowings	1,430,825		1,361,403	
	1,687,331		1,577,212	

The following borrowings presented on discounted basis, excluding debt securities, should be repaid as follows:

	31 December 2022	31 December 2021
During the year	103,431	23,743
1-2 years	64,263	8,269
2-3 years	35,363	148,969
3-4 years	34,863	9,627
4-5 years	28,920	11,390
Over 5 years	186,334	162,909
	453,174	364,907

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Loans received

Halyk Bank of Kazakhstan JSC

In 2022, 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, received 118,000 million tenge with an interest rate of 14.5% to 16% and a maturity of up to 6 months. The Group has made full/partial early repayment of loans received in the total amount of 113,500 million tenge.

In 2022, 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 82,310 million tenge. 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 2022, 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 58,266 million tenge. 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.

HSBC Continental Europe

In 2022, the Group, represented by its subsidiary KTZ-Freight transportation 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 13,329,103 Euros (6,547 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.

Forte Bank JSC

In 2022, the Group, represented by the Company, under the credit line Agreement with Forte Bank JSC, concluded on 13 June 2022, received 130,000 million tenge with an interest rate of 15.5% to 18.25 % and maturity from 3 to 6 months. As at 31 December 2022, the Group made full/partial early repayment of loans received in the total amount of 80,000 million tenge.

Citibank Kazakhstan JSC

In 2022, the Group, represented by a subsidiary KTZ-Freight transportation LLP, under the Master agreement with Citibank Kazakhstan JSC on short-term loans, concluded on 30 November 2009, received borrowings in the total amount of 12,650 million tenge with an interest rate of 17% and maturity date up to 1 year. The principal is repayable in a lump sum in May 2023.

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Citibank Europe plc

In July 2022, the Group, represented by the Company, under the credit line Agreement with Citibank Europe plc, concluded on 16 June 2022, received 29,999,995 US Dollars (13,945 million tenge) with an interest rate of 4.61% and maturity of up to 3 months. The Group made a full early repayment of borrowings received.

The Shareholder

The Group, represented by the Company, under a loan agreement with the Shareholder concluded on 25 May 2022, received 30,000 million tenge with an interest rate of 14.5% and maturity of up to 2 months. The Group repaid the loan in July 2022 (Note 30).

Early repayment of non-current borrowings

In March 2022, the Group’s management made a decision to early repay the principal debt of loans from VTB Bank PJSC and Sberbank SB JSC in the amount of 19,400,000,000 Russian Roubles (93,681 million tenge) and 5,064 million tenge, respectively. In March 2022, the Group made an early repayment of principal and accrued interest on these loans.

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Debt securities issued

As at 31 December, debt securities issued include:

	Repayment date	Exchanges	2022	2021
Debt securities, by price				
2% Eurobonds (100%) ³ in tenge	28 October 2025	KASE	363,221	-
11.5% Bonds (100%) in tenge	3 October 2034	KASE	308,433	308,433
TONIA Compounded 6M + 3% margin (19%) Bonds (100%) in tenge	22 July 2024	KASE	128,216	-
7.37% Bonds (100%) in tenge	30 December 2042	KASE	94,097	-
3.25% Eurobonds (100%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	84,925	79,713
9.25% Bonds (100%) in tenge	15 November 2024	KASE	76,831	76,831
Inflation rate + 2.52% (11.02%) Bonds (100%) in tenge	25 April 2026	KASE	53,750	53,376
11.5% Bonds (100%) in tenge	12 September 2034	KASE	41,380	41,380
3.25% Eurobonds (104.238%) in Swiss Francs	5 December 2023	SIX Swiss Exchange	40,424	38,400
11% Bonds (100%) in tenge	23 July 2027	KASE	26,184	26,184
2% Bonds (100%) in tenge	20 August 2034	KASE	16,696	15,741
6.95% Eurobonds (105.521%) in US\$	10 July 2042	LSE/KASE	-	396,207
3.638% Eurobonds (100%) in Swiss Francs	20 June 2022	SIX Swiss Exchange	-	89,208
8.75% Eurobonds (100%) in Russian Roubles	7 June 2022	MOEX	-	86,832
Total debt securities issued			1,234,157	1,212,305
Current portion of debt securities issued			153,075	192,066
Long-term portion of debt securities issued			1,081,082	1,020,239
			1,234,157	1,212,305

Debt securities issued

On 22 July 2022, the Group, represented by the Company, replenished working capital by issuing bonds on Kazakhstan Stock Exchange in the amount of 118,945 million tenge with coupon rate TONIA Compounded 6M+3% margin and maturity date of 22 July 2024. The coupon is paid twice a year.

In 2022, the Group, represented by the Company, for the purpose of early repayment of 2012 Eurobonds with a total nominal volume of 1,100,000,000 million US Dollars (residual balance of 882,978,000 US Dollars after partial early repayment in 2020), issued Eurobonds on the Kazakhstan Stock Exchange in favour of the Shareholder in the amount of 882,978,000 US Dollars (410,903 million tenge) with a preferential coupon rate of 2% per annum and a maturity date on 28 October 2025 (Note 30). Coupon payment – twice a year. Bonds were issued with a coupon rate below the market rate and the fair value was calculated based on the market rate of 6.6%. The Group recognised an adjustment to the fair value of the bonds as other contributions in the amount of 106,622,574 US Dollars (49,618 million tenge), net of deferred tax in the amount of 21,324,515 US Dollars (9,924 million tenge) through equity in retained earnings as other contributions (Note 14).

³ Percentages in brackets represent the cost of issuing bonds/Eurobonds from par value (at premium/with discount or at par)

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In December 2022, 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 162,859 million tenge with a coupon rate of 7.37% per annum and a maturity date on 30 December 2042 (Note 30). 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 13.99%. The Group recognised an adjustment to fair value of the bonds as other contributions in the amount of 68,762 million tenge, net of deferred tax in the amount of 13,752 million tenge through equity in retained earnings as other contributions (Note 14).

Repayment of debt securities

In October-November 2022, the Group, represented by the Company, made an early repayment of 2012 Eurobonds with a total nominal volume of 1,100,000,000 million US Dollars (residual balance of 882,978,000 US Dollars after partial early repayment in 2020). The total repayment amount was 901,899,483 US Dollars (419,998 million tenge), including interest accrued of 18,921,483 US Dollars (8,839 million tenge). As a result of the repayment of the Eurobonds, the Group recognised the non-amortised portion of the transaction costs in the amount of 440 million tenge and the premium in the amount of 16,890 million tenge in finance costs and finance income, respectively.

State subsidy of the interest rate

In May 2020, the Group, represented by the Company, entered into an agreement with the Transport Committee of the Ministry of Industry and Infrastructure Development of Kazakhstan to subsidise a part of the coupon rate in the amount of 307,194 million tenge for bonds issued in 2019 at a coupon rate of 11.5% per annum and used for the early repayment of 2017 Eurobonds in the amount of 780,000,000 US Dollars, which in turn were attracted and utilised for infrastructure modernisation, updating locomotives and freight cars. The agreement stipulates that the amount of subsidy should be provided for under the Republican budget program "Subsidising the coupon rate on the carrier's Bonds issued for the development of the main railway network and rolling stock of railway transport" (hereinafter – “the Program”). Since the Program is available to all transportation companies that have the status of a “carrier” in accordance with the Law on Railway Transport, the Group’s management accounts for the financing under this Program as a government grant recognised within finance income.

During 2022, the Group recognised income from government subsidies under the Program in the amount of 29,183 million tenge as a part of finance income (Note 26).

The fair value of borrowings is presented in Note 31.

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Credit agreements and breaches of credit agreements

Debt securities contain covenants that place certain limitations on the Group including, but not limited to, business changes and asset disposal, limitations on mergers and consolidations with other legal entities. In the event of default, as defined by debt security indenture, investors are entitled to demand the repayment of debt securities.

According to finance lease agreements with Industrial Development Fund JSC, which the Group accounts for as borrowings, the Group is obliged to comply with certain non-financial covenants, which have been met as at 31 December 2022.

EBRD loan agreements include certain financial covenants, such as Adjusted Debt to Adjusted EBITDA and Interest Coverage Ratios (based on Adjusted EBITDA). These terms have been met as at 31 December 2022.

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 2022, this covenant was met.

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Reconciliation of changes in liabilities and cash flows from financing activity

	2022	
	Borrowings and debt securities issued	Lease liabilities (Note 16)
As at 1 January	1,577,212	59,798
Changes due to cash flows from financing activities		
Loan principal payments	(956,465)	-
Proceeds from borrowings	1,137,878	-
Lease liability payments	-	(17,334)
Total changes due to cash flows from financing activities	181,413	(17,334)
Other changes		
Effect of changes in foreign currency exchange rates	30,789	383
Cash flow hedging	2,445	-
Acquisition of property, plant and equipment through borrowings directly transferred to the supplier	5,706	-
New lease agreements	-	7,301
Adjustment to the fair value of loans received from the Shareholder/Ultimate Shareholder at rates lower than market (Note 14)	(118,380)	-
Interest costs and discount amortisation, including capitalised	139,366	8,321
Interest paid	(113,137)	(6,438)
Other changes	(18,083)	1,051
Total other changes attributable to liabilities	(71,294)	10,618
As at 31 December	1,687,331	53,082

	2021		
	Total	Borrowings and debt securities issued	Lease liabilities (Note 16)
As at 1 January	1,637,010	1,570,179	50,186
Changes due to cash flows from financing activities			
Loan principal payments	(956,465)	(156,007)	-
Proceeds from borrowings	1,137,878	125,839	-
Lease liability payments	(17,334)	-	(12,274)
Total changes due to cash flows from financing activities	164,079	(30,168)	(12,274)
Other changes			
Effect of changes in foreign currency exchange rates	31,172	10,528	(103)
Cash flow hedging	2,445	(823)	-
Acquisition of property, plant and equipment through borrowings directly transferred to the supplier	5,706	27,705	-
New lease agreements	7,301	-	21,411
Adjustment to the fair value of loans received from the Shareholder/Ultimate Shareholder at rates lower than market (Note 14)	(118,380)	(7,857)	-
Interest costs and discount amortisation, including capitalised	147,687	123,093	7,414
Interest paid	(119,575)	(113,757)	(7,056)
Other changes	(17,032)	(1,688)	220
Total other changes attributable to liabilities	(60,676)	37,201	21,886
As at 31 December	1,740,413	1,577,212	59,798

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16. LEASE LIABILITIES

As at 31 December, the Group's lease liabilities included:

	2022		2021	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Up to one year	14,966	14,221	27,269	25,355
2-5 years inclusive	39,458	23,717	36,592	22,857
Over 5 years	62,242	15,144	55,996	11,586
Total	116,666	53,082	119,857	59,798
Less future finance costs	(63,584)	-	(60,059)	-
Present cost of lease liabilities	53,082	53,082	59,798	59,798
Less amounts due within 12 months		(14,221)		(25,355)
Amount due after 12 months		38,861		34,443

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 51,692 million tenge 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 2022, within the framework of the agreement, the Group received 457 flat carriages and recognised right-of-use assets of 10,546 million tenge for 32 years and a lease liability of 4,777 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 8,318 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.

In December 2022, under this agreement, the Group received 5 passenger carriages and recognised right-of-use assets of 3,364 million tenge for 28 years and a lease liability of 2,151 million tenge for 20 years.

As at 31 December 2022, interest calculations are based on effective interest rates of between 1.69% and 21.69% (31 December 2021: 2.5%-21.69%).

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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.

Lease liabilities are mainly denominated in tenge, except for lease liabilities for other equipment, which are denominated in US\$.

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.

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.

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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 retirement age 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 over six 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 2022	31 December 2021
Non-current portion of employee benefit obligations	37,406	37,083
Current portion of employee benefit obligations	6,213	9,100
Total liabilities as at the end of the year	43,619	46,183

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Movement in the present value of obligations for the years ended 31 December is as follows:

	2022	2021
Total liabilities at the beginning of the year	46,183	43,456
Current service cost	1,347	1,335
Past service cost	218	619
Interest costs	4,804	4,474
Actuarial loss/(gain) on other long-term employee benefits	2,774	(315)
Total expenses recognised in profit or loss	9,143	6,113
Actuarial revaluation recognised in other comprehensive income:	(4,214)	(345)
- change in financial assumptions	(25)	326
- experience-based adjustments	(4,219)	(353)
- change in demographic assumptions	30	(318)
Payments made for the year	(7,493)	(3,041)
Total liabilities as at the end of the year	43,619	46,183

Post-employment defined benefits and other long-term employee benefits recognised in profit or loss during the years ended 31 December are as follows:

	2022	2021
Cost of sales (Note 24)	8,745	5,558
General and administrative expenses (Note 25)	398	555
Total recognised in profit or loss for the year	9,143	6,113

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 14.3 years for men and 18.4 years for women.

Other significant actuarial assumptions as at the reporting date for the consolidated statement of financial position are as follows:

	2022	2021
Discount rate	10.6%	10.4%
Expected annual growth in material aid in the future	4.1% (average)	4.2% (average)
Expected annual minimum salary growth in the future	4.9% (average)	5.3% (average)
Expected annual future growth in rail ticket cost	5.5% (average)	5.6% (average)

According to an actuarial sensitivity analysis, the maximum increase in employee benefit obligations is 7.8% caused by an inflation rate increase 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:

	2022	2021
Current income tax expenses	4,249	6,678
Adjustment of income tax for prior years	1,224	62
Income tax paid withheld	471	681
Deferred income tax expense	13,105	28,947
Change in unrecognised deferred tax assets, including for tax losses carried forward	12,492	(2,236)
	31,541	34,132

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:

	2022	2021
Profit before tax	68,424	154,743
Official tax rate	20%	20%
Calculated tax expense at the official rate	13,685	30,949
Tax effect of non-deductible expenses for tax calculation purposes, and other effect:		
Adjustment of income tax for prior years	1,224	62
Non-deductible expenses	4,140	5,357
Change in unrecognised deferred tax assets, including for tax losses carried forward	12,492	(2,236)
Income tax expense recognised in profit or loss	31,541	34,132

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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 2022	31 December 2021
Deferred tax assets:		
Tax losses carried forward	111,009	105,420
Financial guarantee contract liabilities	5,999	5,991
Accounts receivable	5,999	5,307
Accrued employee liabilities	5,712	4,624
Discount on loan accounts receivable	1,449	1,650
Others	5,865	8,536
	136,033	131,528
Less: deferred tax assets offset against deferred tax liabilities	(135,970)	(131,383)
Deferred tax assets	63	145
Deferred tax liabilities:		
Property, plant and equipment and other non-current assets	(414,171)	(381,908)
Fair value adjustment to borrowings received from the Shareholder/Ultimate Shareholder at rates below market	(79,277)	(57,766)
Others	(13)	(9)
	(493,461)	(439,683)
Less: deferred tax liabilities offset against deferred tax assets	135,970	131,383
Deferred tax liabilities	(357,491)	(308,300)
Total net deferred tax liabilities	(357,428)	(308,155)
	2022	2021
Net deferred tax liabilities as at the beginning of the year	(308,155)	(279,873)
Recognised in profit or loss	(25,597)	(26,711)
Recognised in equity (Note 14)	(23,676)	(1,571)
Net deferred tax liabilities as at the end of the year	(357,428)	(308,155)

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 2022, the total tax effect of unrecognised tax losses carried forward amounted to 20,743 million tenge (31 December 2021: 19,785 million tenge). These tax losses carried forward expire in 10 years from the date they were incurred.

19. TRADE ACCOUNTS PAYABLE

	31 December 2022	31 December 2021
Accounts payable for services provided	65,252	56,208
Accounts payable for inventories received	27,108	26,287
Accounts payable for the supply of property, plant and equipment	21,100	29,336
Other accounts payable	3,747	4,700
	117,207	116,531

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As at 31 December, trade accounts payable were denominated in the following currencies:

	2022	2021
Tenge	99,615	105,782
US\$	11,494	4,634
Euros	4,463	3,995
In other currencies	1,635	2,120
	117,207	116,531

The average turnover period for accounts payable is 35 days (2021: 37 days).

20. CONTRACT LIABILITIES

	31 December 2022	31 December 2021
Advances received on contracts with customers	102,035	82,920
Deferred income	17,358	12,390
	119,393	95,310

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 90,290 million tenge (2021: 67,411 million tenge).

Contract liabilities as at 31 December 2022 will be recognised as revenue within 12 months after the reporting date.

21. OTHER LIABILITIES

	31 December 2022	31 December 2021
Provisions for unused vacation and other employee benefits	28,712	23,265
Deferred income (government grants)	27,803	24,453
Advances received	12,738	701
Obligatory pension contributions, social insurance contributions and obligatory medical insurance contributions	11,325	9,696
Provisions	2,460	4,291
Others	2,077	3,310
Total other non-financial liabilities	85,115	65,716
Financial guarantee contract liabilities	29,997	29,953
Salary payable	10,006	7,563
Derivative financial instrument (Note 31)	564	-
Others	6,854	7,876
Total other financial liabilities	47,421	45,392
	132,536	111,108
Current portion of other liabilities	76,972	56,611
Non-current portion of other liabilities	55,564	54,497
	132,536	111,108

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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 2022, liabilities under financial guarantee agreements amounted to 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 (31 December 2021: 15,476 million tenge for Nursultan Nazarbayev International Airport JSC, 13,953 million tenge for Aktobe Rail and Section Mill Plant LLP and 524 million tenge for Transtelecom JSC).

Provisions include provisions for agreements under which as at 31 December 2022, 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 2022 and 2021, other financial liabilities were primarily denominated in tenge.

22. REVENUE

In 2022 and 2021, revenue from freight transportation included:

	2022	2021
Revenue from contracts with customers:		
International (transit) routes	447,507	425,755
Domestic routes	361,723	342,125
International (export) routes	220,322	191,782
International (import) routes	149,848	134,718
Additional charges related to the transportation process	54,684	44,495
Other revenue from freight transportation	49,429	45,396
	1,283,513	1,184,271

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 loss to freight transportation revenue (Note 14).

Revenue from freight transportation is recognised over time.

In 2022 and 2021, revenue from passenger transportation included:

	2022	2021
Revenue from contracts with customers:		
Passenger transportation	78,732	49,580
Other revenue from passenger transportation	9,689	7,676
	88,421	57,256

Revenue from passenger transportation of 1,229 million tenge, attributable to portion of other revenue from passenger transportation, was recognised at a point in time (2021: 1,001 million tenge), and 87,192 million tenge was recognised over time (2021: 56,255 million tenge).

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23. OTHER REVENUE

	2022	2021
Revenue from the sale of goods and provision of other services	40,527	33,679
Revenue from the lease of carriages	17,492	4,742
Revenue from fines	8,656	5,754
Revenue from the lease of other property, plant and equipment	4,651	3,600
	71,326	47,775

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.

The Group leases out carriages and other property, plant and equipment under operating lease agreements for up to one year. 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 17,391 million tenge is recognised at a point in time (2021: 15,543 million tenge), and of 31,792 million tenge – over time (2021: 23,890 million tenge).

24. COST OF SALES

	2022	2021
Staff costs, including taxes, contributions and provisions for unused vacations	463,548	337,482
Repairs and maintenance	189,532	152,310
Fuel and lubricants	162,723	133,907
Depreciation and amortisation	141,425	135,666
Work and services of a production nature	70,134	59,596
Electricity	52,397	51,200
Materials and supplies	49,292	44,400
Property tax and other taxes, excluding social tax and social contributions	26,200	25,217
Employee benefit expenses and other long-term employee benefits (Note 17)	8,745	5,558
Utilities and building maintenance	3,998	4,269
Telecommunication services	3,244	2,931
Other costs	32,995	28,362
	1,204,233	980,898

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25. GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
Staff costs, including taxes, contributions and provisions for unused vacation	57,033	53,202
Property tax and other taxes, excluding social tax and social contributions	9,583	9,168
Depreciation and amortisation	4,376	5,030
Various third party services	3,843	2,564
Expenses to hold celebrations and cultural and mass events	2,352	1,532
Business trip expenses	1,607	947
Lease expenses	1,222	1,157
Utilities and building maintenance	1,012	857
Telecommunication services	610	645
Insurance	570	407
Expenses to maintain social sphere facilities	492	432
Banking services	439	464
Employee benefit expenses and other long-term employee benefits (Note 17)	398	555
Repairs and maintenance	365	192
Materials	313	313
Consulting, audit and legal services	310	1,973
Other expenses	8,538	11,339
	93,063	90,777

26. FINANCE INCOME AND COSTS

	2022	2021
Finance income		
Interest rate state subsidies on financial liabilities	31,398	2,176
Income from written-off non-amortised portion of the premium on early repayment of bonds (Note 15)	16,890	-
Interest on cash and cash equivalents	10,059	10,379
Guarantees issued	647	2,218
Change in fair value of derivative financial instruments recognised at fair value through profit or loss (Note 31)	27	-
Other finance income	2,078	3,074
	61,099	17,847
Finance costs		
Interest costs and loan discount amortisation	133,660	118,260
Lease interest expenses	8,321	7,414
Change in fair value of derivative financial instruments recognised at fair value through profit or loss (Note 31)	564	-
Other finance costs	2,315	594
	144,860	126,268

Income from interest rate state subsidies on financial liabilities mainly represent income from partial coupon rate subsidies on bonds for the amount of 29,183 million tenge (Note 15).

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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 2022 and 2021, the Company had no outstanding antidilutive instruments.

	2022	2021
Weighted average of common shares	496,692,666	496,674,099
Profit for the year attributable to the Shareholder (million tenge)	34,887	119,085
Earnings per common share (tenge)	70	240
Net assets excluding intangible assets, goodwill and non-controlling interests	1,416,903	1,226,586
Quantity of common shares in circulation (registered)	496,692,666	496,692,665
Carrying amount of one share (tenge)⁴	2,853	2,470

28. FINANCIAL AND CONTINGENT LIABILITIES
Investment liabilities

As at 31 December 2022, the Group had liabilities, including the modernisation of the Dostyk-Moiynty railway transport corridor, liabilities under lease agreements with Industrial Development Fund JSC to purchase long rails and freight and passenger electric locomotives, freight and passenger diesel locomotives for a total amount of 1,881,358 million tenge (31 December 2021: 1,613,814 million tenge).

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 33,264 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 2022, platform carriages with a total value of 26,862 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 2022 in the amount of 6,402 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 51,692 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 2022, the commitment for the undelivered platform carriages was 15,146 million tenge.

⁴ Carrying amount of shares is calculated in accordance with KASE requirements.

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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 8,318 million tenge. The lease term is 20 years, with an interest rate of 1.5% per annum. The grace period for the principal is 6 years. The Group acts as a lessee. As at 31 December 2022, the commitment for the undelivered passenger carriages was 2,891 million tenge.

Other contractual liabilities

As at 31 December 2022, the Group, represented by its subsidiary KTZ Express JSC, had an agreement dated 28 December 2015 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 2022, the outflow of resources embodying economic benefits under this Agreement is not highly probable.

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 2022 and 2021. 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.

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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 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.

No provision has been made in these consolidated financial statements as the Group’s management assesses that no any potential asset retirement and land reclamation obligations that could have any material effect on consolidated financial position, results of operations or cash flows of the Group.

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Guarantees

As at 31 December 2022, guarantees were presented as follows:

Creditor	Purpose of the guarantee	Guarantee issue date	Guarantee period	Guarantee amount
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	17,566
Development Bank of Kazakhstan JSC	Execute the obligations of Nursultan Nazarbayev International Airport JSC to finance its modernisation	28 March 2018	until 2033	22,500
Eurasian Development Bank	Execute the obligations of an associate Transtelecom JSC for the implementation of the project Construction of a Fibber-Optic communication line (FOCL)	21 October 2014	until 2024	2,190
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	4,492

Note 21 discloses the carrying value of these guarantees.

As at 31 December 2022 and 2021, there were no cases of using the financial guarantees listed above.

Finance lease 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 2022 these terms have been met.

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29. SUBSIDIARIES

Information on the composition of the Group is provided below:

Subsidiary ⁵	Activities	Country	Ownership interest, %	
			31 December 2022	31 December 2021
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		
5.Kedentransservice JSC			100	100
6.Temirzholsu JSC	Utilities	Kazakhstan	100	100
7.Militarised Railway Security LLP	Security	Kazakhstan	100	100
8.Aktau Sea Commercial Port National Company JSC ⁶	Vessel loading and unloading work, vessel servicing	Kazakhstan	100	100
9.Port Kuryk LLP	Freight transshipment and vessel servicing	Kazakhstan	100	100
10.KTZ Finance LLC	Bond issues to finance KTZ			
11.KTZ-Passenger Locomotives LLP	Group projects and operations	Russia	100	100
	Locomotive rolling stock services	Kazakhstan	100	100

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 effected on the same terms, conditions and amounts as transactions between unrelated parties.

⁵ First level subsidiaries, some of which include subsidiaries that have non-controlling interests.

⁶ 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 ⁷
Amounts due from related parties for goods, services and non-current assets, including advances paid	2022	-	2,178	1,192	9
	2021	-	4,748	356	5
	2022	-	(1,657)	(95)	-
	2021	-	(35)	(23)	-
Amounts due to related parties for goods, services and non-current assets, including advances received	2022	-	21,927	4,845	363
	2021	-	19,425	2,722	2,437
	2022	-	-	162,854	-
	2021	-	-	-	-
Cash on current accounts	2022	-	-	-	208
	2021	-	-	-	117
Restricted cash	2022	-	-	-	208
	2021	-	-	-	117
Loans received	2022	588,984	-	-	74,949
	2021	128,769	-	-	72,720
Lease liabilities	2022	-	13,865	-	32,677
	2021	48	27,012	-	27,291

⁷ Other related parties include other commercial entities under common control of the ultimate Shareholder.

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Related party transactions for the years ended 31 December are presented as follows:

		Shareholder	Associates	Companies making up the Shareholder group	Other related parties ⁷
Sale of goods, services and non-current assets	2022	-	118,984	12,795	928
	2021	-	133,393	7,822	689
<i>(Accrued)/recovered allowances for expected credit losses and impairment of advances paid</i>	2022	-	(1,623)	(82)	-
	2021	-	55	(3)	-
Purchase of goods, services and non-current assets	2022	-	26,978	50,571	4,215
	2021	-	28,983	7,623	1,487
Receipt of loans	2022	603,762	-	-	-
	2021	-	-	-	13,125
Repayment of loans received	2022	31,175	-	-	1,077
	2021	1,175	-	-	1,077
New lease agreements (Group as lessee)	2022	-	95	-	6,928
	2021	-	25	-	21,289
Lease payments	2022	49	15,827	-	6,926
	2021	197	15,319	-	2,298
Finance income	2022	-	143	-	59
	2021	-	1,144	-	158
Finance expenses	2022	14,561	2,632	-	11,387
	2021	9,576	4,311	-	8,331
Dividends due	2022	-	8,726	-	-
	2021	-	6,462	-	-
Share capital contribution	2022	239	-	-	-
	2021	3,786	-	-	-

In 2022, the Group received a loan from the Shareholder in the amount of 30,000 million tenge (Note 15).

In 2022, the Group issued Eurobonds and bonds in favour to the Shareholder in the amount of 882,978,000 US Dollars (410,903 million tenge) and 162,859 million tenge, respectively (Note 15).

As at 31 December 2022, the Group has borrowings from Industrial Development Fund JSC and Development Bank of Kazakhstan JSC for a total of 74,949 million tenge (31 December 2021: 72,720 million tenge).

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As at 31 December 2022 and 2021, 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 2022, Group borrowings from the Shareholder were mainly received at rates below market varying from 0.075% to 7.37% 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%.

Transactions with Shareholder group companies, associates and joint ventures and other related parties mainly comprise transactions with KazMunaiGas National Company JSC (fuel), 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 to Shareholder group companies, associates and joint ventures.

Compensation to key management personnel of the Group

Key management personnel comprise members of the Group's Management Board and Board of Directors, totalling 16 persons for the year ended 31 December 2022 (31 December 2021: 15 persons). Total compensation to key management personnel included in personnel costs in the consolidated statement of profit or loss and other comprehensive income comprised 577 million tenge for the year ended 31 December 2022 (2021: 807 million tenge). Compensation paid to key management personnel primarily consists of contractual salary, social tax, 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 2021.

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 and cash flow hedge reserves, 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 variable 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 variable interest rate borrowing) with all other variables remaining constant.

	31 December 2022		31 December 2021	
	Interest rate increase / (decrease) in basis points ⁸	Effect on pre-tax profit/equity	Interest rate increase / (decrease) in basis points ⁹	Effect on pre-tax profit/equity
Tenge borrowings	245/(245)	(7,786)/7,786	125/(25)	(788)/158
Russian Rouble borrowings	-	-	125/(25)	(1,380)/276

Currency risk

The Group undertakes transactions denominated in foreign currencies, consequently, exposing itself to exchange rate fluctuations.

⁸ 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\$. 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 2022, the Group incurred a foreign exchange loss of 34,143 million tenge, of which a major portion is attributable to borrowing as disclosed in Note 15 (2021: 11,147 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 2022			31 December 2021		
	Exchange rate increase/ (decrease)	Effect on pre- tax profit	Direct effect on equity	Exchange rate increase / (decrease)	Effect on pre- tax profit	Direct effect on equity
US\$	21%/ (21%)	(76,838)/ 76,838	-	13%/ (10%)	(49,117)/ 37,782	-
Euros	18%/ (18%)	(10,616)/ 10,616	-	13%/ (10%)	(8,393)/ 6,456	-
Russian Roubles	22%/ (22%)	624/ (624)	-	13%/ (13%)	(25,393)/ 25,393	-
Swiss Francs	25%/ (25%)	(31,511)/ 31,511	-	13%/ (10%)	(26,952)/ (102)/79	(26,952)/ 20,732
In other currencies	25%/ (25%)	207/(207)	-	13%/ (10%)	200/(154)	-

On 7 August 2015, the Group began cash flow hedging to decrease the risk of a change in the tenge equivalent of revenue denominated in Swiss Francs. Eurobonds issued on 20 June 2014 on the Swiss Stock Exchange are used as hedging instruments. The hedged item is revenue from transit traffic in Swiss Francs. As a result of hedging, in 2022 an effect of 2,445 million tenge was recognised in other comprehensive income (2021: 823 million tenge).

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 partially hedge the exposure to foreign exchange risk of borrowings denominated in US Dollars.

Hedged 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 (Note 15).

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 natural hedge 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.

As at 31 December 2022, the fair value of derivative financial instruments was recognised under an agreement with J.P. Morgan Securities plc. (UK) within other long-term assets and finance income in the amount of 58,693 US Dollars (27 million tenge) and under agreements with Societe Generale SA (France) and Citibank London within other liabilities and finance costs in the amount of 1,220,034 US Dollars (564 million tenge) (Notes 8, 21 and 26).

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(in millions of tenge, unless stated otherwise)**
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 2022, cash held by the Group on current accounts in Kazpost JSC, a related party of the Group (61% 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' (27% 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 2022, the Group has also credit lines available in Halyk Bank of Kazakhstan JSC and Forte Bank JSC with undrawn balances totalling 95,500 million tenge (31 December 2021: in Halyk Bank of Kazakhstan JSC and Citibank Kazakhstan JSC for the total amount of 72,954 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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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
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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
2022						
<i>Interest-free</i>						
Accounts payable	106,170	745	10,292	-	-	117,207
Other liabilities	10,006	-	6,854	-	-	16,860
<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	-	-	(6,626)	8,280	-	1,654
Financial guarantees	-	2,088	3,839	33,353	45,938	85,218
	148,073	22,079	340,573	1,322,823	1,621,155	3,454,703
2021						
<i>Interest-free</i>						
Accounts payable	114,487	2,043	1	-	-	116,531
Other liabilities	7,563	-	5,883	1,993	-	15,439
<i>Interest-bearing</i>						
Borrowings	15,847	9,461	280,869	838,401	1,974,796	3,119,374
Lease	2,401	6,479	18,389	36,592	55,996	119,857
Financial guarantees	-	479	2,326	30,152	54,875	87,832
	140,298	18,462	307,468	907,138	2,085,667	3,459,033

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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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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 ⁹	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

	Up to 1 month	1-3 months	3 months – 1 year	Over 1 year	Unspecified maturity ⁹	Total
2021						
<i>Interest-bearing:</i>						
Short-term deposits	128,941	-	-	-	27	128,968
Interest on short-term deposits	453	-	-	-	-	453
Other assets	2	-	-	-	-	2
Cash and cash equivalents	17,577	-	-	-	4	17,581
Loans issued	-	-	-	6,326	2,349	8,675
<i>Interest-free:</i>						
Cash and cash equivalents	31,482	-	-	-	-	31,482
Restricted cash	-	-	235	13,737	-	13,972
Trade accounts receivable	22,147	1,074	27	47	5,246	28,541
	200,602	1,074	262	20,110	7,626	229,674

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.

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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 instrument

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, as well as Societe Generale (France), Citibank London and J.P. Morgan Securities plc (UK).

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 2022 and 2021, 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 loans issued, borrowings, debt securities (bonds) and other financial assets as at 31 December is presented as follows:

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans issued	3,752	2,895	3,797	5,299
Other financial assets	21,202	21,250	15,031	15,031
Borrowings	453,174	411,124	364,907	359,599
Debt securities	1,234,157	1,107,731	1,212,305	1,330,260

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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 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
Other financial assets recognised at fair value through profit of loss	-	-	73	73
Total	-	24,072	73	24,145
Financial liabilities recognised at amortised cost:				
- debt securities	588,642	-	-	588,642
- debt securities from related parties	-	519,089	-	519,089
- bank loans	-	349,888	-	349,888
- loans from related parties	-	61,236	-	61,236
Total	588,642	930,213	-	1,518,855

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The table below provides an analysis of financial instruments as at 31 December 2021, broken down into the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
Financial assets at amortised cost:				
- loans issued	-	5,299	-	5,299
- other financial assets	-	14,930	-	14,930
Other financial assets at fair value through profit of loss	-	-	101	101
Total	-	20,229	101	20,330
Financial liabilities recognised at amortised cost:				
- debt securities	1,288,064	-	-	1,288,064
- debt securities from related parties	42,196	-	-	42,196
- bank loans	-	298,145	-	298,145
- loans from related parties	-	61,454	-	61,454
Total	1,330,260	359,599	-	1,689,859

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.

32. EVENTS AFTER THE REPORTING DATE
Disposal of a subsidiary

In January 2023, the Group, represented by its subsidiary Kaztemirtrans JSC, completed the sale of a 100% interest in the charter capital of Railway Passenger Coach Construction Plant LLP for 12,000 million tenge and as a result lost control over this subsidiary (Note 13).

Liquidation of a subsidiary

In January 2023, the Group completed the liquidation of its subsidiary KTZ Finance LLC.

APPENDIXES

Taxes and other obligatory payments paid to the budget of the Republic of Kazakhstan in 2022, with a breakdown by regions, in thousand tenge

Regions	Total, in thousand tenge	Share, in %
Total	148,849,766	100.00
Astana	77,396,485	52.00
Almaty	6,446,314	4.33
Shymkent	2,896,205	1.95
Akmola region	7,056,251	4.74
Aktobe region	12,908,491	8.67
Almaty region	1,900,094	1.28
Karaganda region	8,428,429	5.66
Zhambyl region	5,145,374	3.46
West Kazakhstan region	106,221	0.07
East Kazakhstan region	2,884,994	1.94
North Kazakhstan region	163,674	0.11
Atyrau region	1,956,803	1.31
Pavlodar region	4,479,438	3.01
Kyzylorda region	2,151,933	1.45
Mangystau region	5,272,319	3.54
Kostanay region	4,679,097	3.14
Turkestan region	679,451	0.46
Ulytau region	900,506	0.60
Abai region	1,235,782	0.83
Jetysui region	2,161,905	1.45

Headcount, with a Breakdown by gender and regions, as of the end of the reporting period,

in persons **GRI 2-7, 401-1**

Regions	The total number	Men	Women
Total	113,769	87,419	26,350
Astana	10,780	6,749	4,031
Almaty	6,406	4,724	1,682
Shymkent	2,419	1,940	479
Pavlodar region	7,627	5,467	2,160
Almaty region	8,725	6,948	1,777
Kyzylorda region	6,357	5,434	923
Aktobe region	10,697	8,268	2,429
Atyrau region	4,854	3,607	1,247
Mangystau region	5,293	4,229	1,064
Akmola region	7,439	5,795	1,644
East Kazakhstan region	7,349	5,770	1,579
Zhambyl region	7,882	6,678	1,204
West Kazakhstan region	1,604	1,177	427
Karaganda region	12,470	9,543	2,927
Kostanay region	7,171	5,440	1,731
North Kazakhstan region	948	860	88
Turkestan region	4,204	3,690	514
Outside the Republic of Kazakhstan	1,544	1,100	444

ADDITIONAL INFORMATION

About the Report **GRI 2-3**

This Integrated Annual Report includes the sustainable development report and is prepared in compliance with the GRI (Global Reporting Initiative) standard.

In the course of its preparation, disclosure requirements of the industry standard of the SASB (Sustainability Accounting Standards Board) were also taken into consideration.

The Report contains the information of the financial and operating performance of the Company, its Development Strategy, risk management and corporate governance systems. The Report also includes the detailed information of the Company's sustainable development initiatives, including social and environmental responsibility, efficient use of resources, etc.

The Report covers the data for the period from January 1 to December 31, 2022, as well as previous periods and estimates in order to demonstrate the dynamics of changes in the figures related to the different focus areas of our Company.

GRI 2-4

If compared to the Company's Integrated Report for 2021, some indicators in this Report underwent certain changes. The relevant detailed clarifications are given in the text hereof.

All the Sustainable Development Reports are available on the Company's web-site: <https://www.railways.kz/articles/sustainable-development/sustainability-report>.

This Report was approved by resolution of NC KTZ JSC's Board of Directors dated May 19, 2023.

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 represented by the following organizations: Passenger Transportation JSC, Vagonservice JSC, Kedentransservice JSC, TRANSPORT HOLDING OF KAZAKHSTAN LLP, KTZ Express JSC, KTZ EXPRESS SHIPPING LLP, Private company KPMC Ltd, Company 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) Limited Liability Company, Kazakhstan Car Building Company LLP, Tulpar Car Building Plant LLP, Plant for the construction of passenger cars 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-Shu LLP, Temirzholsu-Kostanay LLP, Temirzholsu-Ayagoz LLP, Temirzholzhyly LLP – Atyrau, KTZ-Freight transportation LLP, KTZ-Passenger locomotives LLP, Paramilitary railway Guard LLP, Port Kuryk LLP, KTZ Finance LLC, National Company Aktau Commercial Sea Port JSC, are also included in the equity method of participating associates and joint ventures: China-Kazakhstan International Logistics Company Lianyungang LLC (China), Aktau Sea Northern Terminal LLP, KIF Warehouses LLP, Dosjan temir joly JSC, United Transport and Logistics Company-Eurasian Railway Alliance JSC, 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, KTZ Express JSC, KTZ EXPRESS SHIPPING LLP, Company Xinjiang KTZ International Logistics Co.Ltd (China), KTZ Express Hong Kong (China) LLC, KTZE - Khorgos Gateway LLP, Kaztemirtrans JSC, Kazakhstan Car Building Company LLP, KTZ Finance LLC, Tulpar Car Building Plant LLP, Passenger car construction 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-Shu LLP, Temirzholsu-Kostanay LLP, Temirzholsu-Almaty LLP Ayagoz, Temirzholzhyly LLP - Atyrau, KTZ-Freight transportation LLP, KTZ-Passenger locomotives LLP, Paramilitary railway guard LLP, Port Kuryk LLP, KTZ Finance LLC, National Company Aktau Commercial Sea Port JSC .

Environmental and social indicators do not include China-Kazakhstan International Logistics Company Lianyungang LLC (PRC), Aktau Sea Northern Terminal LLP, JV YuXinOu (Chongjing) Logistics Co. Ltd (PRC), KIF Warehouses LLP, Private Company KPMC Ltd, LLP Aktobe Rail and Block Plant, Vostokmashzavod JSC, Kazakhstan Temir Zholy Finance B.V. (Kingdom of the Netherlands) Limited Liability Company, KTZ Finance LLC, Dosjan temir joly JSC, United Transport and Logistics Company-Eurasian Railway Alliance JSC, Transtelecom JSC.

According to GRI indicators that have passed independent certification, data consolidation was carried out by the operational control method (GRI 2-7, 2-9, 2-30, 302-1, 305-1, 305-2, 305-7, 401-1, 401-3, 404-1, 403-9, 405-1).

Name of organizations	Environmental indicators				Social indicators						Corporate Governance
	302-1	305-1	305-2	305-7	401-1	401-3	403-9	404-1	2-7	2-30	2-9
NC KTZ JSC	+	+	+	+	+	+	+	+	+	+	+
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	+	+	+	+	+	+	+	+	+	+	
Kaztemirtrans JSC				+	+	+	+	+	+	+	
Kazakhstan Carriage Building Company LLP					+	+	+		+	+	
Tulpar Wagon-building Plant LLP				+	+	+	+	+	+	+	
Plant for the construction of passenger cars LLP					+	+	+		+		
Temirzholsu JSC	+	+	+	+	+	+	+	+	+	+	
Temirzholsu-Aktobe LLP	+	+	+	+	+	+	+	+	+	+	
Temirzholsu-Mangistau LLP	+	+	+	+	+	+	+	+	+	+	
Temirzholsu-Kzyl-Orda LLP	+	+	+	+	+	+	+	+	+	+	
Temirzholsu-Kokshetau LLP	+	+	+	+	+	+	+	+	+	+	
Temirzholsu-Karagandy LLP	+	+	+	+	+	+	+	+	+	+	
Temirzholsu-Pavlodar LLP	+	+	+	+	+	+	+	+	+	+	
Temirzholsu-Almaty LLP	+	+	+	+	+	+	+	+	+	+	
Temirzholsu-Arys LLP	+	+	+	+	+	+	+	+	+	+	
Temirzholsu-Shu LLP	+	+	+	+	+	+	+	+	+	+	
Temirzholsu-Kostanay LLP	+	+	+	+	+	+	+	+	+	+	
Temirzholu-Ayagoz LLP	+	+	+	+	+	+	+	+	+	+	
Temirzhilu - Atyrau LLP	+	+	+	+	+	+	+	+	+	+	
KTZ-Cargo Transportation LLP	+	+	+	+	+	+	+	+	+	+	
KTZ-Passenger LLP	+	+	+		+	+	+	+	+	+	
Paramilitary Railway Security LLP				+	+	+	+	+	+	+	
Port Kuryk LLP	+	+	+	+	+	+	+	+	+	+	
National Company Aktau Commercial Sea Port JSC	+	+	+	+	+	+	+	+	+	+	

INTERACTION WITH STAKEHOLDERS

GRI 2-29

To ensure an efficient interaction with the State, businesses and population, our Company adheres to the principles of transparency and information openness. We seek to establish a dialogue with all the stakeholders in order to ensure a better understanding of their needs and to consider their interests in a better way.

Interaction with the stakeholders is an integral part of our activities, and we pay special attention to the maintenance of the trusting relationships with our employees, trade unions, customers, suppliers, government bodies and other stakeholders.

The interaction with the stakeholders is based on the following principles:

- Respect and integrating of the stakeholders' interests, opinions and preferences.
- Regular and timely informing of the stakeholders.
- Responsible fulfillment of the commitments undertaken.

To determine its stakeholders, the Company identifies all the groups of persons and entities, which can have an effect on the Company's activities or which can be affected by it. This process includes assessment of the extent of the effect, interests and significance of each group of stakeholders for the Company.

The key stakeholders are:

- the Shareholder;
- the personnel;
- trade unions;
- partners;
- the government bodies;
- suppliers;
- population;
- media;
- customers; and
- financial institutions.

The goal of the interaction with the Company's stakeholders is to establish the trust relationship, understanding of interests and expectations, to ensure transparency and openness in the relations, to improve the reputation and to strengthen the market power through the efficient stakeholder management.

We seek to ensure that our dialogue with our stakeholders be productive and useful for all the participants. The Company uses different approaches to ensure the constructive interactions with its stakeholders, such as regular and open communications, consultations and dialogues, adaptation of the Company's business strategy and operations depending on the stakeholders' needs and interests, as well as establishment of the system to monitor and evaluate the stakeholders' satisfaction.

MATERIAL TOPICS AND PROCEDURE FOR DETERMINING THEREOF

GRI 3-1, 2-14

To determine the material topics, which are to be covered by the 2022 Report, the Company has analyzed all the topics offered by the GRI standards, and identified the key stakeholders, which have been questioned to find out the material topics.

To determine the importance of the topics, the Company used the polling to review the importance of each topic to its stakeholders.

The following stakeholders' opinions were taken into consideration to determine the material topics:

- employee of NC KTZ JSC;
- representatives of the Trade Union;
- employees of the Fund;
- customers;
- suppliers.

In total, 31 topics set forth by the GRI standards were proposed, as well as two additional ones being significant according to the specifics of the Company's activities – train traffic safety and customer satisfaction with the quality of its services.

Each topic was analyzed for its effect on the Company in terms of an adverse and positive effects on the economy, environment, community and human rights. Based to the polling results, 13 material topics were identified. Then the proposed list of material topics was considered and approved by the Safety and Environment Committee of NC KTZ JSC's Board of Directors.

NC KTZ JSC’s material topics: GRI 3-2

GRI Standards, with a breakdown by focus areas	Material topics related to each focus area	
Economics	201	Economic Performance
	204	Procurement practices
	205	Anti-corruption
Environment	302	Energy
	305	Emissions
	306	Wastes
Social	401	Employment
	402	Labor/Management Relations
	403	Occupational Health and Safety
	404	Training and Education
	406	Non-Discrimination
NC KTZ JSC’ additional topics	Train Traffic Safety	
	Improvement of Customers’ Satisfaction	

Changes in the list of material topics versus the previous reporting period are the Energy, Emissions, Wastes, Employment, Training and Education, and Non-Discrimination.

Materiality analysis

The analysis of identifying the most important significant issues (economic, ecologic or social) for the Company’s activities is based on the following approaches:

- assessment of the Company’s data and indicators related to the economic, environmental and social aspects of its activities, which include financial indicators, data on emissions of harmful substances, social indicators such as the level of satisfaction of employees and customers, etc.;
- assessment of the impact on the creation of long-term business value;
- impact assessment on external stakeholders;
- corporate risk assessment;
- prioritization of the most significant impacts;
- selection based on «double materiality», that is, identification of materiality in terms of the Company’s financial results and its long-term business value, as well as from the point of view of stakeholders.

The company, carrying out its activities, has an impact on various external stakeholders: the transportation of goods and passengers contributes to the development of the economy, ensures the mobility of the population and stimulates trade, the construction of railway tracks also plays an important role, allowing to create jobs, including in contracting companies, and contributes to economic growth in the regions where the tracks pass. These positive impacts are of a social and economic nature, contributing to the development of society and improving the well-being of its members. However, in addition to the positive aspects, the Company’s activities have a negative impact on the environment. For

example, emissions of pollutants and noise from vehicles negatively affect the environment and climate change.

The Company’s impact assessment is carried out taking into account various indicators that include economic, environmental and social aspects of its activities, which makes it possible to determine both positive and negative consequences on society and the environment. The assessment is reviewed by a Committee of the Board of Directors, based on the results of which instructions are given to improve indicators that contribute to improving performance and increasing the long-term value of the business.

At the same time, for a railway company, as for any other business, there are a number of key indicators that have a significant impact on the efficiency and sustainability of its business in the long term. The long-term development of the Company is determined by the Development Strategy of NC KTZ JSC. The priority directions in the development of the Company, directly related to its long-term profitability and value, are:

- Ensuring financial stability. The financial condition of the Company, its liquidity and the ability to provide stable financial results are important for attracting investors and ensuring long-term success.
- Improving the efficiency of the Company. The Company’s ability to compete in the market by offering attractive services, tariffs and innovative solutions has a direct impact on its long-term positioning and cost.
- Increase customer satisfaction. Customer satisfaction is strategically important for the Company and helps to strengthen its position in the market, increase customer loyalty and ensure sustainable growth.

- Guaranteeing the safety of train traffic. Ensuring a high level of safety and the use of modern risk control systems will help prevent accidents and ensure the safety of passengers and cargo, which contributes to maintaining a good reputation of the Company, reduces potential losses and preserves its long-term value.
- Ensuring sustainable development. Improving social stability and developing human resources are key aspects for the successful operation of the Company. The company depends on highly qualified and motivated employees who can ensure efficiency in performing tasks. Improving social stability will

create a favorable working environment and improve the quality of life of employees. Compliance with environmental standards and the implementation of the concept of low-carbon development are important factors for maintaining the long-term reputation of the Company and its value in the eyes of investors and society as a whole. Corporate governance is the fundamental basis for the sustainable development and successful functioning of the Company in the long term. It ensures transparency, responsibility and efficiency in the management of the Company, which contributes to increasing its value and attractiveness to all stakeholders.

Factors that can have a significant impact on the long-term development and value of the Company:

Factors	Effects	Events
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 the 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 indicators.	- 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.	- assessment of the level of customer satisfaction; - implementation of a set of measures to improve customer satisfaction.
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; - behavioral security dialogue training; - training in safe methods of work; - prohibition on the operation of faulty machines and mechanisms; - timely repair, maintenance, inspection of machines and mechanisms.

Factors	Effects	Events
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, Behavioral Safety dialogues, Safety Minute). - training in behavioral dialogue of safety, safe methods of work.
Ensuring the sustainable development of the Company		
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; - introduction of a corporate motivation system for the main production staff; - implementation of the early retirement program; - centralization of recruitment and employment work released through natural decline and minimization of external hiring (moratorium on external hiring).
Environmental and climatic risks (reduction of the Caspian Sea level, changes in the physical parameters of the climate).	- revenue decline; - deterioration of the Company's reputation.	- conducting dredging activities. - depth measurement (bathymetry). - reduction of emissions into the environment; - implementation of measures to reduce the carbon footprint.

More detailed information can be found on the Report pages.

Indicators of the Company's impact on external stakeholders in 2022

Type of activity	Shareholder	Clients	Population	State body	Suppliers and contractors
Cargo transportation	Net profit related to the Sole Shareholder – 34.9 billion tenge	Cargo turnover – 245.2 billion t-km Cargo transported – 285.4 million tons Transit in containers – 1,129.2 thousand TEU			Procurement – 736,153 million tenge
Passenger transportation		Passenger turnover – 12.4 billion p-km Dispatched passengers – 14,073 thousand passengers			
		Customer satisfaction level – 68.2%		Tax deductions – 148 849.8 million tenge	
		Traffic safety level – 0.70 cases / million train-km			
Construction of railway tracks		Local speed – 39.91 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 – 69%, in works and services – 95%.	
		The level of environmental impact is 0.620			

Positive impact

Negative impact

INDEPENDENT AUDITOR'S REPORT

GRI 2-5



Independent Limited Assurance Report

To the Board of Directors of joint stock company "National company "Kazakhstan Temir Zholy":

Introduction

We have been engaged by the Management of joint stock company "National company "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 2022 (hereinafter – the "Annual Report").

Description of the subject matter and applicable criteria

We assessed the qualitative and quantitative information specified in the Appendix 1 to this report, that is disclosed in the Annual Report and referred to or disclosed in the Appendix "Index of GRI standards disclosures in the report" of the Annual Report (hereinafter – the "Selected Information"). The Selected Information has been prepared in accordance with GRI Sustainability Reporting Standards published by the Global Reporting Initiative (GRI) (hereinafter – the "GRI Standards").

The Selected information represents information related to the Company and its selected subsidiaries as indicated in the Appendix "Information perimeter" of the Annual Report.

The scope of our assurance procedures was limited to the Selected Information for the year ended 31 December 2022 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.

We assessed the Selected Information using reporting requirements in the GRI Standards and methodology and guidelines developed by the Company and disclosed in the Annual Report (hereinafter – the "Reporting Criteria"). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

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;
- preparing, measuring 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

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent limited assurance conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Board of Directors of the Company.

We performed the limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements other than Audits and 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 2022 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 comply 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.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of the management of the Company, including those with responsibility for sustainability 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.

Reporting and measurement methodologies

Under the Reporting Criteria 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.

Our 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 2022 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Restrictions of use and distribution

This report, including our 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 website¹, 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. 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.

Pricewaterhouse Coopers LLP

25 May 2023
Almaty, Kazakhstan

¹ 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.



Appendix 1 to the Independent Limited Assurance Report dated 25 May 2023

The Selected Information for the year ended 31 December 2022 disclosed on pages 82-248 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
302-1	Energy consumption within the organization
305-1	Direct (Scope 1) GHG emissions
305-2	Energy indirect (Scope 2) GHG emissions
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions
401-1	New employee hires and employee turnover
401-3	Parental leave
403-9	The number and rate of fatalities as a result of work-related injury for all employees
403-9	The number and rate of high-consequence work-related injuries (excluding fatalities) for all employees
403-9	The number and rate of recordable work-related injuries for all employees
403-9	The main types of work-related injury for all employees
403-9	The number of hours worked for all employees
403-9	Any actions taken or underway to eliminate other work-related hazards and minimize risks using the hierarchy of controls
404-1	Average hours of training per year per employee
405-1	Diversity of governance bodies and employees

GRI STANDARDS DISCLOSURE INDEX IN THE REPORT

GENERAL

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	About the company		
2-2	Entities included in the organization's sustainability reporting	277	Information perimeter		
2-3	Reporting period, frequency and contact point	277, 299	About the Report, Contact Details		
2-4	Restatements of information	277	About the Report		
2-5	External assurance	148	Independent Auditor's report		
Activities and workers					
2-6	Activities, value chain and other business relationships	12, 37, 38, 40, 46, 48, 95	About the Company, Structure of the assets, Procurement practices		
2-7	Employees	120, 287	Personnel of the Company, Appendixes Note: The list number of personnel as of 31.12.2022 There are no non-guaranteed hours employees in the Company.		☒
2-8	Workers who are not employees	123	Company Personnel		

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for non-disclosure	External assurance
Governance					
2-9	Governance structure and composition	84, 85 141, 145, 147	Structure of sustainable development management, Corporate Governance System Note: The composition of the Board of Directors does not classify into executive and non-executive, and there are no underrepresented social groups.		
2-10	Nomination and selection of the highest governance body	143	Composition of the Board of Directors		
2-11	Chair of the highest governance body	143	Composition of the Board of Directors		
2-12	Role of the highest governance body in overseeing the management	84,85, 86	Sustainable development management structure		
2-13	Delegation of responsibility for managing impacts	84, 85, 86	Sustainable development management structure		
2-14	Role of the highest governance body in sustainability reporting	290	Material topics and the order of their definition		
2-15	Conflicts of interests	186	Conflict of interest management		
2-16	Communication of critical concerns	157	Committees of the Board of Directors		
2-17	Collective knowledge of the highest governance body	144	Training and Development of the Members of the Board of Directors		
2-18	Evaluation of the performance of the highest governance body	145	Evaluation of the activities of the Board of Directors		
2-19	Remuneration policies	166	Remuneration of Company officials		
2-20	Process to determine remuneration	166	Remuneration of Company officials		
2-21	Annual total compensation ratio	—	—	Confidential information	

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for non-disclosure	External assurance
2-22	Statement on sustainable development strategy	4, 6	Address of the Chairman of the Board of Directors, Address of the Chairman of the Management Board		
2-23	Adherence to the policies	23	Participation in international organizations, associations and adherence to international principles		
2-24	Embedding policy commitments	23	Participation in international organizations, associations and adherence to international principles		
2-25	Processes to remediate negative impact	181	Complaint mechanisms		
2-26	Mechanisms for seeking advice and raising concerns	181	Complaint mechanisms		
2-27	Compliance with laws and regulations	102	Complaint mechanisms		
2-28	Membership associations	20	Participation in international organizations, associations and adherence to international principles		
Interaction with stakeholders					
2-29	Approach to stakeholder engagement	290	Interaction with stakeholders		
2-30	Collective bargaining agreements	132	Collective agreement		
GRI 3: Material topics 2021					
3-1	Process to determine material topics	279	Material topics and the order of their definition		
3-2	List of material topics	280	Material topics and the order of their definition		

MATERIAL TOPICS DISCLOSED

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	92	Economic impact			
201-1	Direct economic value generated and distributed	92	Economic impact			
201-2	Financial implications and other risks and opportunities due to climate change	108	Climate change risks			
201-4	Financial assistance received from government	10, 93	About the Company, Financial assistance received from the state			
GRI 202 (2016): MARKET PRESENCE						
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	127	Material motivation			
202-2	Proportion of senior management hired from the local community	160	Management Board			
GRI 203 (2016): INDIRECT ECONOMIC IMPACTS						
203-1	Infrastructure investments and services supported	59	Investment activity			
203-2	Significant indirect economic impacts	94	Indirect economic impacts			
GRI 204 (2016): PROCUREMENT PRACTICES						
3-3	Management of material topics	95, 96	Procurement practice			
204-1	Proportion of spending on local suppliers	95, 96	Procurement practice			
GRI 205 (2016): ANTI-CORRUPTION						
3-3	Management of material topics	98	Anti-corruption			
205-1	Operations assessed for risks related to corruption	98	Anti-corruption			

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for nondisclosure	SASB	External assurance
205-2	Communication and training about anti-corruption policies	98	Anti-corruption			
205-3	Confirmed incidents of corruption and actions taken	98	Anti-corruption			
GRI 206 (2016): ANTICOMPETITIVE BEHAVIOR						
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	102	Compliance with laws and regulations		TR-RA-520A.1.	
ENVIRONMENT						
GRI 302 (2016): ENERGY						
3-3	Management of material topics	114	Energy efficiency and energy saving			
302-1	Energy consumption within the organization	116	Energy efficiency and energy saving	302-1 Internal energy consumption 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 and steam energy to third parties. The Company does not include in the calculation of the amount of energy consumed for 2022 the amount of thermal energy consumed due to intangible volumes	TR-RA-110a.3.	☒
302-2	Energy consumption outside of the organization	—	—	Energy consumption outside of the organizations is not recorded		
302-3	Energy intensity	117	Energy efficiency and energy saving			

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for nondisclosure	SASB	External assurance
302-4	Reduction of energy consumption	115	Energy efficiency and energy saving			
302-5	Reductions in energy requirements of sold products and services	115	Energy efficiency and energy saving			
GRI 305 (2016): EMISSIONS						
3-3	Management of material topics	104	Environmental responsibility			
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	109	The concept of low-carbon development	The Company does not generate biogenic emissions	TR-RA-1 0 a.1.	☑
305-2	Energy indirect (Scope 2) GHG emissions	109	The concept of low-carbon development	The Company does not generate biogenic emissions		☑
305-3	Other indirect (Scope 3) GHG emissions	–		No greenhouse gas emissions (scope 3) are recorded		
305-4	GHG emissions intensity	111	The concept of low-carbon development			
305-5	Reduction of GHG emissions	109	The concept of low-carbon development		TR-RA-110A.2.	
305-6	Emissions of ozone-depleting substances (ODS)	–	The concept of low-carbon development			
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant airborne emissions	111	The concept of low-carbon development	The Company does not generate emissions of persistent pollutants (POPs)	TR-RA-120a.1.	☑
GRI 306 (2016): EFFLUENTS AND WASTE						
3-3	Management of material topics	104	Environmental responsibility			
306-1	Waste generation and significant waste-related impacts	117	Waste management			
306-2	Management of significant waste-related impacts	118	Waste management			
306-3	Waste generated	117	Waste management			

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for nondisclosure	SASB	External assurance
306-4	Waste diverted from disposal	–	–	There are no wastes diverted from disposal.		
306-5	Waste directed to disposal	118	Waste management			
GRI 308 (2016): SUPPLIER ENVIRONMENTAL ASSESSMENT						
308-1	New suppliers that were screened using environmental criteria	119	Supplier's environmental assessment			
308-2	Negative environmental impacts in the supply chain and actions taken	119	Supplier's environmental assessment			
SOCIAL TOPICS						
GRI 401 (2016): EMPLOYMENT						
3-3	Management of material topics	120	Social responsibility			
401-1	New employee hires and employee turnover	120, 123, 124, 276	Company Personnel			☑
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	–	–	There are no limitations to the benefits that would make the benefits inapplicable to temporary employees.		
401-3	Parental leave	125	Company Personnel			☑
GRI 402 (2016): LABOR/MANAGEMENT RELATIONS						
3-3	Management of material topics	120	Social responsibility			
402-1	Minimum notice periods regarding operational changes	132	Collective agreement			
GRI 403 (2018): OCCUPATIONAL HEALTH AND SAFETY						
3-3	Management of material topics	69	Occupational safety and health			
403-1	Occupational health and safety management system	69	Occupational safety and health			
403-2	Hazard identification, risk assessment, and incident investigation	69	Hazard identification and risk assessment			
403-3	Occupational health services	77	Health protection and medical support			

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for nondisclosure	SASB	External assurance
403-4	Worker participation, consultation, and communication on occupational health and safety	71, 86	Supervision of the impact of the organization on the economy, environment and society			
403-5	Worker training on occupational health and safety	74	Employee training			
403-6	Promotion of worker health	79	Sudden deterioration of health			
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	74	Labor protection management in contracting organizations			
403-8	Workers covered by an occupational health and safety	69	Occupational safety and health			
403-9	Work-related injuries	71	Industrial injuries	Comment: Information on the accounting of man-hours and the calculation of LTIFR, the calculation of the coefficients of deaths as a result of industrial injuries, industrial injuries with severe consequences (excluding deaths) is not conducted in contracting organizations.	TERRA-540A.1.	
403-10	Work-related ill health	69, 77	Occupational safety and health, Health protection and medical support		TERRA-540A.1.	
GRI 404 (2016): TRAINING AND EDUCATION						
3-3	Management of material topics	120	Social responsibility			

GRI Standard	Disclosure	Page of the Report	Sections of the Report	Reasons for nondisclosure	SASB	External assurance
404-1	Average hours of training per year per employee	130	Personnel development			
404-2	Programs for upgrading employee skills and transition assistance programs	129	Personnel development			
404-3	Percentage of employees receiving regular performance and career development reviews	128	Personnel evaluation			
GRI 405 (2016): DIVERSITY AND EQUAL OPPORTUNITY						
405-1	Diversity of governance bodies and employees	120	Company Personnel	Comment: Information on the governing body is given by governing bodies.		
405-2	Ratio of basic salary and remuneration of women to men	127	Equal opportunities			
GRI 406 (2016): NONDISCRIMINATION						
3-3	Management of material topics	120	Social responsibility			
406-1	Incidents of discrimination and corrective actions taken	101	Cases of discrimination and taking corrective measures			
SASB	Number of accidents and incidents	104	Environmental emissions		TERRA-540A.2.	
SASB	Number of advised defects and violations revealed by the inspections	66, 77	Safety of traffic, Health Protection and Medical Backup		TERRA-540A.3.	
SASB	Frequency of internal audits of the railways' integrity	66	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
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
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
NAV	Net Asset Value
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
EP	Environment Protection
SHW	Solid Household Waste
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

GRI2-1

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On the matters of interaction with investors

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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: Sustainability@railways.kz

