

Endorsed
by the decision of the Board of Directors
of National Company
Kazakhstan Temir Zholy
Joint-Stock Company
dated May 14, 2019
(Minutes No.02/16)

Approved
by the decision of the Board of Directors
of National Company
Kazakhstan Temir Zholy
Joint-Stock Company
dated May 30, 2019
(Minutes No.8)

National Company Kazakhstan Temir Zholy Joint-Stock Company



2018 Sustainability Report of NC KTZ JSC

TABLE OF CONTENT



2-3

ADDRESS

Address to the Report readers



6-11



12-22



23-27



ABOUT THE REPORT

Stakeholders engagement	06
Materiality and Aspect Boundaries	07
Disclosure Level and Verification	11

ABOUT THE COMPANY

History	12
Company's Geography and Market Presence	12
Staff Size	16
Supply Chain	16
Implementation of the Company's transformation program	20
Participation in External Initiatives	22

SUSTAINABILITY MANAGEMENT

Corporate governance	23
Board of Directors	23
Committees at the Board of Directors	24
Management board	24
Organizational structure	25
Corporate governance code	25
Policies of Sustainability and interaction with stakeholders	26
Ethics and integrity	27



23-32



ECONOMIC EFFECTIVENESS

Generated and Distributed Economic Value	29
Indirect economic impacts	29



33-50



SOCIAL RESPONSIBILITY

Staff	34
Care for Pensioners	37
Care for Future Generation	37
Care for Young Employees	38
Health Lifestyle promotion	39
Care for disabled people	41
Health Protection and Medical Support	43
Safety and labor protection	44
Traffic safety	46



51-56



ENVIRONMENTAL RESPONSIBILITY

Environmental Management System	51
Environmental emissions	51
Resource consumption	52



57-63

APPENDICIES

Glossary	57
Index of GRI G4 General Standard Reporting Elements contained in the Report	58

Address to the Report readers

Chairman of the Management Board of NC KTZ JSC



Dear readers of the report, colleagues, partners!

In 2018, the Company completed the planned production program. Volumetric and qualitative performance indicators have been improved.

As a result, freight turnover amounted to 220 billion t-km, exceeding the level of the previous year by 6.6%. The Company successfully proceeds with the development of container transit traffic. In 2018, 537.4 thousand containers were transported through Kazakhstan, which is 55% higher than in 2017. In general, freight traffic in transit traffic grew by 22% and amounted to 31.5 billion tons-km.

The positive dynamics of the transit multimodal transportation segment is supported by favorable tariff conditions, improvement of the institutional environment, introduction of paperless technologies. Thus, agreements on electronic data exchange operate with the Azerbaijan, Kyrgyz and Russian railways, are being worked out with the Chinese railways.

Safety is our top priority. In 2018, NC KTZ JSC reduced the number of traffic safety violations by 29% through implementation of systemic measures, including network upgrades.

Thus, 867 km were overhauled, more than 4.6 thousand switches were renovated and improved, work was carried out with the use of heavy-track machines covering more than 9.6 thousand km of the track.

In 2018, as a result of a reduction in traffic volumes in the segment of suburban and international traffic, passenger turnover decreased by 1.3% compared to 2017 and amounted to 14.9 billion passenger-km. This is the result of increased automobile and air transport competition. In this regard, the Company focuses on the development of the competitive advantages of railway passenger transportation through increasing the level of service, availability, safety and intermodality.

Despite the decline in passenger traffic, its revenues increased by 2.8%, which, together with the growth in freight traffic income by 16.9%, provided a 20% increase in operating profit to 122.2 billion tenge.

However, the high debt burden and the prevalence of borrowings in “hard” currencies caused the negative financial result of the Company in 2018 amounting to 87 billion tenge. Excluding the effect of exchange rate differences, the financial result amounted to 17.9 billion tenge.

This result is largely due to the large-scale investment program of recent years, under which the Company financed 65% of the total cost of non-core and low-profitable projects on behalf of the state; as well as tariff policy.

To recover the situation in the Company, the Action Plan for bringing NC KTZ JSC into the green

zone of credit risk, providing for a set of measures to increase EBITDA, debt management and investment projects, as well as develop mechanisms and proposals for tariff regulation, approved by the Board of Directors is being implemented.

At the same time, these issues are being worked out within the framework of updating the Company's Development Strategy.

In accordance with the State Privatization Program and the instructions of the Sole Shareholder, in 2018, work was continued on alienation of non-core assets of the group of companies of NC KTZ JSC.

In 2018, benefits from the implementation of the projects of the Business Transformation Program amounted to 15.8 billion tenge.

The main and most valuable resource of NC KTZ JSC is the Company's employees. In 2018, the Company fulfilled all its obligations in the social sphere, continued implementation of all adopted policies and training and advanced training programs, and increased salaries.

In general, the Company's social spending budget in 2018 exceeded the level of 2017 by 10.2% and amounted to 8.2 billion tenge.

Thanks to the well-coordinated work of many thousands of employees, in 2018, NC KTZ JSC fulfilled all its obligations to the shareholder and all stakeholders.

I express gratitude to our partners and clients for successful joint activities. I am confident that our further cooperation will be even more effective and fruitful.

GRI 102-14

About the Report



About the Report

Summary of the approaches to the Report content determination and quality assurance.



Company's Profile

Summary of the Company, industry, main products and directions of activities.

Sustainability Management

Summary of the principles of corporate management and sustainability management.



Economic responsibility

Major material economic aspects and performance indicators presented.



Environmental responsibility

Major material environmental aspects and performance indicators presented.



Social responsibility

Major material social aspects and performance indicators presented.

Appendices

1. Terms and definitions
2. Table of the Report's compliance with G4 Guidelines



This 2018 Sustainability Report of NC KTZ JSC (hereinafter referred to as the Report) was prepared in accordance with G4 Sustainability Reporting Guidelines. The Report has an annual cycle and reporting period equal to a calendar year. In order to understand the trends in the activities of the Company, wherever it's possible, the Report covers a three-year period of analysis of the performance indicators of NC KTZ JSC. Previous Sustainability Reports of NC KTZ JSC were published in 2016 and 2017.

GRI 102-50 - GRI 102-52

The report is intended for familiarization by all interested parties and available on the Company's corporate website (www.railways.kz).

Stakeholders engagement

The Company identified the following directions for improving the interaction with stakeholders while preparing the Sustainability Report:

1. Interaction with stakeholders regarding preparation of the Sustainability Report shall be permanent, while an active stage of the interaction with stakeholders shall be sufficient not only for the questioning, but also for direct meetings, round tables, etc.
2. In some cases, the stakeholders need motivation to participate in the process of determining the opinions on material aspects and other issues of the sustainability reporting.

The Company is guided by the following principles for identifying and selecting the stakeholders:

1. Dependence. Groups of the stakeholders that are largely dependent on the Company's operations.
2. Strategic guidelines. The stakeholders, cooperation with which is important given the strategic prospects of the Company.
3. Stress. The stakeholders for whom the most active response is required.
4. Influence. The stakeholders with a high degree of influence on the Company's operations and performance. **GRI 102-42**

In accordance with the Company's Sustainable Development Guidelines approved by the Board of Directors of JSC NC KTZ, the following stakeholders have been identified: **GRI 102-40**

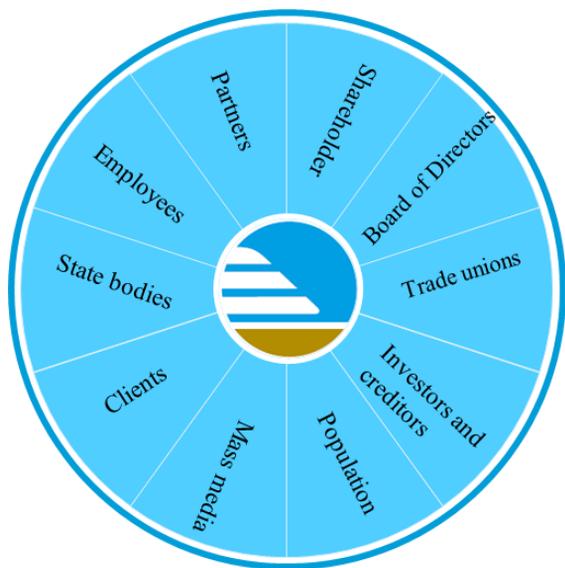


Figure 1. Stakeholders map

In 2018, the Company interviewed stakeholders regarding the materiality of aspects and disclosed subjects in the Report. The survey of interested parties was carried out through an online survey.

The results of the stakeholder survey allowed the Company to make a more objective picture of the materiality of the aspects and disclosed subjects in the Report. **GRI 102-43**

Materiality and Aspect Boundaries

Materiality of the aspects determined by the Company with respect to two criteria:

- 1) materiality of the Company’s impact (on aspects);
- 2) impact (of aspects) on the stakeholders.

The criteria for materiality of the aspects were determined based on the results of questioning of the representatives of the engaged stakeholders groups. The questioning provided the possibility of evaluating each aspect by two abovementioned criteria, each of which could be assessed using a 5-point scale. Material aspects were those aspects that scored more than 6 points in the sum of their values by two criteria. **GRI 102-46**

Figure 2. Matrix of Material Aspects



№	Sustainability aspects
1	Economic indicators of the Company
2	Customer satisfaction
3	Indirect economic impact of the Company on the regions of its presence
4	Company procurement practice
5	Development of innovative services
6	Relationship with the regulator
7	Privatization of the assets of the Company
8	Providing access to the services of backbone railway network for private carriers
9	Employee satisfaction
10	Corruption prevention
11	Employment of workers
12	Health and safety at the working place
13	Provision of a social package to employees
14	Mechanism for filing complaints about the practice of labor relations
15	Training and professional development
16	Non-admission of discrimination
17	Freedom of associations and collective contract maintenance
18	Energy consumption efficiency within the Company
19	Compliance of the Company with environmental obligations
20	Costs and investments for the environmental protection
21	Reduction of greenhouse gases and other pollutants
22	Compliance with legal and regulatory requirements
23	Consumer health and safety (transport safety)

Table №2. List of Material Aspects GRI 102-47

№	Sustainability aspects
1	Economic indicators of the Company
4	Company procurement practice
10	Corruption prevention
11	Employment of workers
12	Health and safety at the working place
15	Training and professional development
17	Freedom of associations and collective contract maintenance
18	Energy consumption efficiency within the Company
19	Compliance of the Company with environmental obligations
20	Costs and investments for the environmental protection
21	Reduction of greenhouse gases and other pollutants
22	Compliance with legal and regulatory requirements
23	Transport safety

Given the methodology for determining the materiality of aspects, each aspect defined as a material one was important within and outside the Company.

The boundaries of aspects were determined based on the main economic indicators and the scale of the Company's subsidiaries and affiliates (hereinafter S&A), and also taking into account the applicability of certain indicators. Following the discussions of the Company's working group, the four of them were identified as the main analyzed Company's S&A:

- 1) Passenger Transportation JSC;
- 2) KTZ-Freight Transportation JSC;
- 3) Kaztemirtrans JSC;
- 4) KTZ Express JSC. **GRI 102-45**

Table №3. Table of Aspect Materiality and their Boundaries

№	Sustainability aspects	Materiality(+/-)	Coverage of the aspect boundaries
Economic aspect			
1	Economic effectiveness	+	Group*
2	Customer satisfaction	-	-
3	Indirect economic impact	-	-
4	Procurement practice	+	Group*
5	Development of innovative services	-	-
6	Relationship with the regulator	-	-
7	Privatization of the assets of the Company	-	-
8	Providing access to the services of backbone railway network for private carriers	-	-
Social aspect			
9	Employee satisfaction	-	-
10	Corruption prevention	+	Group*
11	Employment of workers	+	Group*
12	Health and safety at the working place	+	Group*
13	Provision of a social package to employees	-	-
14	Mechanism for filing complaints about the practice of labor relations	-	-
15	Training and professional development	+	Group*
16	Non-admission of discrimination	-	-
17	Freedom of associations and collective contract maintenance	+	Group*
Environmental aspect			
18	Energy consumption efficiency within the Company	+	Group*
19	Compliance of the Company with environmental obligations	+	Group*
20	Costs and investments for the environmental protection	+	Group*
21	Reduction of greenhouse gases and other pollutants	+	Group*
22	Compliance with legal and regulatory requirements	+	Group*
Sectoral aspect			
23	Consumer health and safety (transport safety)	+	Group*

* – Group includes information concerning NC KTZ JSC and following S&A:

- 1) Passenger Transportation JSC;
- 2) KTZ-Freight Transportation JSC;
- 3) Kaztemirtrans JSC;
- 4) KTZ Express JSC.

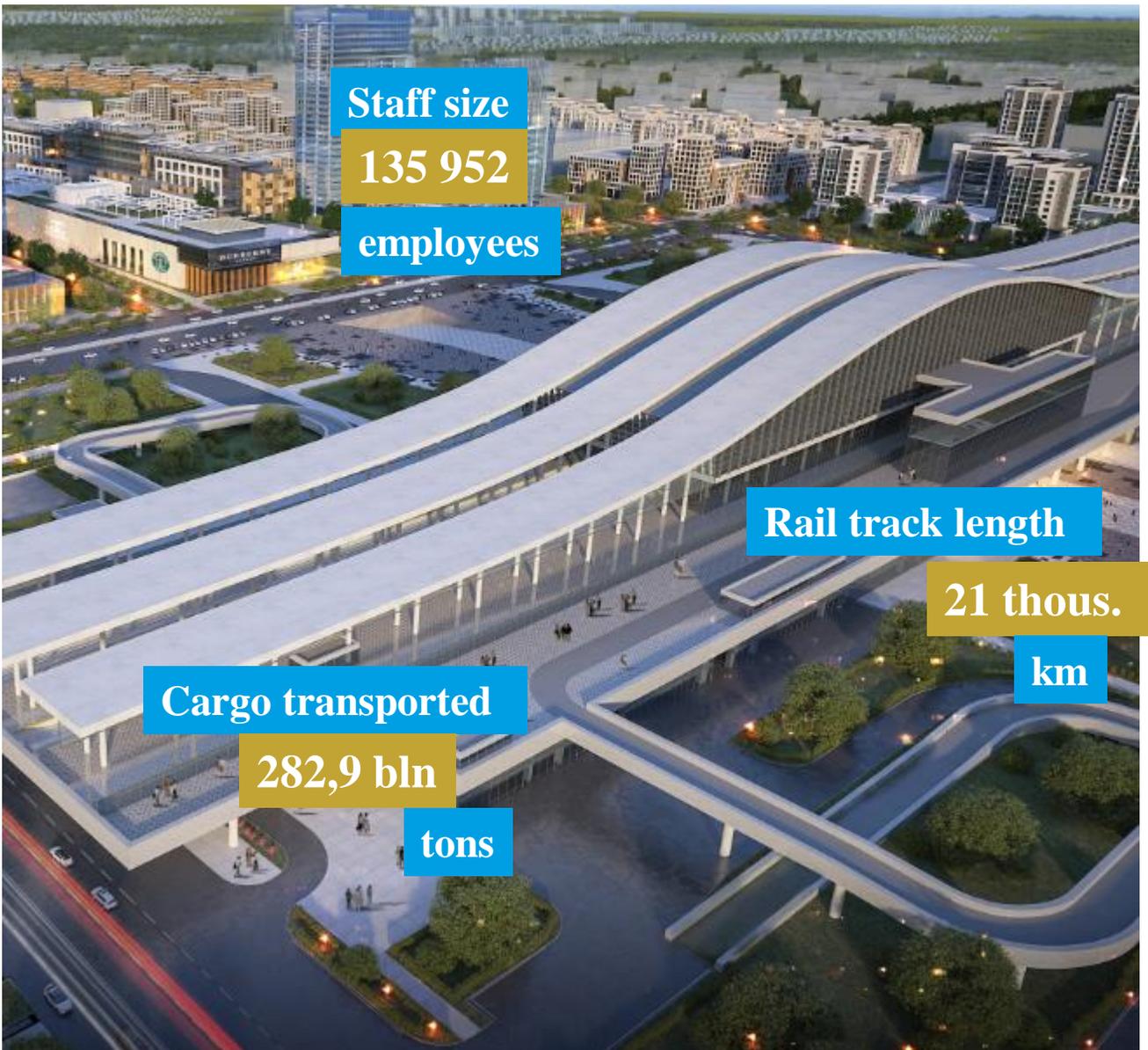
The Report does not contain any reformulation of the indicators published in previous reports or changes in the aspect boundaries and coverage. [GRI 102-48](#) , [GRI 102-49](#)

Disclosure Level and Verification

This 2018 Sustainability Report of NC KTZ JSC was prepared in accordance with the Basic Version GRI G4 Guidance. [GRI 102-54](#)

This Report did not pass the procedure of external verification. In the future, the Company plans to introduce a regular (annual) practice of verification of the Report or its individual aspects. [GRI 102-56](#)

ABOUT THE COMPANY



History

The National Company Kazakhstan Temir Zholy Joint-Stock Company (hereinafter - the Company) was established in accordance with the Resolution of the Government of the Republic of Kazakhstan dated March 15, 2002 No. 310 “On the establishment of National Company Kazakhstan Temir Zholy Closed Joint-Stock Company”.

According to the Law of the Republic of Kazakhstan "On Joint-Stock Companies" dated May 13, 2003, the name of the Company was changed: “National Company Kazakhstan Temir Zholy Closed Joint-Stock Company” to National Company Kazakhstan Temir Zholy Joint-Stock Company.

GRI 102-1

NC KTZ JSC currently has a holding structure based on functional integrity and manageability of the railway industry in the transportation process.

Company’s Geography and Market Presence

NC KTZ JSC’s headquarters is located at 6 Konayev Street, Astana, Kazakhstan. **GRI 102-3**

The Company has the following representative offices outside the Republic of Kazakhstan:
Representative offices of NC KTZ JSC

1. Representative office in PRC’s Xinjiang Uygur Autonomous Region (Urumqi city);
2. Representative office in Central Asian Region (Tashkent city);
3. Representative office in Turkmenistan (Ashgabat city);

In the end of 2018, the representative office in Baltic and Western European countries (Riga city) was closed.

Representative offices of KTZ-Freight Transportation JSC

1. Representative office in the Russian Federation (Moscow city);
2. Representative office in PRC and SEA countries (Beijing city);
3. Representative office in the Islamic Republic

The sole shareholder of NC KTZ JSC is Sovereign Wealth Fund «Samruk-Kazyna» JSC (hereinafter- «Samruk-Kazyna» JSC). **GRI 102-5**

Today KTZ NC JSC is the multi-level vertically-integrated transportation and logistical holding, combining logistical and transportation companies, owners of terminal and trunk infrastructure of all transport modes.

The Company and its S&A provides railway and sea transportation, renders services of transport and logistics hubs, as well as the sea port, airport and road infrastructure. **GRI 102-2**

of Iran (Tehran city). **GRI 102-4**

In 2018, the volume of container traffic amounted to 537.4 thousand TEU, which is 55% more than in 2017 (347.5 thousand TEU), as well as the direction China/Asia-Europe - China/Asia amounted to 310.8 thousand TEU or 1.5 times compare to the level of 2017 (201.2 thousand TEU). At the same time, the reverse loading from Europe in the direction of China is ensured at the level of 76%.

In 2018, the Company expanded the geography and modes of supply, including in refrigerated container trains. Containerization of transportation allowed to expand the geography of export supplies and optimize the transport component by accelerating the turnover of container trains. The Company also launched regular direct routes of grain shuttles on the Kazakhstani railway, as well as for export. **GRI 102-6**

Company's Geography and Market Presence

Abroad representative offices of NC KTZ JSC

Representative office in PRC's XUAR (Urumchi)

In 2018, the volume of cargo transportation between Kazakhstan and PRC amounted to 13 977 thousand tons, which is 3 827 thousand tons or 37.2% more than in 2017 (10 152 thousand tons).

The increase is due to the growth in exports of metal ores, grain, oil products, non-ferrous metals, ferrous metals, vegetable oil, chrysotile asbestos, bran and flour mills, the increase of transit traffic of fertilizers, cargo in containers through the territory of the Republic of Kazakhstan in the direction of China, as well as chemicals, construction materials, food and cargo in containers from China, including imports of coke, chemicals, food goods.

At the same time, in 2018, 2925 container trains were organized at the route China-Europe-China, which is 955 trains more than in 2017.

In order to increase traffic volumes, favorable tariff conditions have been established for the carriage of goods across the territory of Kazakhstan and China.

Representative office in Turkmenistan (Ashgabat)

In 2018, the volume of cargo transportation through the territory of Kazakhstan and Turkmenistan amounted to 1568.1 thousand tons, increasing by 346.1 thousand tons or 28% compared to 2017, this was due to the growth in exports of grain, wheat flour, fodder flour, bran and milling waste to/through Turkmenistan, as well as the growth in imports of chemicals and soda, potatoes, citrus fruits and glass products through/from Turkmenistan.

In order to increase the volume of cargo transportation, favorable tariff conditions have been established for the cargo transportation across the territory of Kazakhstan and Turkmenistan.

At the same time, the Representative Office carried out work to attract a transit cargo "petroleum coke", which is shipped from Turkmenbashi city in transit through Kazakhstan to the PRC (Alashankou st.). In total, 7-10 thousand tons per month.

In order to increase the exports of grain to Afghanistan and to search for the alternative routes for cargo deliveries, the Representative Office jointly with MZDTT organized a trip to the border railway stations of Turkmenistan and Afghanistan (Imamnazar-Akina and Serkhetabad-Turgundi) during which they were discussing the organization of transportation of Kazakhstani goods in transit through the territory of TRK in the direction of Afghanistan, and also familiarized with the capabilities of the transport infrastructure and storage facilities of the border railway passages of Turkmenistan and Afghanistan.

Representative office in the Central-Asian region (Tashkent)

In 2018, the volume of cargo transportation amounted to 23 541.6 thousand tons, increasing by 3 082.4 thousand tons or 15% in comparison with the same period of the last year.

The increase is due to the growth in exports of grain, ferrous metals, crude oil, cement, wheat flour to Uzbekistan, imports of chemicals, ferrous metals, citrus fruits, fresh vegetables, vehicles from/through Uzbekistan, the increase of transit shipments of ferrous metals, iron ore, grain, wood, chemical cargoes from China to Uzbekistan, machinery and equipment from China and Korea to Uzbekistan, as well as fertilizers from Uzbekistan to Ukraine and Malaysia, vegetables and fruits from Uzbekistan to Russia and China.

In order to increase the traffic volumes, favorable tariff conditions have been established for the carriage of goods through the territory of Kazakhstan and Uzbekistan.

The Representative office conducts a marketing analysis of the market on an ongoing basis, as well as the work to resolve issues arising during the transportation process and export of products of Kazakhstan's mechanical engineering industry.

Following the results of 2018, 6 Intergovernmental Agreements, 3 Agreements, 1 Memorandum and 23 Minutes between the administrations of railways were signed.

Abroad representative offices of KTZ-Freight Transportation JSC

Representation office in the Russian Federation (Moscow)

In 2018, the volume of cargo transportation between Kazakhstan and Russia amounted to 85 460.8 thousand tons, increasing by 467.7 thousand tons or 1% compared with 2017.

A slight increase was due to the growth in exports of chemicals, coal and grain through the Russian Federation, amounted to 1 903.3 thousand tons. At the same time, there was a reduction of 1 439 thousand tons in exports of coal and iron ore to Russia.

The transit traffic amounted to 12 865 thousand tons and increased by 810 thousand tons or 7% due to the growth in supplies of chemicals from Uzbekistan to Russia, oil cargo from Russia to Kyrgyzstan, Uzbekistan and China, ferrous metals to Uzbekistan, Kyrgyzstan and Tajikistan, food cargo and sugar to Central Asian countries, grain to Iran, fertilizers to China and Kyrgyzstan, iron ore to Uzbekistan, as well as the transit of fertilizers from Uzbekistan to Ukraine, machinery and equipment from China to Poland and Germany and from Korea in Uzbekistan through the territory of the Republic of Kazakhstan and the Russian Federation. At the same time, imports from/through the Russian Federation decreased by 807.1 thousand tons or 6% due to the reduction of transportation: construction materials, non-ferrous ores, metallurgical slags, and petroleum products.

In order to increase the traffic volumes, favorable tariff conditions have been established for the carriage of goods through the territory of Kazakhstan and Russia.

At the same time, the Representative Office carries out the work on allocating an additional train path for the port of Ust-Luga and Vysotsk, establishing the traffic of coal routes along the train path at a speed of 700 km/day, as well as organizing the departure of a direct exit route Shubarkol-Luzhskaya-Shubarkol with the weight of 9000 tons in open wagons of RZD CJSC, having a carrying capacity of 75 tons, with the return of empty wagons.

Representative office in the PRC and SEA countries (Beijing)

In 2018, the volume of cargo transportation between Kazakhstan and PRC amounted to 13 977 thousand tons, which is 3 827 thousand tons or 37,2% more than in 2017 (10 152 thousand tons).

The increase is due to the growth in exports of metal ores, grain, oil products, non-ferrous metals, ferrous metals, vegetable oil, chrysotile asbestos, bran and flour mills, the increase of transit traffic of fertilizers, cargo in containers through the territory of the Republic of Kazakhstan in the direction of China, as well as chemicals, construction materials, food and cargo in containers from China, including imports of coke, chemicals, food goods.

At the same time, in 2018, 2925 container trains were organized at the route China-Europe-China, which is 955 trains more than in 2017.

In order to increase traffic volumes, favorable tariff conditions have been established for the carriage of goods across the territory of Kazakhstan and China.

At the same time, the Representation works on an ongoing basis to attract the additional cargo traffic to/through/from Kazakhstan, for example, in May 2018, Agreements with the leading logistics platforms of China were signed, planning to transport container trains along EU-China-EU route for 2018, and implementing measures to increase imports of Kazakhstani products to the territory of the People's Republic of China (wheat, soybean seeds, bran, etc.)

Representative office in the Islamic Republic of Iran (Tehran)

In 2018, the volume of cargo transportation between Kazakhstan and Iran amounted to 2 066.6 thousand tons, increasing by 192.6 thousand tons or 10% more than in 2017.

The increase is due to the growth in export traffic by 138.1 thousand tons or 9% and transit traffic by 75.3 thousand tons or 29%, in connection with the growth in the transportation of grain cargo.

The representative office conducts the market analysis and works on attracting the additional cargo traffic on an ongoing basis.

It should be noted that in 2018 a regular container train was launched along the route China-Kazakhstan-Turkmenistan-Iran. In total, over 1000 TEUs were transported in 2018. With the assistance of the representative office in Iran, an additional volume of cargo (announced) was engaged to this route - 48 thousand containers, mainly from China to Iran. As well as reverse loading of bitumen, building facing stones, ceramics, petrochemical materials with a total volume of up to 1 million tons.

In order to increase the volume of freight transportation, favorable tariff conditions have been established for the transportation of freight through the territory of Kazakhstan and Iran.

Staff Size

The Company is the largest employer in Kazakhstan: about 0.8% of the population of the Republic of Kazakhstan is employed by enterprises of the group of NC KTZ JSC. At the end of 2018, the Company's headcount was 135 952 employees.

GRI 102-7, GRI 102-8

Diagram 1. Staff structure by age

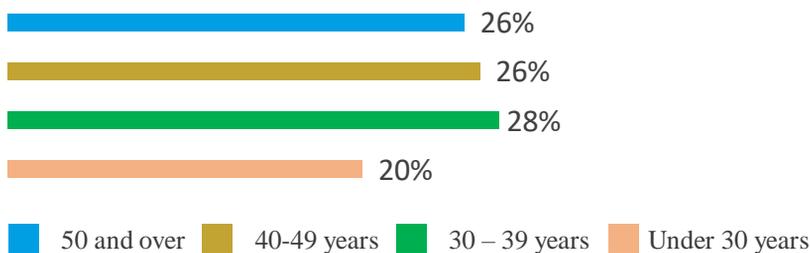


Diagram 2. Staff structure by age in the Group of Company

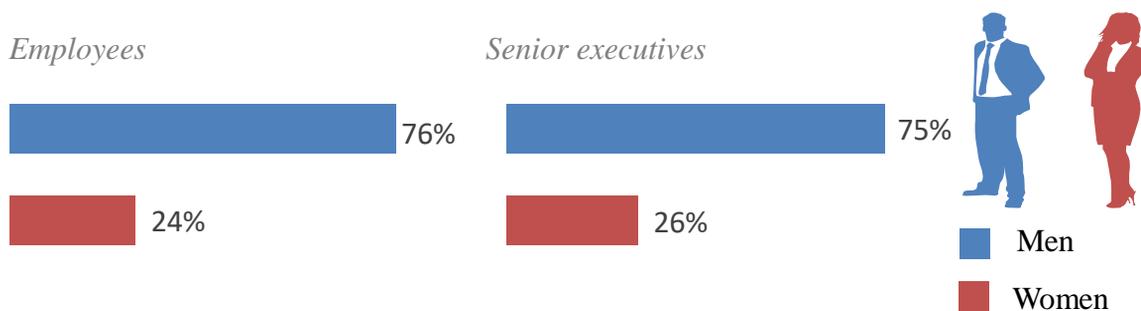
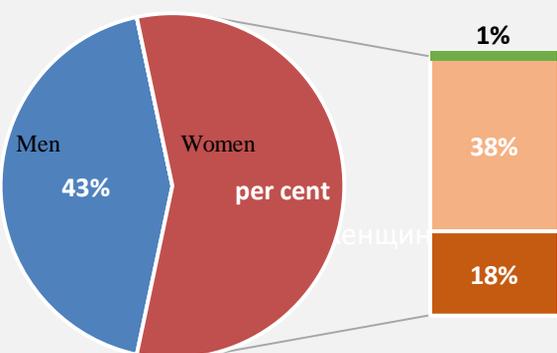
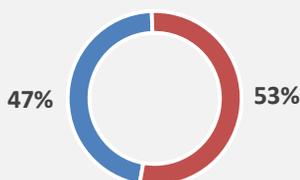


Diagram 3. Staff structure by gender based on branches and key subsidiaries and affiliates

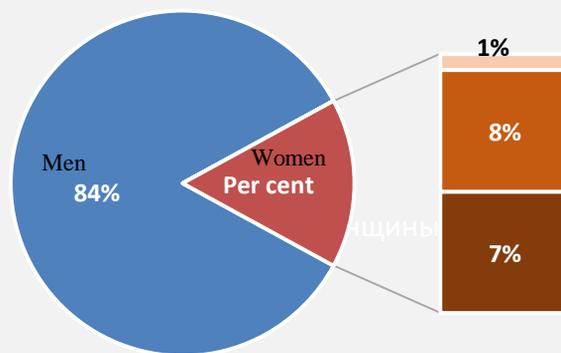
Headquarters of the Company



Incl. senior executive staff structure by gender



Branch of NC KTZ JSC - Mainline railway network directorate

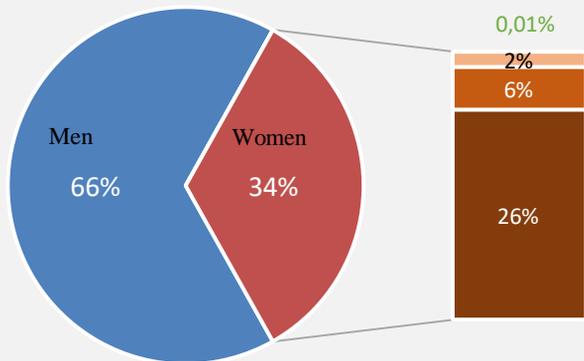


Including senior executive staff structure by gender



Diagram 4 Staff structure by gender based on branches and key subsidiaries and affiliates

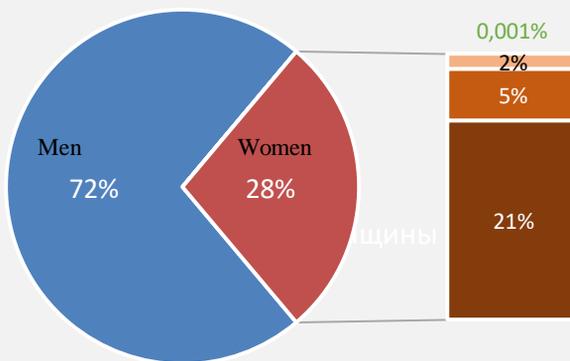
Passenger transportations JSC



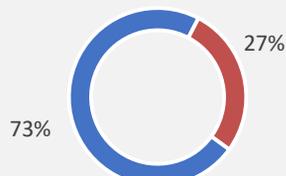
Incl. structure of senior executive staff by gender



АО «КТЖ-Грузовые перевозки»

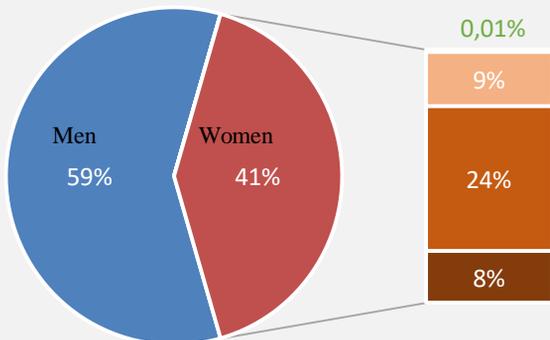


Incl. structure of senior executive staff by gender



■ Top-management ■ Senior executives ■ specialists ■ Employees, workers

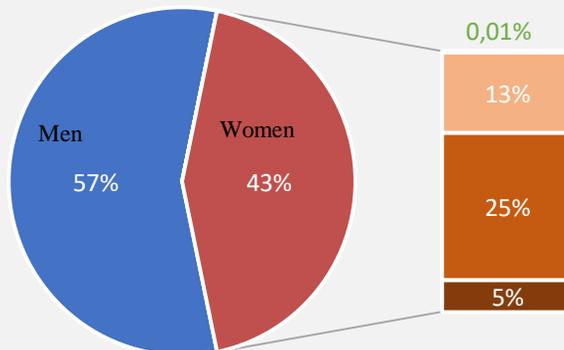
Kaztemirtrans JSC



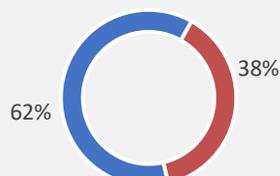
Incl. structure of senior executive staff by gender



KTZ-Express JSC



Incl. structure of senior executive staff by gender



Supply Chain

In the procurement activities NC KTZ JSC follows the Procurement Management Policies and the Rules for Procurement of Goods, Works and Services of «Samruk-Kazyna» JSC and entities with fifty or more percent of voting shares (interests) directly or indirectly owned by «Samruk-Kazyna» JSC as a property or under trust. **GRI 102-9**

The Procurement Policies and Rules determine the following principles of procurement management:

- Cost-saving principle (good value for money);
- Procurement transparency principle;
- Principle of good faith;
- Principle of supplier relation development;
- Procurement timeliness principle;

- Principle of improvement of processes of procurement activities;
- Reserves minimization principle.

All information concerning procurement made by NC KTZ JSC is published on the Company's corporate website www.railways.kz and the specialized procurement portal www.tender.sk.kz and available to all potential suppliers. The electronic procurement system improved the effectiveness of procurement process significantly and made it more transparent. **GRI 102-9**



Procurements in 2018

Diagram 5. Procurement plan, mln tenge

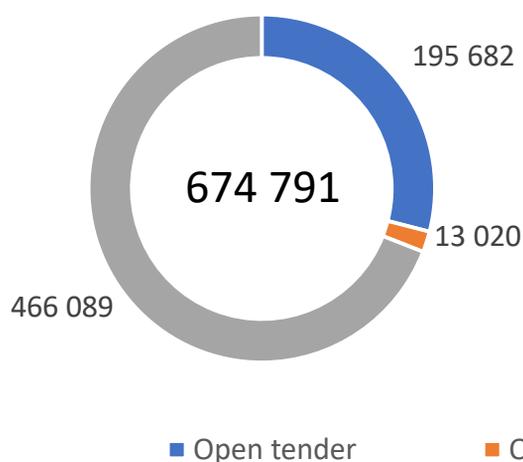


Diagram 6. Performed procurements, mln tenge

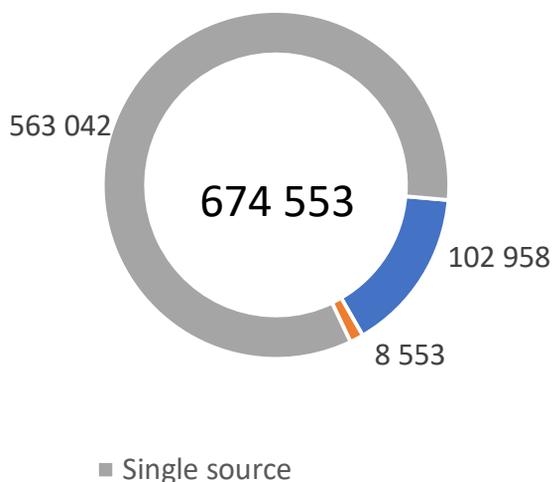


Table 4. Procurements in 2018

Indicator	Structural subdivisions	Subsidiaries
Procurement plan	674 791	
Open tender	79 777	115 905
Quotations	4 620	8 400
Single source	125 406	340 683
Performed procurements	674 553	
Open tender	68 413	34 545
Quotations	2 802	5 751
Single source	138 467	424 575

LOCAL CONTENT IN PROCUREMENTS

Table 5. Share of local content in Goods, Works and Services , GRI 204-1

Indicator	2015	2016	2017	2018	% change 2017-2018
Share of local content in Goods, Works and Services, %	72%	75%	84%	79%	- 5%

IMPLEMENTATION OF THE COMPANY'S TRANSFORMATION PROGRAM

Implementation of the Company's Transformation Program

The Transformation program, launched in 2014, included three main areas

- 1) increasing the value of the company;
- 2) change in the structure of the portfolio and approach to the implementation of investment activities;
- 3) changing the distribution of powers and responsibilities in the company's management system. For the reporting period, taking into account the staff and organizational changes, as well as the revision of an approach to the Program implementation, the profile of projects of Transformation Program was revised, including budgets and benefits of projects.

In connection with changes in the Development Strategy of NC KTZ JSC and the operating model of the Company, organizational changes revised approaches to the project implementation, the Roadmap for the implementation of the Transformation Program for 2019-2021, the Project Portfolio and the Program budget for 2019-2023.

Currently, the Program is in the project implementation stage. According to the approved work plans, following the results of 2018, qualitative and financial results of the projects were achieved.

In 2018, 12 regional service centers for accounting and tax management were created under the SSC-2 project "Replication of MSC to the branches of NC KTZ JSC", where 47 localities of the country are territorially involved.

GRI 102-10

On the introduction of asset management (MRO) processes: the effect of 6.86 billion KZT in 2018 was achieved through optimization of assets, premises lend lease, transition to a new model of maintenance service SLA by KTZ- Freight Transportation JSC. Until 2021, the effect of 14.4 billion KZT is expected due to the transition to a new model of maintenance service SLA, a risk-oriented model of the maintenance (repair) and optimization of assets.

- On the transition to a new model of marketing and sales: in 2018, the effect of 2.18 billion KZT was achieved by improving the processes of the Company's participation in tenders for transportation and logistics services. The expected effect up to 2021 was revised and excluded according to the minutes of MB № TsTB-05-04/3 dated 31.01.2019;
- On the categorical management of procurements: in 2018, the effect of 6.79 billion KZT was achieved through the implementation of a procurement-category strategy (PCS). 17 PCS were developed, all are in implementation. By the end of 2021, the effect of 23.1 billion KZT is expected. On instructions from the Board of modernization and transformation of the group of companies NC KTZ JSC TsTB-05-04/2 dated 28.12.2018 (hereinafter – the Board), the project will be transferred to operational activity of the Company.

- Under the project “Implementation of a new marketing and sales model”, in 2018 SAP CRM was launched at KTZ Express; CRM is integrated with EDM, a call center was introduced on the base of KT Cloud Lab LLP.

On the project “Introduction of the main processes of enterprise management” in the direction of management accounting, the following was approved:

- Concept of budget planning and management reporting;
- Concept of separate accounting and prime cost calculation.
- Methodology of budget planning, monitoring and analysis of the implementation of the planned indicators of the group of companies of NC KTZ JSC (Minutes dated 05.10.2018 No. TSTB-08/23).

On the project “Introduction of a new model for managing the industrial safety”, SAP-based automation works has been suspended due to lack of funding and planned organizational changes (Minutes dated 28.12.2018 No. TSTB-05-04/2).

In connection with the expansion of a functional perimeter and the redistribution of tasks, at the meeting of the Modernization Council dated October 19, 2018 (Minutes TSTB-05-04/5), INT-1 project “Introduction of the main processes of enterprise management” was renamed to “Reengineering and automation of the main processes of enterprise management” and it includes projects: “Introduction of a new model for managing the

maintenance and repair (MRO)” and “Optimization of business processes to ensure GWS”.

According to the instructions of the Modernization Council (Minutes No. TSTB-05-04/2 dated December 28, 2018), the project “Reengineering and automation of the main processes of enterprise management” revises the project’s works taking into account the implementation of the “Design” phase in 2019, following the completion of “Design” phase, the proposals for further project implementation (budget, benefits, time) will be presented. On the project “Integrated System”, the works are being revised to take into account only the implementation of the system design for 2019, and proposals for the further project implementation will be provided based on the results.

On the project “Introduction of a new model for managing the data”, the project was launched and the works on the “Design” phase began in 2018. The works on the introduction of the automated SAP MDG master data management system are underway.

In the first half of 2019, the projects “Introduction of a new marketing and sales model” and “Category procurement management” are being completed.

In general for 2018, the benefits from the implementation of Transformation projects amounted to about 15.8 billion KZT with investments of 5.7 billion KZT.

Also, in 2018, job matching procedures were carried out for employees of CEO-2 level at branches, representative offices and subsidiaries of NC KTZ JSC and employees of CEO-3,4 levels at the central office of NC KTZ JSC.

The Action Plan was approved regarding the Job matching of employees of CEO-2, 3, 4 levels at the central office of NC KTZ JSC and employees of CEO-2 level at branches, representative offices and subsidiaries of the NC KTZ JSC (decision of the Management Board of NC KTZ JSC dated 05.05.2018 No. 02/15). 35 candidates for positions of CEO-2 level at the central office, branches, representative offices and subsidiaries passed a competency assessment and a collective interview. 197 employees of CEO-3.4 levels at the central office passed job matching under the chairmanship of supervising managers.

Participation in External Initiatives

In its activities, NC KTZ JSC follows the sustainability principles. This also applies to decisions on risk and/or incident management. In cases where there is a threat of serious or irreversible damage, the lack of full scientific certainty is not used as a reason for postponed taking cost-effective measures to prevent environmental degradation. Thus, Principle No. 15 of the 1992 United Nations Declaration on Environment and Development (Precautionary Principle). **GRI 102-11**

In 2011, NC KTZ JSC joined the UN Global Treaty and supports seventeen purposes of the UN Global Treaty. **GRI 102-12**

Until 2021, the focus of the Transformation Program in accordance with the updated Transformation Program of Samruk-Kazyna JSC is aimed at the implementation of activities in 5 areas:

- 1) Reengineering and digitization of business processes;
- 2) Simplification of ownership structure and legal forms in NC KTZ JSC;
- 3) Take Portfolio companies to IPO;
- 4) Transformation of people;
- 5) Implementation of change management and project approach.

GRI 102-10

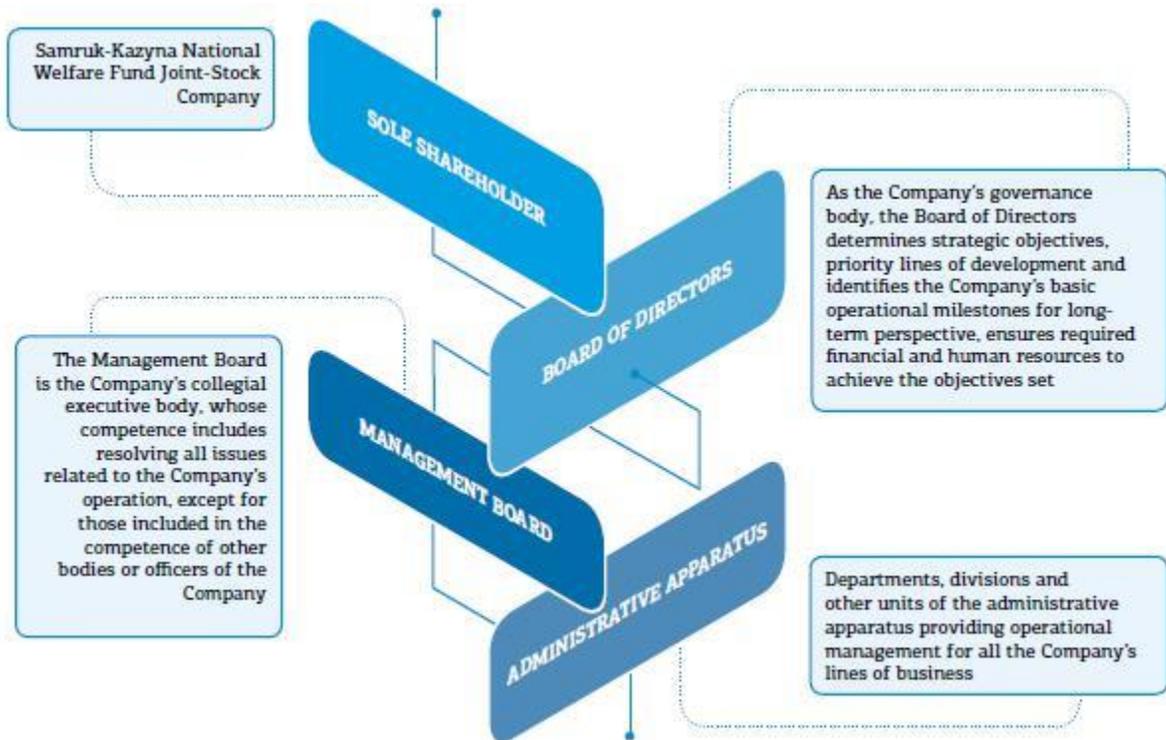
For the purpose of efficient interaction with stakeholders, NC KTZ JSC supports various initiatives and participates in different trade unions and associations, such as: Association of National Freight Forwarders of the Republic of Kazakhstan, “KAZLOGISTICS” Union of Transport and Logistics Organizations and Associations.

GRI 102-13

Sustainability Management

Corporate governance

Figure 3. Governance structure



Board of Directors

The structure of the Board of Directors ensures fair and unbiased representing of the Sole Shareholder's interests. A number of members of the Board of Directors is determined by the Sole Shareholder. The Board of Directors of NC KTZ JSC consists of eight members with three independent members among them.

The Board of Directors is liable for efficient management and proper control over the Company's operation to the Sole Shareholder.

In 2018, the Board of Directors of NC KTZ JSC held 7 meetings in presentee and 2 meetings in absentia, where 143 issues were discussed. **GRI 102-18**

Committees at the Board of Directors

There are currently four committees at the Board of Directors of NC KTZ JSC established in order to improve the performance of the Board of Directors and enhance the structure of the corporate management which are advisory and consultative bodies of the Board of Directors (Resolution of the Board of Directors dated August 8, 2016, Minutes No. 8)

Independent Directors are the Chairmen of the Committees of the Board of Directors.

There are four committees at the Board of Directors, established and operating at the Company:

- Audit Committee;
- Strategic Planning and Innovation Committee;

- HR and Remuneration Committee;
- Safety and Environment Control Committee.

In 2018, the committees of the Board of Directors of NC KTZ JSC held 34 meetings, where 242 issues were discussed.

The competence of the Safety and Environment Control Committee includes consideration of the sustainability issues that implies the Committee's general coordinating function in sustainability issues.

Sustainability issues are also considered in other committees within the frameworks of their competence.

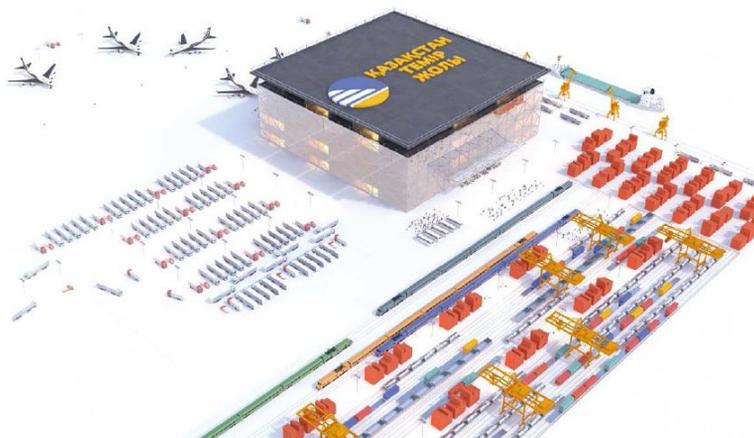
Management Board

Major objectives of the Management Board are developing the proposals related to the Society's business strategy, implementing the Society's financial and administration policies, developing the solutions with respect to essential issues of the Society's current administrative activities and coordinating the operation of the Society's units, improving the efficiency of the

control system and risk monitoring system, ensuring the Sole Shareholder's rights and legal interests.

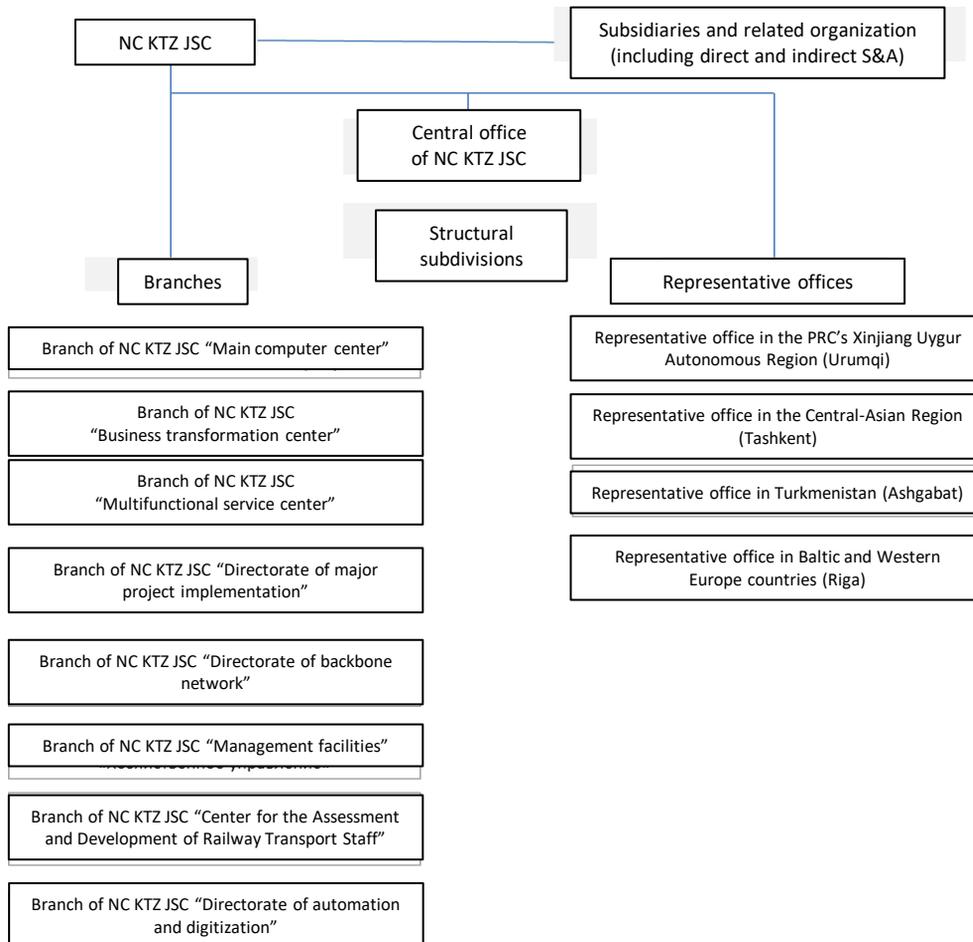
47 meetings of the Management Board of NC KTZ JSC were held for 2018. Business units and subsidiaries of NC KTZ JSC submitted 387 issues for consideration of the Management Board of NC KTZ JSC.

GRI 102-22



Organizational structure

Figure 4. Organizational structure of NC KTZ JSC



Corporate governance code

In order to improve the Company's governance system, the Management Board of Samruk-Kazyna JSC (Minutes No. 22/15) approved the Corporate governance code of NC KTZ JSC on May 27, 2015.

The Code's objectives are to improve the Company's corporate governance, ensure governance transparency, and confirm the Company's commitment to observe the standards of proper governance.

The Code consists of two parts: major principles and abstracts – rules and explanations to implement the major principles.

For more details about the Company's governance, please refer to the Company's Annual Report for 2018 at the corporate website of the Company (www.railways.kz). **GRI 102-18**

Policies of Sustainability and interaction with stakeholders

According to the Code, the Sustainability is one of the key principles of the Company's corporate governance. The Company strives for growing the long-term value ensuring its sustainability and keeping the balance of interests of stakeholders. The Company ensures agreement of its economic, environmental and social purposes for sustainability in long-term perspective that include, but not limited to the growth of long-term value for stakeholders and investors. The Company's sustainability consists of three components: economic, environmental and social.

As a part of the Corporate Ideology and Business Philosophy, the Company undertook a series of obligations to the stakeholders:

- **The Sole Shareholder**

To protect the Sole Shareholder's property, take measures aimed at maximizing the value of the authorized capital and ensuring the competitive rate of profit for this industry.

- **The clients**

To earn and keep confidence of clients, offer services for profitable prices with safety, quality and maintenance based on the continuous improvement of business processes and governance system.

The Company ensures promotion of sustainability principles along the entire Group.

The interaction with stakeholders is determined by the Company's local regulatory documents.

The Company's major form of interaction with stakeholders is participation of the Company's representatives in the activities in accordance with the established procedure. A specialized plan of interaction with stakeholders is under development. **GRI 102-18**

- **The employees**

To respect employees' rights, provide them with worthy and safe working conditions as well as competitive remuneration and social benefits conditions with respect to the industrial specifics.

To assist in the professional development of our employees, support the implementation of their potential and the displaying of their creative initiative.

To prevent injuries and deterioration of the health of employees and other stakeholders, who can face the danger related with activities performed by the Company.

- The business partners

To strive for the mutually beneficial cooperation with contractors, suppliers, partners in joint ventures. To assist in application of common principles of the Company's business or similar principles in cooperation. The opportunity of efficient application of such principles is an essential factor to make a decision or continue the partner relations.

- The society

To perform activities with respect to the principles of the corporate social responsibility; observe applicable laws and standards; support human rights; comply with the environmental requirements and prevent environmental pollution. **GRI 102-43**

Ethics and Integrity

The Code of Business Ethics was developed and approved at the Company in order to form and maintain the ethical standards. **GRI 102-16**

The purpose of the Code is to develop and improve the corporate culture, assist in the efficient interaction between the Company's officers/employees and stakeholders based on the application of a business behavior practice.

The key corporate values, which are the basis for the Company's activities, are as follows: honesty, integrity, respect to people, team spirit and trust.

In order to ensure the observance of the Code of Business Ethics, the regular monitoring and assessment of knowledge of the Code provisions are introduced to practice.

Messages about violations of the provisions of the Code of Business Ethics by employees of NC KTZ JSC are communicated as follows:

- by courier, via mailing department;
- via e-mail: temirzhol@railways.kz;

- via mail boxes installed at the lobby of B block near the Pass and Registration Office;
- by hotline.

The hotline used to communicate major violations at the Company is administered by the independent international consulting company Deloitte supported by SWF Samruk-Kazyna JSC, which makes this tool independent and more efficient. As a part of the hotline, e-mail sk.hotline@deloitte.kz and web portal www.sk.deloitte-hotline.com are available. **GRI 102-17**

Thus, in 2018, the Hot Line received about 30 calls, mainly regarding unequal conditions of employment and labor, as well as bribery, corruption, or inefficient use of funds. Clarifications have been given on most of the issues discussed, and appropriate measures have been taken in respect to the confirmed facts. **GRI 205-3**

NC KTZ JSC conducts the active events aiming at the minimization of fraud and corruption risks in order to eliminate barriers on a way to the sustainability of the Company. Thus, the Board of Directors of NC KTZ JSC approved the Anti-Corruption Policy in NC KTZ JSC as a part of creating an atmosphere of zero tolerance for any corruption manifestations, adherence to high standards of behavior on the part of its employees and officials.

In order to increase the effectiveness of the fight against corruption, the Company has a Policy for the protection of persons who reported a corruption offense or otherwise assisted in the fight against corruption in NC KTZ JSC.

Special training in risk assessment of corruption or fraud, as well as directly assessing such risks in 2017, the Company did not conduct.

At the same time, the Internal Audit Service, in accordance with the International Professional Standards of Internal Audit, periodically assesses the possibility of risks of corruption and fraud within the framework of audit assignments.

Special training in risk assessment of corruption or fraud, as well as directly assessing such risks in 2018, the Company did not conduct.

At the same time, one of the tasks of the Internal Audit Service is to assess the risk of fraud and the effectiveness of fraud risk management in the Group of Companies, which is carried out in practice as part of the performance of audit tasks.

More extensive and dangerous for the Company fraud risks are identified using the Methodological Recommendations for detecting and preventing fraud in NC KTZ JSC and its subsidiaries. **GRI 205-1**

ensure compliance with regulatory requirements on anti-corruption issues, as well as to introduce the mechanisms for the prevention of corruption risks in accordance with the anti-corruption legislation of the Republic of Kazakhstan and the best international practice in countering the corruption, the Organization for Economic Cooperation and Development has established and operates the Compliance Service. In 2018, the following internal Company documents were developed and approved in the prescribed manner:

- The detailed plan for development of anti-corruption measures in the group of companies of NC KTZ JSC;
- The Compliance Service working plan for 2019, taking into account the requirements of the Reference Model on compliance function in the portfolio companies of Samruk-Kazyna JSC;
- Preventive measures to fight against corruption in NC KTZ JSC and its subsidiaries in the organization and conduction of GWS procurements;
- Anti-corruption standard of NC KTZ JSC and its subsidiaries in the field of procurement. **GRI 205-2**

The aggregate of the mentioned measures allows to decrease significantly the probable risks of corruption and fraud in the Company.

For resolution of any corporate conflicts the Board of Directors of NC KTZ JSC has appointed the corporate ombudsman. The office of the Corporate Ombudsman receives from 100 to 200 complaints annually. More than 90% of the ombudsman's proposals and almost all of the employee's complaints to the court prepared with his help are satisfied.

In order to prevent conflict situations, work is carried out to study and identify the factors that provoke them in the sphere of employee-Company, client-company, counseling and clarification of the current legislation.

The contacts of the Corporate Ombudsman:

Beibit Zhusupov, phone number: +7 7172 604031

ECONOMIC EFFECTIVENESS

Table 6. Direct Economic Value Generated and Distributed **GRI 201-1**

Indicators	2015	2016	2017	2018	% change for 2017-2018
EBITDA, bln KZT	163	207	214	253	18%
Operating income, bln KZT	754	825	914	1 050	15%
Prime cost of sales, bln KZT	601	644	703	801	14%
Operational profit, bln KZT	55	86	105	128	22%
Net profit per year, bln KZT	-461	41	11	-87	
EBITDA margin, %	21,70%	25,10%	23,42%	24,10%	3%

Table 7. Expenses for Current Operations

Article	2015	2016	2017	2018	% change for 2017-2018
Total revenue, mln KZT	754	825	914	1 050	15%
Cargo transportation, bln KZT	629	688	770	900	17%
Passenger transportation, bln KZT	72	80	82	84	3%
Subsidies, bln KZT	22	23	20	21	1%
Others, bln KZT	31	34	42	44	6%
Operating expenses, bln KZT	1 252	1 042	1 040	1 231	18%
Salary and other payments, bln KZT	249	261	277	304	10%
Taxes, bln KZT	24	26	34	35	3%
EBITDA, bln KZT	163	207	214	253	18%

Indirect economic impacts

NC KTZ JSC takes an active part in funding various social events. Many of such events have direct or indirect positive economic impact on local communities and on the regions of presence in general. **GRI 203-2**



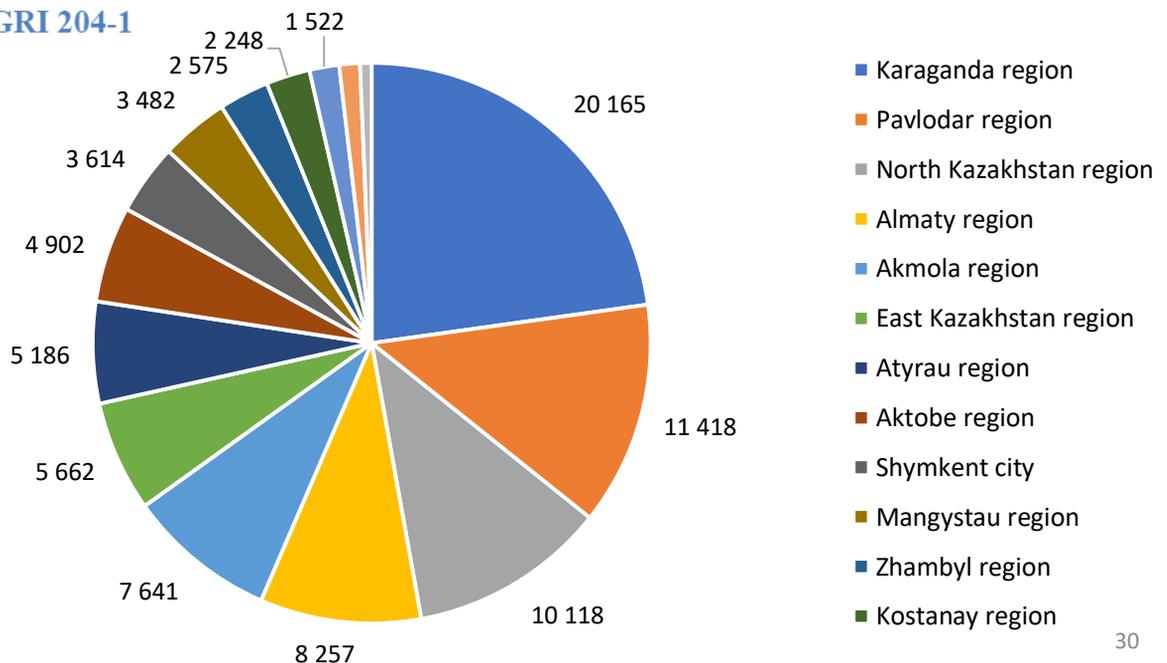
Table №8 Total Amounts Allocated for Social Economic Development, thous. KZT GRI 201-1, GRI 204-1

Indicators	2015	2016	2017	2018	% change for 2017-2018
Expenses for vocational education and further training, thousand KZT	253 380	212 611	1 725 248	2 111 802	1,2%
Expenses for a healthy way of life and development of sports, thousand KZT	69 060	42 589	129 276	106 997,00	-17,23%
Expenses for sanatorium-resort health improvement of employees, thousand KZT	827 799	681 446	582 845	1 019 684,00	74,95%
Expenses for material support of employees, thousand KZT	3 984 782	4 265 569	5 227 299	5 298 593,00	1,54%
Expenses for sanatorium-resort health improvement of pensioners, thousand KZT	217 400	179 433	163 803	302 645,00	84,76%
Expenses for material support of pensioners, thousand KZT	487 204	390 422	477 140	424 201,00	-11,10%
Expenses for summer rest of children of employees, thousand KZT	428 185	369 956	357 776	546 935,00	52,87%
Expenses for payment of travel of children to a place of summer health-improving rest, boarding schools and back, thousand KZT	31 200	39 619	35 409	43 682,00	-1,29%
Expenses for the organization of New Year's events for children of employees (New Year parties, gifts), thousand KZT	168 704	310 252	372 136	308 921,00	-16,99%
Expenses for conducting festive events and cultural mass events, thousand KZT	243 607	182 526	112 604	165 108,00	46,63%
Total expenses, thousand KZT	6 711 321	6 674 423	9 183 536	10 328 568	12,47%

NC KTZ JSC through procurement has an impact on the sectors and sectors of the regional economy. This ensures the creation of a certain number of additional jobs in the contracting companies, which allows them to generate income and wages for their employees, as well as additional tax revenues to the state budget.

GRI 203-2

Diagram No. 7. Annual agreements concluded under the Procurement Plan in 2018 by region, million tenge * GRI 204-1

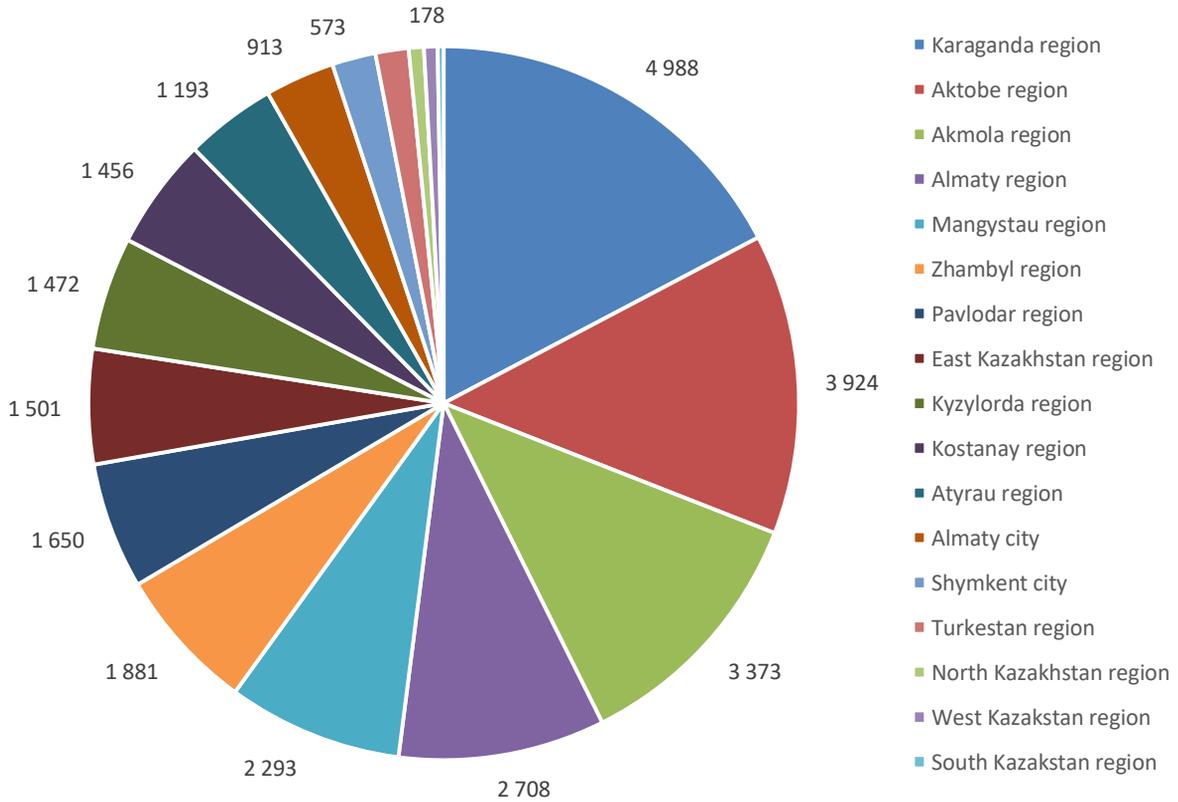


* Note: the chart does not include the amount of contracts for the cities of Nur-Sultan and Almaty

NC KTZ JSC is the largest taxpayer in the Republic of Kazakhstan. Taxes through the state budget are redistributed in the form of public sector wages or government purchases and thus

return to the economy again, generating income for other companies.

*Diagram No. 8. Taxes paid and other obligatory payments to the budget of the Republic of Kazakhstan for NC KTZ JSC for 2018 by region, mln. Tenge **



* Note: the chart does not include the amount of contracts for the city of Nur-Sultan

At some stations and sidings that are served by employees of NC KTZ JSC, there is no access to clean drinking water. The company provides localities with water transportation for both the

Company's employees and the population living there. **GRI 203-1, GRI 203-2**

Number of people provided with imported water by NC KTZ JSC at stations and traveling places where there is no access to clean drinking water, people

Name of the region	Number of people
Central and Eastern region	697
Southern region	513
Northern region	916
Western region	697
Total	2 823

Starting from 2010, the Company built and put into operation new railway lines with a total length of 1,822 km. The construction of railway lines contributed to the opening of new jobs and social facilities in the regions of Kazakhstan. During the construction period, 11,025 work places were created; during the period of operation, as of December 31, 1998, 3,551 work places were created, 86 social facilities were built. **GRI 203-2**

Information on the creation of jobs in the construction of railway lines in the context of regions

No	Title	Zhetygen - Khorgas	Uzen-State border with Turkmenistan	Zhaskazgan-Beyneu	Arkalyk-Shubarkol	Bozhakty – Ersay	Almaty – Shu
1	Separate centers opened	6	7	45	6	2	
2	Workplaces created						
	- During construction period	3 568	2 015	2 963	1 896	110	473
	- During operating period as of 31.12.18r.	1 363	556	932	582	40	78
3	Social facilities built:	11	10	48	16	1	-
	Comprehensive schools	2	-	-	-	-	-
	Medical center	1	-	-	-	-	-
	A dormitory for border control workers	1	-	-	-	-	-
	Childcare (pre-school) facilities	1	-	-	-	-	-
	Family Medical Clinic	1	-	-	-	-	-
	Combine consumer services with a guest house	1	1	-	-	-	-
	Dining hall	2	1	-	-	-	-
	Sauna	1	2	-	-	-	-
	House hotel with cultural and sports facilities	1	-	-	-	-	-
	Grocery Store	-	1	-	-	-	-
	Industrial Store	-	1	-	-	-	-
	Store food and industrial goods	-	1	-	-	-	-
	Bakery	-	1	-	-	-	-
	Linear clinic	-	1	-	-	-	-
	Medical and obstetric point	-	1	-	-	-	-
	Residential buildings	-	-	48	16	1	32 -

Social Responsibility



NC KTZ JSC is the largest employer and taxpayer in the Republic of Kazakhstan. At the same time, NC KTZ JSC is one of the most geographically widely presented employers in the country. These circumstances impose the great social obligations on the Company, and the Company is proud of implementing such obligations.

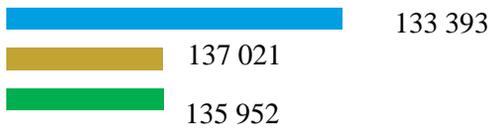
Social responsibility

Staff

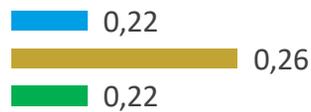
Due to the fact that many works on the railways cannot be called physically easy works, most employees of the Company are men. **GRI 401-1**

Diagram 9. Key Indicators with respect to the staff

Staff size, persons



Injury frequency rate



Percent of newly employed,%



Staff turnover, %



Diagram 10. Staff structure by gender, %

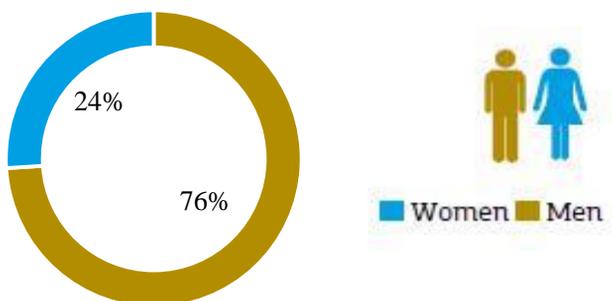
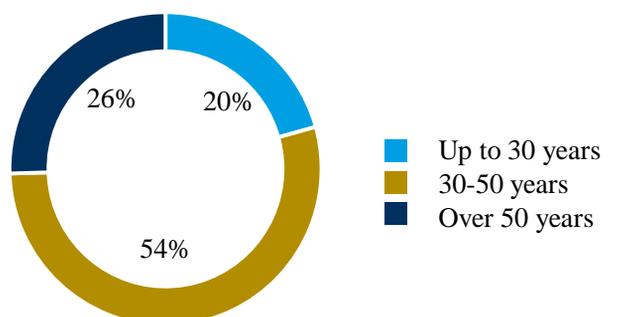


Diagram 11. Staff structure by age, %



NC KTZ JSC has one of the strongest and most active trade unions in the country. Most Company's employees are covered with the Collective Bargaining Contracts. **GRI 102-41**

Table 9. Share of Employees covered with Collective Bargaining Contracts for 2018

Indicator	Value
Total number of employees at the end of year, persons	135 952
Total number of employees covered with collective bargaining contracts, persons	134 869
Share of total number of employees covered with collective bargaining contracts, %	99,2%

The Company's Collective Bargaining Contract for 2018–2020 between NC KTZ JSC and its staff provides obligations voluntarily assumed by the Company:

- compliance with the standards in social labor relations;
- provision of the financial aid and social guarantees to the Company's employees, retirees, disabled people and people suffering from occupational injuries or diseases at the Company;
- provision of a set of social guarantees to young employees, employees' families, including summer vacation and health improvement for children of the Company's employees;
- handling of the occupational health issues; and
- assistance to the comprehensive vocational development and training of the staff.

For the reporting year the Company has not detected any divisions or subsidiaries thereof, where the right for freedom of associations and collective negotiations could be violated or subject to any material risk. **GRI 407-1**

Despite the huge total number of employees and responsible work, the Company has a very low turnover rate. **GRI 401-1**

Table №10 Staff turnover by gender

Indicators	2015	2016	2017	2018	% change for 2017-2018
Staff turnover, persons (women)	2 529	2 395	2 266	1822	-19,59%
Staff turnover, persons (men)	8 190	7 098	7 177	8121	13,15%
Total	10 719	9 493	9 443	9943	5,29%

Table №11 Staff average salary, KZT

Name	2015	2016	2017	2018	% change for 2017-2018
Average monthly salary of the administration staff, KZT	219 507	238 045	261 556	291 974	11,63%
Average monthly salary of the production staff, KZT	129 995	137 438	147 105	164 575	11,88%

Despite the fact that since 2015 Samruk-Kazyna Trust Corporate Fund has been implementing the unified policy for provision of charity support of Samruk-Kazyna JSC and member entities of Samruk-Kazyna JSC, the Company remains a major sponsor. **GRI 203-2, GRI 201-4**

Sponsorship and charity activities of the Company and its Sole Shareholder are aimed at reviving the spiritual and national values, supporting the culture, science and education, promoting the scientific and technical progress, healthy lifestyle, providing the assistance to vulnerable groups, poor citizens and assisting the sports.

Care for Pensioners

NC KTZ JSC highly appreciates the contribution of elder generation. There are more than 48 thousand retirees recorded at the Company.

The Company has established the Central Council of Railroad Veterans of NC KTZ JSC, having branches, being the dialogue site for updating the social support of non-working pensioners.

The main areas of operation of the Councils of Railroad Veterans are as follows:

- patronage of sick and single pensioners at home and hospitals;

- visiting sick and single pensioners at home and at hospitals;
- training and familiarization of pensioners with modern means of communication;
- conduction of the creative conferences on the development of succession of generations;
- creation of the data base of pensioners for biographic books;
- congratulation of those celebrating the 70th, 80th, 90th and 100th anniversaries;
- consulting, advisory and practical assistance to the Company's pensioners; and assistance in the social support for non-working retirees within the Collective Bargaining Contract. **GRI 201-3 , GRI 401-2**

Care for the Future Generation

NC KTZ JSC believes it is important to care for the future generation, who can make a significant contribution to the development of the Company, the industry and the Republic of Kazakhstan.

The chosen course allows to ensure the development of creating skills in children and also assists to improving the image of the railway industry employees among the younger generation (events are arranged for more than 170 000 children up to 17 years old).

One of such events is the Doors Open Day, the thematic festive performances in the structural divisions of NC KTZ JSC within the frameworks of the Children's Day celebration.

There are various contests with the participation of children of employees, such as a children's drawing contest Balaussa Bolashak, a contest of poems and stories The Golden Pen.

The children health-improvement is the priority direction of social policy of NC KTZ JSC. Thus, annually during the school holidays, 7 000 children from 7 to 13 years old are provided with the vouchers to children health-improvement centers of the Republic of Kazakhstan. For the interesting leisure time of children en route to camps, they are provided with children magazines containing cognitive, vocational guidance, teaching and entertaining columns. At the same time, the safety of children en route is a crucial aspect, in connection with which NC KTZ JSC provides the life insurance for children against any accidents.

Caring for Young Employees

Young population is a great strategic value for NC KTZ JSC as there are more than 50 000 young employees aged under 35.

The work with young people in NC KTZ JSC is based on the Youth Policy Program approved for 2016 – 2021, which consists of a set of programs aimed at improving the occupational skills, raising the corporate spirit, developing a system for engagement of young people, its effective adapting and fixing, involving young people in solving corporate problems, developing the international youth cooperation, spiritual, moral and patriotic education, and promoting the values of healthy lifestyle and sports among young people.

The goal of the Program is to promote the strategic development of NC KTZ JSC by providing the required number of young employees with the required occupational skills and corporate competencies that share the corporate values of the Company and are involved in solving the corporate tasks.

JSC NC KTZ understands that young people are the main driver and conductor for the introduction of innovative technologies in the production.

The Company established an advisory body – the Council of Youth Affairs under the President of the Company in order to solve urgent issues and coordinate the activities of youth policy participants. The Council's tasks are to set priorities for the formation and implementation of integrated policies for young employees, analyze the effectiveness of implementing the youth policies, develop recommendations for improvement of such policies, and discuss other important issues relating to young employees at the Company.

The regional representatives of the Council currently perform active work in all regions of the country and at the Company's subsidiaries.

The “Zhas Otan” Youth Branch Council has been established, which is a consultative and advisory body of the primary party organization of NC KTZ JSC of the "Nur Otan" Democratic People's Party for youth policy issues.

Within the framework of the Youth Policy Program of NC KTZ JSC the following projects are being implemented:

«Project Management»;

«Future Managers»;

«Sen Bolmassan, Kim?» Corporate Camp;

a stand-up club.

Each youth project develops, acquires new qualities and opens up new opportunities for young people.

Successful implementation of the Youth Policy Program allows active involvement of the young employees in realization of different directions of Strategy of NC KTZ JSC.

The youth, in turn, is open for the development and self-improvement. Every year NC KTZ JSC is replenished by young talented promising employees who are ready to contribute to the development of the Company.

The communication platform for young people is the zhasstemir.kz social network, which has about 9 000 users, where young employees exchange ideas and initiatives and also actively participate in “GalstukOFF”, “KTZ Star” programs.

GRI 404-2

Healthy lifestyle promotion

In order to implement the Message of the President of the Republic of Kazakhstan N. Nazarbayev to the people of Kazakhstan dated January 10, 2018, the Law of the Republic of Kazakhstan “On Physical Culture and Sport” dated July 3, 2014 No. 228-V LRK, the Healthy Lifestyle Program for the employees of NC KTZ JSC - the Order No. 80-TSZ dated January 22, 2016, the Collective Agreement between NC KTZ JSC and its staff, the great attention is paid to the development of physical culture and sports, aimed at improving the health of employees in structural divisions of NC KTZ JSC and its subsidiaries, as well as their family members, non-working pensioners, and promoting a healthy lifestyle.

The organization of mass, health and fitness work in the regions is carried out by 41 sport instructors.

For employees and non-working pensioners, mass sports events devoted to the celebration of Nauryz, Day of Transport Workers, Constitution Day, Independence Day of the Republic of Kazakhstan are held in various types of sports.

For employees, the Republican competitions of NC KTZ JSC are organized in winter and summer sports, sport events among employees of the central office, branches and subsidiaries of NC KTZ JSC, sports festival “Father, mother and me are the sporting family!”.

More than 250 mass-sports and health-improving events are held annually, covering more than 13 000 people.

In 2018, the railway workers took part in 129 (district, regional and republican) competitions covering more than 2 000 people.

In the administrative building of NC KTZ JSC there is a sports complex (gym and swimming pool) where sectional classes in volleyball, basketball, futsal and swimming are held, after heavy physical and mental stress employees can actively relax in their free time. More than 24 000 people visit it annually.

In addition, NC KTZ JSC is a member of the International Railway Sports Association (USIC), which includes 24 states. Every year NC KTZ JSC takes part in USIC events, as well as in the Congress of the Union.



Volunteering

NC KTZ JSC actively develops the volunteer movement, which contributes to the formation and expression of the civic position employees, the development of self-organization, as well as the sense of social responsibility and involvement in what is happening in the country, the development of mutual aid and mercy in the society.



Volunteers, the prevailing part of which is youth, carry out their work in the following areas:

- assistance to low-income, large families;
- crowd funding (raising funds for the treatment and rehabilitation of children with complex diseases from among the low-income persons);

- support for single elderly people;
- organization of environmental protection events;
- support of cultural organizations;
- visiting the orphanages and other organizations;
- support and organization of events for children and adults with disabilities, etc.

The promotion of volunteer activities is carried out by the project "Marathon of youth initiatives". Within each region, more than 30 actions aimed at socially vulnerable groups of the population were implemented under this project.



Care for Disabled People

Traditionally, the Company cares for disabled people. **GRI 413-1**

In 2016, NC KTZ JSC approved the Procedure for Servicing Disabled People. The new rules are in force throughout the country. According to the new rules, the duties of the station employees include accompanying low-mobility passengers, assisting in the delivery of baggage and boarding the car. Disabled people should inform of their arrival in advance, so that the station employees on duty could meet them.

Training

Increase of the level of professional knowledge of employees **GRI 404-2**

Increase of professional knowledge of employees

The branch of NC KTZ JSC – “Center for the Assessment and Development of Railway Transport Staff” carries out activities to improve the qualifications of administrative staff and organize activities of training centers to improve the qualifications of production staff, for the continuous expansion and deepening of professional knowledge.

In 2018, 34 100 employees were trained with an aim to improve the skills of staff of the group of companies of NC KTZ JSC, including:

17 430 employees passed the advanced training in outside organizations.

8 employees received educational grants (master’s/doctoral program).

329 employees studied the state language.

820 employees studied English.

The costs of training the staff of the group of companies of NC KTZ JSC in 2018 amounted to 2 111 802 thousand KZT.

Currently there are ramps built and brought into compliance with the requirements of the ramp angles at 138 railway stations. Wheelchairs were purchased for 58 stations. Information bureaus of 16 stations are equipped with information systems for hearing-impaired people. Special restrooms will be reequipped in the station buildings, and parking lots will be allocated for disabled people on the station squares. **GRI 413-1**

More than 600 disabled people are currently employed in social jobs in business units and branch offices of NC KTZ JSC.

The branch of NC KTZ JSC – “Center for the Assessment and Development of Railway Transport Staff” carries out activities to improve the qualifications of administrative staff and organize activities of training centers to improve the qualifications of production staff, for the continuous expansion and deepening of professional knowledge.

In 2018, 15 513 employees passed vocational training in the branches of NC KTZ JSC – “Training Centers for Railway Transport Employees”, including:

Pavlodar training center – 2 661 employees.

Karaganda training center – 3 421 employees.

Aktobe training center – 2 822 employees.

Taraz training center – 2 773 employees.

Training center in Astana city – 3 836 employees.

Income from the production training in 2018 – 1 058 918 000 KZT. In 2019, 18 574 employees will be trained.

The main customers of the training are the branch of NC KTZ JSC - Directorate of backbone railway network (13 459 employees were trained in 2018) and KTZ-Freight Transportations JSC (1 974 employees were trained in 2018).

Table №12 Expenses for Staff Training for 2018

Staff category	Qty of people	Expenses for training, thousand KZT	Expenses for training on average per 1 employee, thousand KZT
Office and management staff	9 933	725 815	73,07
Production staff	21 855	1 385 987	63,42
Total	31 788	2 111 802	66,43

Table №13 Average Annual Number of Training Hours per Employee, man-hours GRI 404-1

Staff category	2017	2018	% correlation, 2017-2018
Average annual training hours per employee	18,2	19,49	7 %
Total, including:			
by gender:			
female	19,3	19,68	2%
male	17,4	19,34	11%
Be employee category:			
administrative staff	33,8	31,49	-7%
operational staff	7,5	10,15	35%
The number of employees trained or advanced, employees.	36 379	34 100	-6%

Within the frameworks of the UN Global Treaty and 17 objectives in the sphere of sustainability, the Company plans to consider the possibility of security employees training in the field of

the human rights observance policies and procedures. In 2018 such training has not been provided. **GRI 410-1**

Health Protection and Medical Support

The health of workers and medical support is one of the most important social policy priorities pursued by NC KTZ JSC.

Thus, in 2018, contracts for the voluntary medical insurance were concluded with more than 80 thousand employees of the group of companies of NC KTZ JSC.

More than 70 thousand people passed a periodic medical examination. More than 3 million pre-shift (pre-trip) and post-shift (post-trip) medical examinations of employees were conducted.

The arrangement of sanatorium and health improvement is an important part of the social policy of the Company, which allows for purposeful and effective prevention of diseases and rehabilitation treatment of the Company's employees.

Working conditions of railway personnel are associated with a number of adverse factors, such as significant physical, psychoemotional overload, traveling nature of work, and also a long stay in the open air.

All of the above is undoubtedly the main risk factor for the development of a number of diseases of the respiratory, cardiovascular, and digestive systems, musculoskeletal system, occupational intoxications.

During 2018, more than 10 thousand employees and pensioners of the Company have passed the sanatorium health improvement on favorable terms. **GRI 401-2**

Sanatorium-preventorium named after Saken Seifullin is under the supervision of the Company's subsidiary KTZ–Freight Transportation JSC.

Sanatorium-preventorium named after Saken Seifullin may rightfully be added to a list of the best health improvement facilities located in the Shchuchinsk-Borovoye resort area.

There are standard double rooms, junior suites and suites equipped with everything required for a good rest offered for railway staff. There are billiards, table tennis, sauna, gym, and daily cultural events, such as tours to the resort coast of Borovoye, concert programs, sports events, aimed to spend leisure time.

The Sanatorium-preventorium named after Saken Seifullin is specialized in the cardiovascular, musculoskeletal and respiratory diseases (except for tuberculosis).

Experienced and qualified medical staff of the Sanatorium-preventorium provides the following types of treatment:

- *mud therapy (mud applications and galvanic mud, mud of the local healing lake);*
- *baths (coniferous, salt, Zalmanov baths, etc.);*
- *therapeutic saunas;*
- *therapeutic showers;*
- *hyperbaric chamber;*
- *hydrocolonotherapy;*
- *infrared magnetic laser treatment;*
- *instrumental physiotherapeutic treatment (DMW, SMC), D'Arsonval, electrophoresis, magnetic laser treatment, UST, UHF, electrosleep, IKV;*
- *massage division;*
- *exercise therapy division;*
- *phytotherapy;*
- *ultrasound diagnostics;*
- *gynecologist's office; and*
- *halochamber – a salt mine room.*

Occupational Safety

NC KTZ JSC pays great attention to occupational safety issues.

The Management Board of NC KTZ JSC approved the Guidance on Occupational Health and Safety Management System of NC KTZ JSC and its subsidiaries, which is developed in accordance with the international requirements of OHSAS 18001:2007 “Occupational Health and Safety Management Systems. Requirements”, interstate standard GOST 12.0.230 “System of Occupational Safety Standards. Occupational Safety Management System. General Requirements ILO OSH2001” and is the main document that regulates the occupational health and safety activities at group of companies of NC KTZ JSC.

GRI 403-1

Compliance with the principles of OHSAS 18001:2007 allowed the Company to obtain a certificate of compliance issued by SGS – the international certification body.



In accordance with the NC KTZ JSC’s Policies for occupational safety and as a part of the Collective Bargaining Contract, the Company managed to improve the working conditions, prevent occupational injuries and diseases in 2018.

6.8 billion KZT were spent on implementing measures to improve working conditions and occupational safety from all sources of financing (as well as subsidiaries), including:

- 2.7 billion KZT – taking into account the cost of overalls, special footwear and other personal protective equipment;
- 4.1 billion KZT – for measures to improve working conditions and occupational safety from all sources of financing, including medical examinations.

Average expenses for the measures to improve working conditions and occupational safety per employee at NC KTZ JSC amounted to 21.5 KZT (in 2017: 17.8 KZT).

In total 3 573 measures for the creation of safe conditions at working places were implemented in NC KTZ JSC.

As required by the industrial allowance standards, the Company’s employees are provided with special clothing and footwear, personal protective equipment.

At the end of 2018, the Company provided 22 959 working places that were certified in terms of working conditions and 50 398 employees or 40% of total number of NC KTZ JSC’s employees are employed under harmful, hazardous or stressful working conditions. **GRI 403-3**

In 2018, the largest share of the total number of jobs with harmful, hazardous or stressful working conditions is taken by jobs with the following industrial factors:

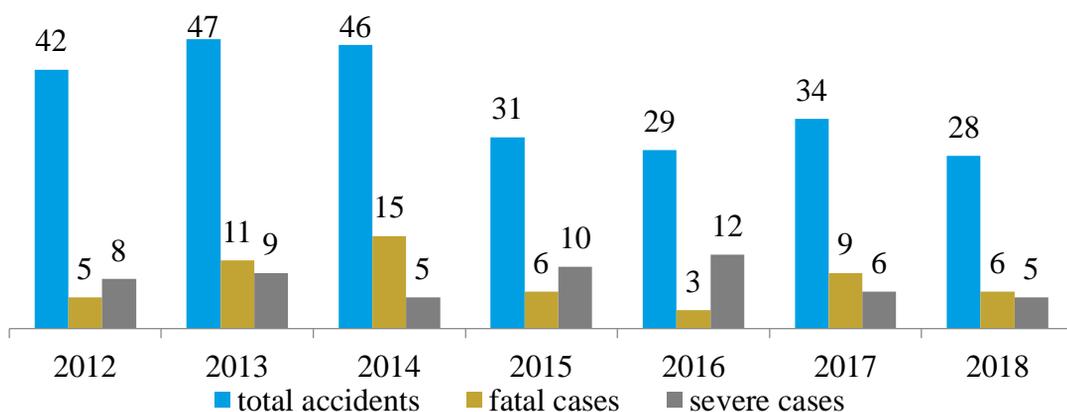
hard work – 18.2%;
 noise – 16.3%;
 intensity of work – 4%;
 electromagnetic radiation – 1.8%;
 microclimate – 0.5%;
 chemical factor – 0.3%.

One of the main preventive measures in the occupational safety management system aimed at reducing the number of occupational accidents is to teach managers, specialists and workers to occupational safety requirements.

The Company arranged training for managing employees and those responsible for the occupational safety in organizations, implementing the staff advanced training as required by the authorized body and the Company's local regulations. For example, 1974 employees responsible for the occupational safety were trained at the Branch Office of NC KTZ JSC Directorate of Main Railway Network in 2018.

The rate of occupational injuries in 2018 was as follows: 28 accidents (2017 - 34 accidents), including 4 group cases (none in 2017), 6 fatal cases (2017 – 9 cases), 5 cases resulted in disability (2017 – 6 cases), rate of lost days was 16.17 (2017 -18.05). The average coefficient of the occupational traumatism frequency was 0.22 (2017 – 0.26), material damage was 400 656 KZT (2017 - 485 372 KZT). **GRI 403-2, GRI 403-9**

Diagram №12 Occupational traumatism indictors



Traffic Safety

All transportation process of the Company is associated with the increased level of responsibility towards the passengers and freight owners' life and health, and also towards the personnel involved. The parties of the Company have always been concerned about the safety of train traffic and efforts that the Company makes to improve the level of safety. Particularly because of this the Company's management pays the increased attention to the issues of traffic safety.

In 2018, in the group of companies of NC KTZ JSC, 176 railway traffic safety violations, including 1 crash, 30 cases and 145 incidents were committed (Diagram №1). The number of traffic safety violations was decreased by 29% in comparison with the same period of 2017.

As per the Company's facilities the situation looks as follows:

In KTZ-Freight Transportation JSC - 76 cases (21 occurrences and 55 incidents), where:

- Shunting facilities: 13 cases (13 derailments), 30 incidents;
- Locomotive facilities: 7 cases (6 derailments, 1 collision), 18 incidents;
- Wagon facilities: 1 cases (derailment), 6 incidents;
- Cargo and commercial work facilities: 1 incidents.

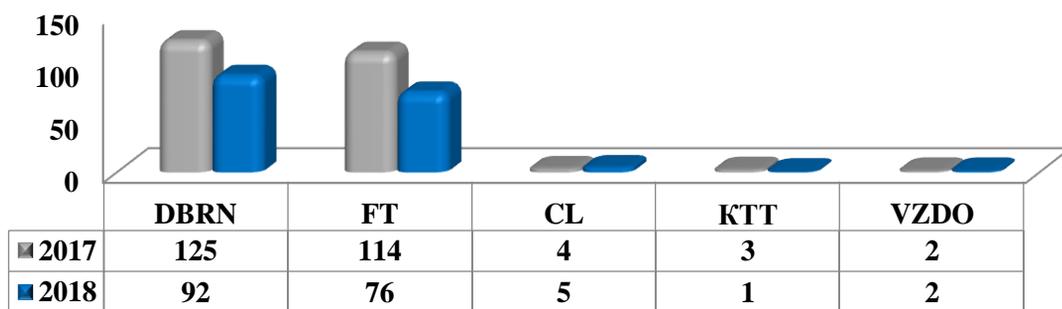
In NC KTZ JSC branch - Directorate Of Backbone Railway Network – 92 cases (1 crash, 7 occurrences and 84 incidents), where:

- Railway track facilities: 1 crashes, 6 occurrences (derailments), 73 incidents;
- Signalization and communication facilities: 1 occurrence (derailment);
- Power supply facilities: 11 incidents.

As per Company's subsidiaries 2 cases and 6 incidents:

- Passenger Transportations JSC- 1 occurrence (derailment), 4 incidents;
- Kaztemirtrans JSC - 1 incident;
- VZDO JSC - 1 occurrence, 1 incident.

Diagram №13 Traffic safety violations



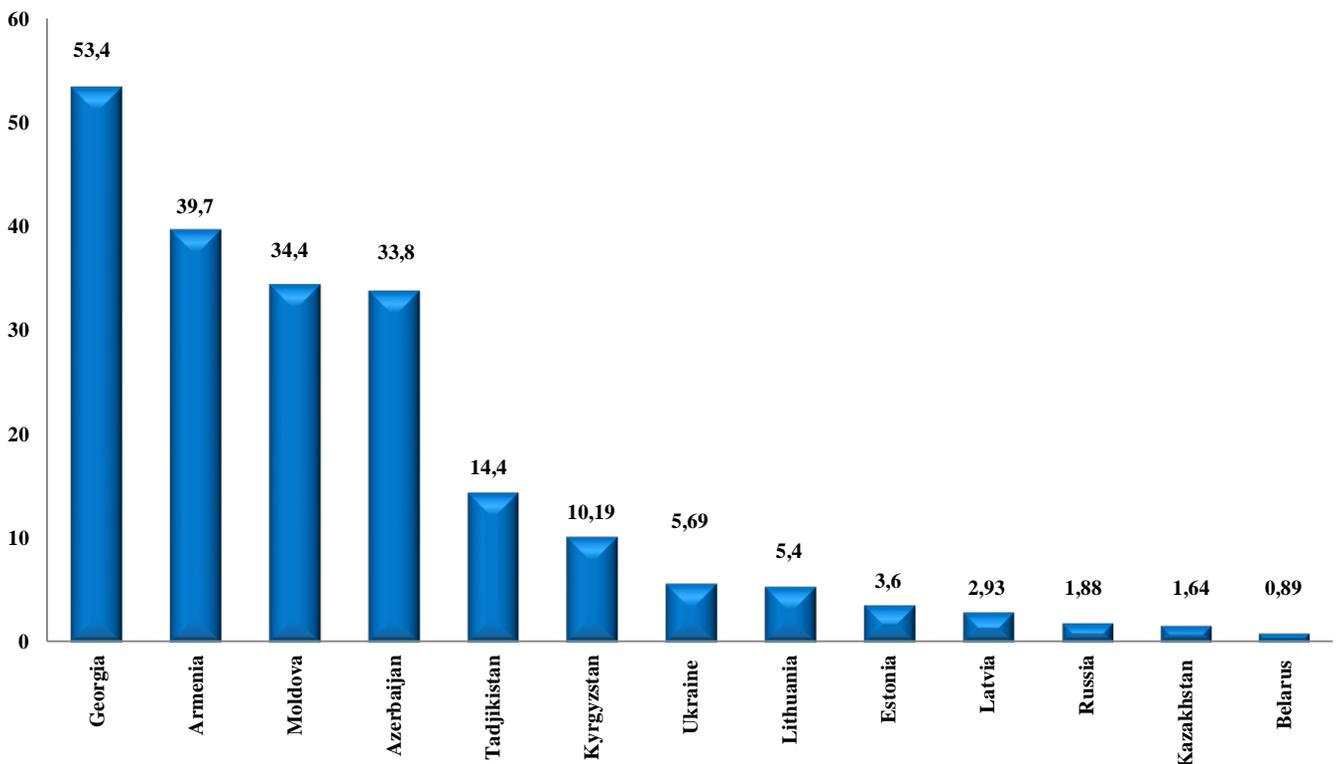
In order to conduct an objective assessment of the state of the traffic safety for the Company, the Methodology has been developed for calculating the state of traffic safety, which is determined by a calculation carried out taking into account historical data for the previous 5 years and the severity of violations. Thus, the state of traffic safety for the Company in 2018 is in a satisfactory zone with a relative indicator of 0.812.

Benchmarking

A comparative analysis of the safety indicators of railway administrations in the international railway service of states-members of the Commonwealth was carried out following the results of activities for 12 months of 2018 (Diagram №2).

To correctly display the results, comparable violations were taken into account, that are crashes, occurrences and incidents. According to results of the analysis of traffic safety indicators, expressed in the number of traffic safety violations per million train-km, the Company's indicators are significantly lower than indicators of considered railway administrations, except for Belarus.

Diagram №14 Results of benchmarking based on working results of 2018



In order to prevent and minimize the factors that affect the state of traffic safety in 2018, the following work was done (Table 1).

Table №14 Measures to improve the state of traffic safety for 2018

Staff impact:

- to prevent the occurrence of the “Human Factor” and to exclude cases of the employees’ violation of requirements of local acts governing the implementation of technological processes, a system for evaluating the effectiveness and efficiency of the internal control was introduced, where more than 8 thousand inspections were conducted on the results of which more than 31 thousand non-compliances were revealed and eliminated.
- according to the introduced standards and the Guidelines for the Industrial Safety Management System, more than 8.8 thousand managers and specialists were trained, 17 teachers of the branch of NC KTZ JSC “Center for Assessment and Development of Railway Transport Staff” were trained, in total 86 101 employees were familiarized with documents.
- the unity of approaches to the organization of work for ensuring the traffic safety has been achieved through the establishment of standards for managers at all management levels, which are aimed at an integrated approach to solving the traffic safety tasks in supervised units.

Compliance with technological processes and regulatory documents:

- the standard technological process of work of units of the wagon facilities was updated and the standards of the number and staff of the wagon facilities were revised
- 13 technological processes are actualized in the passenger wagon facilities
- rules for admitting freight wagons to backbone railway networks were revised
- instructions for the formation, order of the pass and organization of the inspection of long-haul and heavy cargo trains at BRN were developed
- mandatory requirements for scheduled repair of wagons were established

Technical means, distribution of materials and tools:

- 237 units of electric drives of P-80 Alstom type were purchased and commissioned;
- 100 upgraded flow detectors were commissioned;
- overhaul of the technological equipment for maintenance and repair of wagons for the total amount of 19 245 thousand KZT in quantity of 10 units was acquired and implemented;
- repair of radio stations in the amount of 1 707 thousand KZT in quantity of 120 units was made.

Control

- the traffic safety organizational structure was revised
- job descriptions of employees related to traffic safety issues were revised
- the reporting on traffic safety issues was introduced in terms of management levels, the frequency and reporting procedure were determined
- the heads of the Company's divisions were heard on a quarterly basis

Preventive work:

- a meeting was held with private passenger carriers of all forms of ownership.
- the purchase of passenger diesel locomotives TEP33A was suspended till the elimination of the constructive deficiency.
- a meeting was held with General Electric and Kamkor Lokomotiv LLP on the issue of technical condition of the locomotive fleet.
- “Round Tables” were held with the participation of state bodies and the National Chamber of Entrepreneurs “Atameken” to exclude cases of hitting, accidents, thefts and derailments of rolling stock at the access roads of private owners, according to the results of which a roadmap for joint actions was developed for 2019-2020.
- letters were sent to the Ministry of Investment and Development of the Republic of Kazakhstan on the need to take measures in respect to private owners with an aim to reduce the number of rolling stock derailments and its damage.
- spring and autumn inspections of the current state of infrastructure, rolling stock, production and technical facilities, technical equipment were carried out.

Months were held in the structural divisions:

“Shunter - manager of maneuvers”, “Preventative care for the train-stop equipment of freight and passenger trains, together with locomotive and wagon facilities”, “Cattle on the way”, “Safe maintenance of a continuous welded rail”, “Observance of the technological processes - a guarantee of the trouble-free operation”, “Man on the way”, “Maintenance of track circuits”, “Attention - crossroad”, “Insulating joint”, “Passing the prohibitory signal is a crime”, “Safe shunting”, “Shunter - manager of maneuvers”, “Attention! Brake Shoe”, “Attention! Loading of dangerous bulk cargo in tanks for the special control”, “Attention! Side frame”, “Preventative care for the train-stop equipment”, “Special control of the technical condition of diesel generator sets of technical cars”, “Ensuring the standards of track switch maintenance - the key to trouble-free operation of switches”, “Contact network - collector”, “On the safety of a car fleet and prevention of theft of units and parts of cars”, “Observance of technological processes - a guarantee of the trouble-free operation”.

Decades:

“Traffic safety implementing the shunting operations”, “Special control of the technical condition of the draw-buffing gear”, “Compliance with the fire safety in passenger trains”, “Special control of the technical condition of drives of wagon generators”, “Electrical equipment of wagons - in proper operation”, “Qualitative wagon repair is a guarantee of traffic safety”, “Special control of the technical condition of the draw-buffing gear”, “Decade’s campaign on the train traffic safety”.

As a part of work to prevent the hitting of people, livestock, motor transport’s entering the railway-crossing at the time of a railway rolling stock’s passing, placement of foreign objects on the way, stealing the signaling and communications systems, the following measures were taken:

- Together with law enforcement officers, 3 479 raid inspections were conducted in order to:

Preventive work:

explanations for residents of settlements adjacent to the railways about the criminal liability for violation of the rules for staying in the high-risk zone and for grazing cattle near the railways;

search for minors at the railway facilities who place foreign objects on the path, broken glass and lens, prowling, prevention of children' injuries;

vehicle drivers' observance of rules for passing through the railway crossings.

- 2968 general meetings were held, covering 227023 persons, as well as 4833 meetings with students of educational institutions, covering 74589 students;

- 303 articles were published in the media, 23 speeches were broadcast on the radio, 12 speeches on TV;

- 373.5 km were built and 631.7 km of wire fence were repaired so that the cattle cannot enter the railways;

- 1434 warning signs were updated in places where people cross the railway lines;

- videos for the prevention of violations of traffic safety on the railways were developed in two languages.

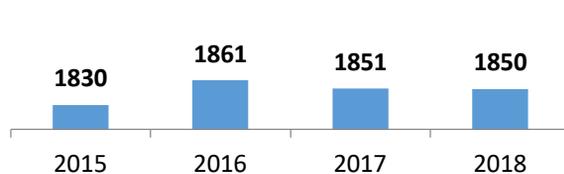
Reduction of traffic safety violations was achieved through the implementation of a set of measures, including:

- - 876 kilometers of overhaul and modernization of the upper structure of the track, 1707 kilometers of new railway lines;
- renovation and overhaul of the fleet of locomotives - 29 units, overhaul of 46 units.
- overhaul of the freight car fleet - 3390 units, passenger - 170 units.

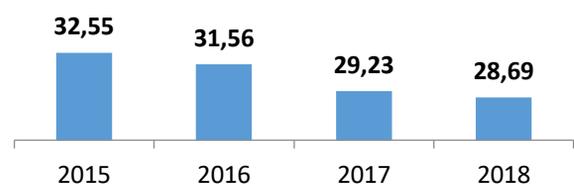
- Control of the state of rolling stock and infrastructure, where 965 locomotives, 1 159 freight wagons, 375 passenger wagons are out of operation, 430 station tracks and 821 track switches are closed to train traffic, more than 2 000 train speed limit measures were taken.

Increasing of the operational efficiency

Locomotive's average daily capacity, thousand ton/km gross



Unit cost of diesel fuel, kg/1000 tons/km gross



Environmental Responsibility

Environmental Management System

The results of the surveillance audit conducted at the NC KTZ JSC in 2018 by the auditors of SGS Kazakhstan LTD confirmed the compliance of management with the principles of ISO 14001:2015 «Ecological management systems».

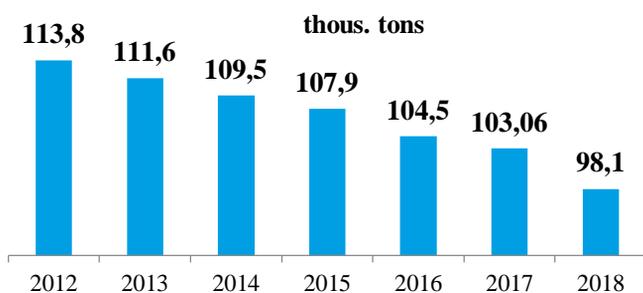


Table №24 General indicators on the environmental protection GRI 305-1, GRI 307-1

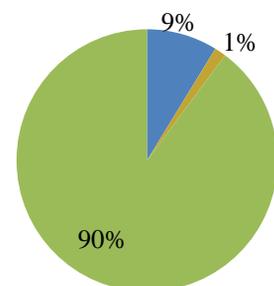
Indicators	2014	2015	2016	2017	2018	% change, 2017-2018
Greenhouse gas emissions to the atmosphere, thousand tons, CO ₂ – equivalent	211,50	78,63	98,60	95,64	92,58	-3
Environmental protection costs, mln KZT	748,50	716,70	677,17	663	678,5	+2,5
Economic penalties for environmental violations, mln KZT	30,80	19,90	12,06	6,6	1,09	-83

Environmental emissions

Diagram №5 Dynamics of Environmental Emissions of NC KTZ JSC GRI 305-1



Share of pollutant emissions



- - Atmosphere emissions
- - Waste water emissions
- - Productions wastes

Measures taken to reduce emissions

1. 1. Introducing EVOLUTION diesel locomotives with reduced emission of pollutants will allow to reduce emission of pollutants in the air by more than 2.2 times compared to diesel locomotives of old models.



1. Purchasing the new passenger cars equipped with closed-type closets will make it possible to avoid bacterial contamination of the railway tracks with fecal microflora.

3. Switching boiler houses from solid fuel to fluid fuel, connection of heating of industrial buildings to urban central heating will make it possible to reduce the atmospheric pollution from stationary sources.



In order to determine the possible limits of changes in the adopted indicators of environmental performance in the field of environmental protection, the Methodology was developed for assessing the effectiveness of the environmental management system (Order dated June 11, 2018). The conducted assessment has showed that the system of environmental activities in the Company is "Effective".

Consumption of Resources

NC KTZ JSC is a significant energy consumer; in this connection the Management Board of the Company approved the Energy Saving Program of NC KTZ JSC for the period until 2020. It defines the objective for the period from 2013 to 2020 to save 1.942 million tons of fuel equivalent (hereinafter referred to as tfe) for the amount of about 152 billion KZT. **GRI 302-1**

Following the results of 2018, the total consumption of fuel and energy resources (FER) by NC KTZ JSC amounted to 1 292.9 thousand tfe for about 155.4 billion KZT. Including 1 186.6 thousand tfe (91.8 %) for hauling operations; 106.24 thousand tfe (8.2%) for non-hauling operations. Hauling operations required 30.8% of the energy and 69.2% of the diesel fuel consumed by the Company or up to 91.8% of total consumption of all types of fuel and energy resources. **GRI 302-1**

Table №16 FEP consumed for Operating and Production (Non-Hauling) Needs

Indicator	2014	2015	2016	2017	2018	% change, 2018-2017
Energy, thousand kWh	388 474,10	355 708,40	308 603,8	325 668,26	321 256,56	-1,4%
Coal, tons	47 942,87	43 630,24	38 961,89	31 035,20	33 398,97	7,6%
Natural gas, thousand m3	2 685,96	2 362,33	2 282,12	1 890,86	1 872,59	-1%
Petrol, tons	9 739,87	9 141,2	8 255,75	7 533,35	7 361,94	-2,3%
Diesel fuel, tons	25 890,20	25 676,40	26 227,90	23 890,75	22 522,52	-5,7%
Stove fuel, tons	344,21	344,20	187,20	0	0	
FER consumption, tfe	133 476,6	125 166,1	115 614,5	107 564,0	106 245,77	-1,2%
FER cost, million KZT (incl. VAT)	11 060,06	11 309,06	10 907,40	12 481,63	13 577,48	8,8%
FER cost, thous. KZT/tfe	82,86	90,35	94,34	116,04	127,79	10,1%

In the period from 2014 to 2018, the expenses for energy resources increased in monetary terms, however, the consumption in kind decreased. This is due to the annual increase in prices for energy resources.

**Table №17 FER consumed for Hauling Operations (heating and electric hauling) for 2018
GRI 302-3**

Indicator	2015	2016	2017	2018	% by 2017
Volume of works, billion tons-km gross	367,9	363,65	395,695	421,978	6,64%
FER consumed for hauling operations, thousand tfe	1 126,83	1 109,07	1 130,65	1 186,62	4,95%
Energy intensity*, kg fe/10K tons-km gross	30,63	30,50	28,57	28,12	-1,57%

*- The indicator of reduction of specific costs of fuel and energy resources per unit of output (work).

Table №18 Efficiency of the Energy Saving Program of NC KTZ JSC in 2014–2018
GRI 302-4

Type of the energy resource	Indicator	2014	2015	2016	2017	2018	% change, 2018-2017
Energy	energy saved, thousand kW	10 257,25	19 776,35	33 950,40	138 641,0	53 809	-61,2%
	energy expenses saved, million KZT	102,57	277,74	435,47	2 062,02	949,4	-54,0%
Diesel fuel	diesel fuel saved, tons	80 042,60	88 427,00	148 082,34	175 239,0	168 813	-3,7%
	diesel fuel expenses saved, million KZT	9 064,13	12 027,08	17 492,52	31 084,7	36073,7	16,0%
Coal	coal saved, tons	0,00	0,00	0,00	0,00	0,00	-
	coal expenses saved, million KZT	0,00	0,00	0,00	0,00	0,00	-
Fuel	petrol saved, tons	32,10	38,00	12,80	69,0	0,00	-
	petrol expenses saved, million KZT	3,53	4,23	1,54	8,94	0,00	-
Total, mln KZT		9 170,24	12 309,05	17 929,54	33 155,66	37 023,1	11,7%

Table №19 Efficiency of FER Specific Expenses per the Work Unit in 2008 – 2018, kg fe/10 thousand ton- km gross

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
37,20	37,07	37,01	36,67	34,83	34,71	35,52	34,04	33,67	31,29	30,64

Contact Details

The Sustainability Report and all additional information concerning the sustainability are available on the corporate website at www.railways.kz.

Please, do not hesitate to send any questions related to the information contained herein to the following address:
National Company Kazakhstan Temir Zholy JSC, 010000, 6 Konayev Street, Nur-Sultan, Kazakhstan.

Ruslan Muzhikov, Top Manager of the Strategy and Corporate Development Department, tel. +7 (7172) 60-38-37, e-mail: Muzhikov_R@Railways.kz
GRI 102-53

Appendices

Глоссарий

№	Term	Unit of Measurement (if applicable)	Explanation
1	Freight turnover	t/km (ton-kilometer)	Freight turnover is an economic indicator of transport performance (an indicator of the volume of cargo transportation) equal to the product of the weight of cargo carried for a certain period of time at the distance of transportation. The freight turnover is measured in ton-kilometers. For example, if different vessels transported 5 million tons of cargo for a year to an average distance of 150 km, then the annual freight turnover is $5 * 150 = 750$ million ton-kilometers.
2	Passenger turnover	пкм	Passenger turnover is an indicator of the volume of passenger transportation in passenger-kilometers; it is calculated as the product of the number of passengers per distance of transportation.
3	Average schedule speed	km/h	The average speed of the train along the site, taking into account the standing time at transfer stations, acceleration, deceleration and delay of the train on the running lines. In order to determine the average schedule speed, it is necessary to divide the product of the number of trains by the length of a site (km) by the sum of the duration (hours) of such trains being at this site: $v = \frac{w}{\sum t}$ <p>w is total train-kilometers at the site; is train-hours taking into account the standing time of trains at transfer stations. The schedule speed depends on the capacity of the site, the technical condition of the track and the rolling stock, the train schedule and dispatching regulation.</p>
4	Injury frequency rate		The rate (Rf) expressing the number of occupational accidents per 1.000 employees. Calculation formula $Rf = \frac{T}{P}$, where T is the total number of people injured for a certain period of time, whether the temporary incapacity has ended in this period or not; P is an average headcount of employees for the period of time.
5	Dynamic load of a loaded car	t/car	Dynamic load of a loaded car characterizes the average load of a loaded car along the entire route and is calculated by dividing the net freight turnover by the run of the loaded cars of the operating fleet.

№	Term	Unit of Measurement (if applicable)	Explanation
6	Car turnover	day	The time taken to complete a cycle of operations from the end of one loading to the end of the next loading or delivery in the loaded or empty state.
7	Average daily capacity of a car	t/km net	The number of tons per kilometer per day per car of the operating fleet. It is calculated as a quotient from the division of the net freight turnover by the operating fleet of cars assigned to a certain period of time.
8	Average daily run of freight cars	km	The average daily run of a car is distance in kilometers per car of the operating fleet per day.
9	A round trip of a freight car	km	The average distance run by the car during the turnaround time.
10	Loaded round trip of a freight car	km	The average distance run by the car when loaded during the turnaround time.
11	Length of track in use	km	The length of the railway lines between the stations, without taking into account such ways as the second main, station etc.
12	Main track lines	km	The sum of the lengths of all the main track lines (first, second, third, etc.).
13	Access tracks		Railway tracks connecting the railway station located on the main line with an Industrial enterprise or other organization.
14	Rolling stock		Train vehicle units intended for the transportation of cargo and passengers by rail
15	EBITDA		The analytical Indicator equal to the amount of profit before deduction of interest expenses, taxes, wear and tear and accrued depreciation. Also known as «pre-tax profits».
16	EBITDA margin	%	Measure the company's profitability. It is calculated as the ratio of EBITDA and revenue.
17	BRN		Regional department of backbone railway network
18	NC KTZ JSC, Company		National Company Kazakhstan Temir Zholy Joint-Stock Company
19	Group of Companies of NC KTZ JSC		NC KTZ JSC and their subsidiaries
20	Report		2018 Sustainability Report

№	Term	Unit of Measurement (if applicable)	Explanation
21	S&A		Subsidiaries and affiliates
22	GRI G4 Guidelines		Sustainability Reporting Guidelines G4
23	MSC		NC KTZ JSC Branch - «Multipurpose Service Center»
24	United Nations Global Compact		The UN initiative aimed at promoting corporate social responsibility and providing reports on the implementation of such policies.
25	Job matching		A program of activities aimed at assessing the employee's compliance with the position held.
26	M&R		A set of operations to maintain the operability or serviceability of the process equipment (products, pans) in the course of technical operation, storage and transportation
27	KPI		Key performance indicators.
28	Administrative apparatus		Administrative apparatus of NC KTZ JSC.
29	FER		Fuel and energy resources
30	ISO		International Organization for Standardization
31	CTSMS		Corporate transport safety management system

Index of GRI Standards - General Standard Reporting Elements contained in the Report

Item code	Reporting group/Aspect	Report Sections/ Comments	Page in the report	Notes
Strategy and analysis				
GRI 102-14	statement of the most senior manager	Address to the Report Readers	4	
Organization profile				
GRI 102-1	Name of the organization	About company Company's	11	
GRI 102-2	Major brands, products, and services	Geography and Market Presence	12	
GRI 102-3	location of the organization's headquarters	Company's Geography and Market Presence	12	
GRI 102-4	number of countries in which the organization operates	Company's Geography and Market Presence	12	
GRI 102-5	nature of ownership and legal form	History	12	

Item code	Reporting group/Aspect	Report Sections/ Comments	Page in the report	Notes
GRI 102-6	markets in which the organization operates	Company's Geography and Market Presence	12	
GRI 102-7	organization scale	Implementation of the Company's Transformation Program	16	
GRI 102-8	number of employees	Staff Size	16	
GRI 102-41	percentage of all employees covered by collective agreements	Staff	29	
GRI 102-9	organization supply chain	Supply Chain	13	
GRI 102-10	significant changes in scale, structure or ownership	Implementation of the Company's Transformation Program	14	
GRI 102-11	precautionary principle	Participation in external initiatives	16	
GRI 102-12	economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Participation in external initiatives	16	
GRI 102-13	association membership	Participation in external initiatives	16	
Identified material aspects and boundaries				
GRI 102-45	legal entities whose statements were included in the statements	Materiality and Aspect Boundaries	07	
GRI 102-46	methodology for determining the content of the report and the boundaries of the aspects	Materiality and Aspect Boundaries	07	
GRI 102-47	list of all relevant Aspects	Materiality and Aspect Boundaries	07	
GRI 102-48	consequences of all rewordings of indicators published in previous reports		10	No rewording was used
GRI 102-49	significant changes in the Coverage and Aspect Boundaries compared with previous reporting periods		10	No significant changes were done

Item code	Reporting group/Aspect	Report Sections/ Comments	Page in the report	Notes
Interaction with stakeholders				
GRI 102-40	list of groups of stakeholders	stakeholders engagement	06	
GRI 102-42	principles for identifying and selecting the stakeholders	stakeholders engagement	06	
GRI 102-43	organization's approach to the interaction with stakeholders	stakeholders engagement	06	
GRI 102-44	key topics and concerns that were raised by stakeholders as part of interaction with the organization, as well as how the organization responded to these key topics and concerns		38	
Report Overview				
GRI 102-50	reporting period	About Report	05	
GRI 102-51	date of publication of the previous report	About Report	05	
GRI 102-52	reporting cycle	About Report	05	
GRI 102-53	contact person	Contact details	47	
GRI 102-54	version of the preparation of the report "in accordance" with the GRI management	About Report	05	
GRI 102-56	organization practice in relation to the provision of external assurance reporting	Level of disclosure and verification	11	
Corporate Governance				
GRI 102-18	corporate governance structure	Corporate Governance	17	
Ethics and integrity				
GRI 102-16	values, principles, standards and norms of organization behavior, such as codes of conduct and ethical codes	Ethics and integrity	27	

Index of GRI G4 Specific Standard Reporting Elements contained in the Report

Item code	Reporting group/Aspect	Report Sections/ Comments	Page in the report	Notes
Category "Economic"				
Economic performance				
GRI 201-1	Direct Economic Value Generated and Distributed	Created and distributed economic value	29-30	
GRI 201-3	the security of the organization's obligations related to pension plans with defined benefits	Care of pensioners	37	
GRI 201-4	Financial assistance received from the state	Sponsorship activities	36	
Indirect economic impacts				
GRI 203-1	development and impact of investments to the infrastructure and gratis services	Indirect economic impacts	31	
GRI 203-2	significant indirect economic impacts including area of impact	Indirect economic impacts	29-32	
Procurement practices				
GRI 204-1	proportion of local suppliers in significant regions of operation	Share of local suppliers	30	
Combating corruption				
GRI 205-1	total number and percentage of units for which corruption-related risk assessments were conducted and significant risks identified	Ethics and integrity	28	
GRI 205-2	informing about anti-corruption policies and methods and teaching them	Ethics and integrity	28	
GRI 205-3	proven corruption cases and actions taken	Ethics and integrity	27	

Index of GRI G4 Specific Standard Reporting Elements contained in the Report

Item code	Reporting group/Aspect	Report Sections/ Comments	Page in the report	Notes
Category "Environmental"				
Energy				
GRI 302-1	energy consumption within the organization	Resources consumption	52	
GRI 302-3	energy intensity	Resources consumption	53	
GRI 302-4	energy reduction	Resources consumption	54	
Emissions				
GRI 305-1	direct greenhouse gas emissions (coverage area 1)	Emissions to the environment	51	
GRI 305-5	greenhouse gas reduction	Emissions to the environment	52	
Compliance with the requirements				
GRI 307-1	monetary value of significant fines and total number of non-financial sanctions imposed for non-compliance with environmental laws and regulations	Environmental management system	51	
Category "Social"				
Subcategory "Labor Relations Practice and Decent Work"				
Employment				
GRI 401-1	total number and percentage of newly hired employees, as well as staff turnover by age group, gender, and region	Staff	34-35	
GRI 401-2	benefits for full-time employees that are not available for part-time employees, divided by significant region of business		43	
Health and Safety at Work				
GRI 403-2	the types and level of occupational injuries, the level of occupational diseases, the coefficient for lost days and the absence rate in the workplace, as well as the total number of fatalities related to work, by region and sex	Safety and labor protection	45	

Item code	Reporting group/Aspect	Report Sections/ Comments	Page in the report	Notes
GRI 403-3	workers with high injuries and high risk of morbidity associated with their occupation	Safety and labor protection	44	
GRI 403-9	types and level of industrial injuries	Safety and labor protection	45	
Training and education				
GRI 404-1	average annual hours of training per employee by sex and categories of employees	Training	42	
GRI 404-2	lifelong skills and education programs designed to support employees' ability to work, as well as support them in retirement	Care for young employees	38,41	
Freedom of association and collective bargaining				
GRI 407-1	identified units in which both suppliers whose right to use freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	Staff	35	
Safety practice				
GRI 410-1	proportion of security personnel trained in policies and procedures regarding the human rights aspects of the activity	Training	42	
Subcategory "Society"				
Local communities				
GRI 413-1	Percentage of units with implemented community engagement programs, as well as programs for assessing the impact of activities on local communities and local community development programs	Care for people with disabilities	41	