**Reviewed by** the Board of Directors of UMP JSC Minutes No. 15 dated September 16th, 2019

 **Approved by** theResolution of the Executive Board of UMP JSC Minutes No. 30/1165 dated 06.06. 2019

 **REPORT ON THE IMPLEMENTATION**

**OF THE “SUSTAINABLE DEVELOPMENT PROGRAM**

**OF UMP JSC IN THE FIELD**

**OF CORPORATE SOCIAL RESPONSIBILITY FOR 2017-2019"**

**FOR 2018**

**Ust-Kamenogorsk, 2019**

The activities of Ulba Metallurgical Plant JSC (hereinafter - the Company) in the field of corporate social responsibility and sustainable development in 2018 are regulated by the Sustainable Development Program of the Company in the Field of Corporate Social Responsibility for 2017-2019 approved by Resolution No. 17 dated December 29th 2017 of the Company’s Board of Directors, which principal purpose is to strengthen the position of the Company as a socially responsible company in the medium term and to meet the objectives of the social and economic development of the Company.

**1. Social actions**

**1.1 Social stability rating and assurance of social stability in the team**

As part of forecasting and preventing social and labor disputes and conflicts as well as monitoring the level of public sentiments in the team of the Company, since 2013 a survey has been carried out on a yearly basis to determine the Social Stability Rating (hereinafter - SSR) with the involvement of the independent sociological agency.

Based on the SSR survey findings for 2018 and recommendations of the Social Interaction and Communication Center experts and also in order to improve the relationship and prevent social strain in the team in 2018 the Company developed an Action Plan to ensure social and labor conditions of the operating personnel (hereinafter - the Plan) which covered the following areas:

■ Inform managers and operating personnel of structural divisions about the SSR survey findings;

■ Improve working conditions and occupational safety;

■ Improve healthy meals;

■ Material and non-material incentives for employees in accordance with qualification and labor productivity;

■ Provide advanced training for operating personnel according to the planned training system;

■ Comply with the transparency principles when recruiting and promoting to a higher position;

■ Monitoring and analysis of staff turnover;

■ Ensure favorable moral and psychological climate in the team;

■ Ensure informational interaction between employees and the management of the Company and raise awareness of employees about feedback options with the employer;

■ Improve awareness of the personnel about prospects of the Company’s development, implementation of Business Transformation Program and other activities;

■ Improve awareness of the employees about the procedure for submitting complaints and calls relating actions/inaction of managers;

■ Improve medical preventive actions for employees;

■ Strengthen business and trusting relationship between the management and the staff (feedback);

■ Comply with the conditions stipulated in the Trade Union Contract;

■ Ensure interaction with local executive bodies on social infrastructure issues;

■ Assisting in the SSR survey of the Company for 2018.

All activities of the Plan were completed in full.

A quarterly Report on the Plan implementation was submitted for approval by the Company’s Executive Board and the Board of Directors of the Company.

According to the survey of 2018 RCC of the Company amounted to 73%. As compared with 2017 RCC showed a 5% decrease but still remained at the "above average" level.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Item** | **Indicator, %** | **2016** | **2017** | **2018** |
| **1.** | **Social Stability Rating**  | **73** | **78** | **73** |
| 1.1 | Engagement | 52 | 78 | 58 |
| 1.2 | Social well-being | 48 | 76 | 60 |
| 1.3 | Social peace | 80 | 76 | 71 |

The largest decrease was demonstrated by the employees **Engagement Index** which reflects factors of social and labor relations within the team. It measures any aspects related to working conditions, work content, relationships within the team, etc.

Decrease of the Company's Engagement Index in 2018 was affected by satisfaction with the working conditions, staff loyalty, and satisfaction with communications and relationships.

**Satisfaction with working conditions**

In 2018 compulsory qualification of production facilities according to working conditions was carried out in the Company’s divisions. The qualification identified workplaces where working conditions did not meet the established standards and requirements; accordingly, one can assume that the decrease in the index in this area is due to this particular factor.

Decreased satisfaction with the benefits package in 2018 was mostly caused by cancellation of the voluntary medical insurance of the Company’s employees in case of illness and the change in the method of compensation for the children support of the Company’s employees in the "Obioha" child-care center.

**Staff loyalty**

Decrease of the Loyalty Index was caused by the decreased confidence in the decisions made by top managers and HR Policy of the Company.

**Satisfaction with communications**

The reasons for decreasing satisfaction with communications in 2018 are as follows:

■ Poor informing the operating personnel within divisions because of remoteness of workshops, shift work schedule, etc.;

■ Insufficient filling of information stands and message boards in structural divisions;

■ Insufficient interactive communication between the press office specialists and the Company's employees, as well as the content of the UMP-Inform paper related to the Company’s activities which does not fully reflect the interests of the Company’s employees.

One of the indices affecting the SSR is **social well-being**.

Social well-being is affected by the quality of the outer living environment (economic, political, cultural and social aspects of life) which the Company may be affect indirectly (through presentation of problems to top management, local authorities, etc.).

**Social peace**

The index of social peace reflects the level of protest activity among workers, including the potential willingness of workers and social groups to take active actions, as well as hypothetical and situational readiness for certain protest manifestations. The Company cannot tangibly influence on social peace. Compared with 2017 this index shows a decrease by 5% but continues to remain at a stable level. In 2018 there was no protest activity among the employees of the Company.

**1.2 Human Resource Development**

The Company recognizes its employees as the most important asset and is committed to assure their welfare, professional and personal growth which are keys to sustainable development of the Company.

In 2018 the Company carried out activities to develop human resources in the following areas:

**1.2.1 Transparent labor payment and salary competitiveness**

Actions to ensure transparent labor payment for the Company’s employees and salary competitiveness in 2018 were carried out via strengthening interrelation between the results of labor of the Company’s employees and payment amounts:

◾By Order of the Company No. 1935 dated December 25th, 2018 “On bonuses for the operating personnel due to the division’s Wages Fund saving” based on the results of work in 2018 the Company’s employees were paid remuneration in the amount of 251 mln. tenge.

◾By Decision of the Executive Board of the Company No. 68/1134 dated December 28th, 2018 “Corporate Key Performance Indicators (KPIs) for remuneration in 2019 based on the results of work for 2018” were approved.

The issue of approval of “Corporate KPIs for remuneration in 2019 based on the results of work for 2018” was submitted for consideration by the Company's Executive Board on September 13th, 2018. Corporate KPIs for all employees of the Company are cascaded based on the strategic goals and priorities of the Company taking into account KPIs of top managers. In connection with the expected adjustment of the production and financial plan of the Company this issue was postponed. As a result of adjusting the budget of the Company for 2018 approved by the decision of the Board of Directors of the Company on December 11th, 2018, the threshold and target indicators of top managers were revised. Given this adjustment corporate KPIs were approved in December 2018.

**1.2.2 Improving the selection and recruitment of the Company’s staff**

The search for qualified staff in 2018 was carried out in accordance with FI 30.0005 "Staffing" through:

■ Internal search among employees of the Company through a corporate website and a corporate paper; “Staff” database, and the list of the reserve of the executive staff of the Company;

■ External search by posting ads on the official website of the Company and specialized sites including the authorized employment agency.

Competitive selection in the Company was carried out on the basis of the principles of transparency and objectiveness. In 2018 a total of 412.5 vacancies were occupied with the participation of 1,240 candidates.

**1.2.3 Professional development employees**

One of the important areas of human resource development is the development and training of employees as well as training of workers in the professions that are demanded in the Company.

The Company systematizes processes of training, retraining and advanced training of employees. To this end the Company arranges training both with the involvement of third-party specialized organizations and by assignment of internal trainers among the highly qualified specialists of the Company.

In 2018 training of the Company's employees was carried out in accordance with internal organizational and administrative documentation, employer’s acts and training contracts concluded in accordance with the applicable legislation of the Republic of Kazakhstan.

In 2018 the total amount spent on education and training of employees amounted to 57.2 mln. tenge. The total number of trainings passed by employees in 2018 was 9,043 man-seminars, including as part of the implementation of:

■ Advanced training programs - 8 866 people;

■ Corporate training programs - 62 people (2 people - “School for Young Specialists-2018”; 15 people - “Mini MBA” training course for top managers of CEO-1.2 level; 45 people - “School of Masters-2018” training course for managers of primary teams of the production divisions and the replacing persons);

■ Additional professional education - 111 people.

**Information on the dynamics of professional development and training of the Company’s employees since 2017 is presented in the Table below:**

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Units | 2017 | 2018 |
|  | Plan | Actual | Plan | Actual |
| Total amounts spent on education and training  | mln.tenge | 71.2 | 59.1 | 84.7 | 78.0\*\* |
| Total number of employees participated in the professional development and training courses | man-seminars\* | 6 953 | 8 427 | 6 900 | 9 043 |

\* Total number of trainings completed by employees during the period

\*\* Total amounts include: par. 1.2.3 hereof — expenses for professional development of employees (57.2 mln. tenge) and par. 1.2.4 hereof - expenses for the preparation of undergraduates and bachelors (18 mln. tenge and 2.8 mln. tenge)

**1.2.4 Implementation of corporate training programs for employees and attracting talented graduates**

Within the framework of the Agreement on scientific and technical cooperation between JSC NAC Kazatomprom and EKSTU named after D. Serikbayev since 2017 the Company has been preparing the first group of 9 undergraduates (6 employees of the Company and 3 non-employees) (2017-2019 academic years) for the needs of the Company on the basis of the relevant department. In 2018 their training amounted to 18 mln. tenge.

In 2018 a second group of undergraduates was formed of 4 people (2 employees of the Company and 2 non-employees) for 2018-2020 academic years and training began for 8 bachelors (5 employees of the Company and 3 non-employees) for 2018-2020 and 2018-2022 academic years. These trainings in the reporting year amounted to 2.8 mln. tenge.

The Company carries out comprehensive work on the preparation of professional staff through the implementation of a dual training system, in which 9 people are trained in the profession of “Hydrometallurgy Operator” and undergo paid practice in the Company.

**1.2.5 Cooperation with the public association "LPR UMP" SO (hereinafter - the Trade Union) and ensuring compliance with the mutual obligations of the employer and employees**

One of the important tasks of the Company is to create favorable conditions for the work of employees. The Company takes a responsible approach to social security of its employees and maintains employee confidence in the future. In order to strengthen social partnership, respect responsibility and assure guaranteed benefits and payments to the employees on February 26th 2016 the Trade Union Contract was concluded for 2016-2019, which is a legal act to regulate social and labor relations as well as those directly related to labor relations in the Company. The subject of the Trade Union Contract is the establishment of specific mutual obligations in the field of labor between representatives of employees and the employer of the Company based on the legislation of the Republic of Kazakhstan.

Trade Union Contract is applicable to all employees of the Company, regardless of whether they are members of the Trade Union or not, as well as to former employees of the Company.

Committee for bargaining and making up a draft Trade Union Contract (hereinafter referred to as the Committee) was established on a parity basis in order to maintain collective bargaining, make up a draft Trade Union Contract and amend it. In 2018, there were four meetings of the Committee, where amendments to the current Trade Union Contract were discussed. In addition, in 2018, two meetings of the Committee were held to discuss the draft Trade Union Contract for 2019-2022, which increases the social security of employees and former employees of the Company.

The Committee for Monitoring the Implementation of the Tarde Union Contract monitored the implementation of the Trade Union Contract terms on a quarterly basis. Mutual obligations of the employer and employees under the Trade Union Contract for 2018 in accordance with the current legislation of the Republic of Kazakhstan (the Labor Code of the RK, the Law of the RK “On Trade Unions”), Company Charter, the Rules of labor schedule of the Company and the financial plan of the Company are completely fulfilled by employees and the employer.

Information on fulfilling the terms of Trade Union Contract is available on the Company Corporate Portal, and is also communicated to employees at quarterly meetings of the Executive Board Chairman of the Company with representatives of the Company staff.

In 2018, the Company allocated funds in the amount of KZT 41.9 mln. to the Trade Union for cultural events, sports and recreational activities for the Company employees.

# Developing social programs for the employees

The Company pays great attention not only to social payments, aimed at creating a healthy working microclimate in teams, which allows employees to successfully perform their duties, but also to the social support of ex-employees.

In 2018, the amount of social package per one employee amounted to KZT 35.6 thous., per one ex-employee – KZT 12.4 thous.

In total, KZT 169.1 mln. was spent for the following purposes:

|  |
| --- |
| * KZT 46.2 mln. - financial help to employees;
 |
| * KZT 11 mln. - retirement benefit;
 |
| * KZT 8.5 mln. - social support to the decedent’s relatives;
 |
| * KZT 12.4 mln. - social support to ex-employees of the Company;
 |
| * KZT 91 mln. - medical care of employees and ex-employees of the Company.
 |

In order to provide social support to the employees for housing improvement, the Company has a Regulation “on the Procedure for Processing Applications for Long-Term Loans to UMP JSC Employees”. In 2018, funds in the amount of KZT 48.6 mln. were allocated for housing conditions improvements. The housing conditions of ten employees have been improved.

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# 1.2.7 Youth Policy of the Company

Active work with young employees is one of the most important priorities of the Company. It is aimed at ensuring staff security of the Company, training of highly qualified young professionals from among the best graduates of educational institutions and their quickest possible and the most effective adaptation in the Company.

According to the Regulations on Young specialist and Young worker of UMP JSC, in 2017, six graduates of Ust-Kamenogorsk Multidisciplinary College State Institution (completed the course "operator-hydrometallurgist") were employed into the Company and were assigned the status of Young Worker for a period of 1 year. In 2018, Young workers successfully completed the process of adaptation and professional development based on development plans.

The Handout for newly employed worker of Ulba metallurgical plant was designed to facilitate adaptation to corporate culture, give an insight into traditions and rules of behavior in the Company, it is given to every newly employed worker.

Since 2003, the Company has Young People Association (hereinafter – YPA). The major goal of YPA is to create conditions for proper spiritual, cultural, educational, professional and physical development of young workers, participation in decision-making, successful socialization and direction of their potential for further development of the Company.

The YPA includes representatives from among the most active young workers who successfully combine production activities, work in YPA, as well as participation in social and political life of the Company and the region (Ust-Kamenogorsk and Kurchatov).

In 2018, YPA carried out its activities in accordance with the Regulations of Primary Organization of Young People Association of UMP JSC as a part of Nuclear Forum Public Association.

Members of YPA:

* Participated in innovation proposals competition of NAC Kazatomprom JSC (Borisov A. (TO));
* Participated in Leader of the Year competition for the award of Akim of East Kazakhstan region (Young People Association of the Company has become the best youth organization of East Kazakhstan region);
* Arranged cultural events, as well as took an active part in all the events carried out by the Company (Spartakiads, corporate events, seminars, etc.), regional administration (Ust-Kamenogorsk and Kurchatov) and “Nur Otan” party;
* Arranged volunteer clean-up and charity events in orphanages.

# Project “Implementation of Target Model for Staff Management”

As part of the Transformation Program implemented in NAC Kazatomprom JSC, and the implementation of the project KAP 17 "Target Model for Staff Management" in 2018, the Company updated/issued the following documents regulating processes in the field of staff management:

* FI 30.0005 Staffing;
* FI 30.0003 Staff training;
* ST 30.0013 Procedure for assessment of employees.
* Regulations on the evaluation of the staff of UMP JSC;
* HR policy of UMP JSC;
* Regulations on the competition committee for selection of candidates for UMP JSC top management positions;
* Guidelines for conducting interviews and professional testing at UMP JSC;
* Regulation on adaptation of new employees of central administrative office of UMP JSC;
* Regulation on UMP JSC Trade Union Contract management;
* Regulations on corporate events management in UMP JSC;
* Regulations on remuneration and bonuses of UMP JSC employees;
* Regulations on the Fund of UMP JSC Executive Board Chairman;
* Regulation on remuneration for the Idea;
* Provision on the allowance for academic degree;
* Regulations on remuneration of UMP JSC employees engaged in heavy operations, work with harmful and (or) dangerous labor conditions;
* Regulations on the procedure for establishing and assessing the achievement of key performance indicators by UMP JSC employees;
* Regulations on official salaries of UMP JSC employees;
* Regulations on chief’s fund at UMP JSC;
* Regulations on remuneration and bonuses of UMP JSC employees;
* Regulations on labor management and wages of central administrative office of UMP JSC.

In 2018 the Company adopted a new organizational structure developed based on the Typical Target Organizational Structure of Subsidiary and Affiliated Companies of Nuclear Fuel Cycle (NFC) as part of implementation of Plan for transition to the target organizational structure by subsidiaries and affiliates of NAC Kazatomprom JSC. During the transition to the new target organizational structure, the company carried out a Job matching procedure (effective job conformity assessment) to assess the compliance of the Company employees at CEO-1 level and key positions at CEO-2,3 level.

Forty-three head officers participated in the assessment.

# Assurance of social peace in the Company

The company pays special attention to the implementation of various measures to prevent conflict situations and labor disputes among employees.

The conflict resolution resources existing in the Company are supplemented by mediators and Ombudsman’s activities.

The Institute of specially trained mediators exists in the Company since 2013. In 2018, 10 employees of the plant – mediators - successfully passed an online testing organized by Samruk-Kazyna JSC for employees of the Company and its subsidiaries and affiliates, as a result they were included in the special database of internal mediators of Samruk-Kazyna Fund for further development, training and involvement in the resolution of social and labor disputes in the group of the Fund’s companies. The list of mediators of 44 employees is published on the Corporate Portal.

The Ombudsman of the Company was appointed by the decision of the Board of Directors of the Company (No. 47 dated 05.12.2016) in order to comply with the principles of business ethics and optimal regulation of social and labor disputes.

The information stands of the Company contain information about the Ombudsman with his contact phone numbers and e-mail address.

In 2018, there were no appeals from employees to the Ombudsman since there were no social and labor issues.

# Anti-corruption and fraud management, settlement of corporate conflicts and conflict of interests

The main activities of the Company and the general rules of anti-corruption behavior of officials and employees were regulated by UMP JSC Anti-Corruption and Fraud Management Policy (hereinafter referred to as the Policy) approved on 01.03.2014 by Executive Board Chairman of the Company. The principles and provisions of this Policy are communicated to the staff through the corporate portal of the Company, as well as by departments heads.

The Policy of Confidential Reporting about Potential or Well-Known Facts of Fraud, Violations of Internal Control Procedures and Other Standards of NAC Kazatomprom JSC in the Company introduced by the order No. 389 dated 02.07.2012 was applied for effective protection from risks and adequate response to violations.

Hotline numbers and e-mail addresses, website, free line of independent external organizations such as Deloitte, providing hotline services in three languages, are posted on information boards and on the corporate portal of the Company, it provides for opportunity to obtain from employees and interested persons the information about the facts of corruption, fraud, violations of corporate ethics, as well as about illegal actions of the Company officers.

An anti-corruption monitoring of the Company as a quasi-public sector entity was performed in order to assess the law enforcement practice related to anti-corruption in accordance with the requirements of the anti-corruption Law of the RK No. 410-V dated 18.11.2015. Based on the monitoring results the conclusion about absence of corruption risks (corruption offenses) facts, high level of anti-corruption culture and efficiency of the operating Policy of the Company was made. Employees are willing to accept and positively evaluate ongoing anti-corruption activities. There were no signs of discontent and social tension.

Due to the absence of realized corruption risks, there is no reason for external or internal anti-corruption analysis.

Seven preventive meetings of the staff with the representatives of Management on Religious Affairs of East Kazakhstan Region, Department of National Security Committee of East Kazakhstan Region, Department of Internal Affairs of East Kazakhstan Region were carried out in the Company during the period from 13.03.2018 to 16.03.2018 devoted to the Issues of combating religious extremism and terrorism, Prevention of theft and fraud.

Procurement procedures are monitored in accordance with
I.19.0009-16 Procedure for Potential Supplier Inspection to minimize the possibility of property damage, corruption risks, as well as to protect business reputation of the Company as the subject of quasi-public sector.

# Measures for occupational and environment safety

The Company is fully aware of its responsibility for ensuring trouble-free production activities, safe working conditions for employees and maintaining the health of people living in operations area.

The Company has implemented an integrated management system that meets the requirements of international standards ISO-14001 (environmental management system), ISO 9001 (quality management system), and BS OHSAS 18001 (occupational health and safety management system). In accordance with this system, the Company has organized work to comply with the requirements of the legislation of the Republic of Kazakhstan in the field of labor and environment protection, radiation and nuclear safety.

In 2018 Intercertifica TUV LLC together with tüv Thuringen carried out a recertification audit in the Company. The certificate of compliance of the Company management system with the requirements of new standards ISO 9001:2015, ISO 14001:2015, as well as existing BS OHSAS 18001:2007 was issued.

# 2.1. Assurance of occupational safety

In 2018 occupational health and safety management system was implemented in accordance with the laws of the Republic of Kazakhstan, regulatory and technical acts, decrees, orders of the Company, the requirements of international standard OHSAS 18001, instructions and recommendations of the Sole shareholder, regulating production safety requirements.

Financing of measures to improve labor conditions, labor protection and sanitary and health actions was of a priority to the Company. Comprehensive Plan for Improving Labor Conditions, Labor Protection and Sanitary and Health Actions for 2018 (hereinafter referred to as the Comprehensive plan) was issued for these purposes and approved by Senior Deputy Executive Chairman - Chief Operating Officer on December 11, 2017.

134 actions were performed as per Comprehensive plan, KZT 100.7 mln. was spent, including:

■ KZT 78.2 mln. on 90 actions aimed at labor conditions improving, labor conditions of 1,846 employees were improved;

■ KZT 19.5 mln. on 36 activities to reduce the likelihood of injuries and accidents, reducing the likelihood of injuries to 513 employees;

■ KZT 3 mln. on 8 actions to reduce the overall morbidity, reducing the likelihood of morbidity for 77 employees.

The Company created proper sanitary conditions - showers, dryers, dressing rooms, washrooms, toilets, and rooms for eating equipped with necessary household appliances.

In 2018 employees were in full measure provided with high-quality overalls and personal protective equipment.

Constant control over provision of employees with overalls, special footwear and other means of individual protection was carried out. In departments inventory of overalls condition, its rejection, control of compliance of terms of use to norms of free provision with overalls and special footwear at the expense of the employer was carried out on constant basis.

Labor protection costs amounted to KZT 1,025.7 mln. including:

■ Individual protective equipment and protective equipment - KZT 236.6 mln.;

■ Services for provision with medicinal and prophylactic food and milk KZT 248.9 mln.;

■ Special cleaning services and detergents KZT 244.2 mln.;

■ Other costs KZT 296 mln.

Work on prevention and non-admission of accidents at work was carried out in accordance with UMP JSC Management Policy in the field of management (quality, environment, health and safety) approved at the meeting of the Executive Board (Minutes No. 59/1065 dated 26.12.2017).

Life insurance contract of compulsory insurance of an employee against accidents in the performance of his/her labor (official) duties was concluded with Subsidiary of Halyk Bank of Kazakhstan Halyk-Life JSC for 2018.

In 2018 Contract of compulsory insurance of an employee against accidents in the performance of his/her labor (official) duties was concluded with Life Insurance Company Nomad LIFE JSC for 2019.

In order to take measures to prevent accidents at work, the Company keeps records of all accidents as well as investigation and analysis of their causes, according to the results of investigations preventive measures were developed, however, in 2018, the Company had one fatal accident with Tantalum Operations employee. The main cause of the accident was gross negligence of the victim.

**2018 Accident Rate Ratio Analysis**

|  |  |  |  |
| --- | --- | --- | --- |
| Number of employees | Accident rate  | Actual frequency factor\* | Target value of frequency factor |
| Group | Fatal | Serious  | **Total** |
| 3622 | 0 | 1 | 0 | **1** | **0.28** | **no more than 0.54** |

\*Injury frequency coefficient Fc characterizes number of accidents per 1000 employees for a certain period of time

In the third quarter 2018 the Company began implementing such a line of activity to ensure labour safety as Application of best international practices. A methodology for assessing the risks of undesirable events at the workplace developed in aerospace complex has been introduced. According to this method, estimation of such risk measures as the importance of consequences of undesired events, likelihood of undesirable events, probability that the situation prior to the undesirable event is performed. The overall risk level is then assessed. For this purpose, the Company's Risk Assessment Standard has been updated.

Currently all risk maps in the Company's departments have been revised in accordance with requirements of this standard.

The new risk assessment methodology allowed to:

- Have active identification of all sources, situations or actions (or combination thereof) resulting from activities of the Company with potential for harm in the form of injury or deterioration of health as a goal;

- Take into account human factors such as the abilities, behavior and shortcomings of employees.

In order to improve level of safety culture in the Company, Action Plan to improve the level of safety culture in UMP JSC (2018-2022) approved by the Director of Occupational Safety on 02.07.2018 was developed:

- At the stage of LoTo system implementation (control of hazardous energy sources) in order to ensure safety of people, equipment protection and continuity of its operation;

- Near Miss system (identification and registration of dangerous actions, dangerous conditions, incidents without consequences, conduct of behavioral safety audits) was introduced in accordance with ST NAC 5.0.4 Procedure for monitoring and control of occupational safety and ST NAC 5.1.2 General requirements for management system of labor protection and industrial safety.

An electronic PC OSM module was put into operation. All detected dangerous actions, dangerous conditions, incidents without consequences are registered in PC OSM for further analysis and measures to eliminate them. PC OSM is an integral part of internal control of the Company occupational safety. Identification and timely elimination of dangerous conditions and dangerous actions is the purpose of preventing the occurrence of undesirable events (injuries, occupational diseases, incidents).

In 2018 there was a constant monitoring of compliance by employees of contractors with requirements of occupational safety on the part of departments, office of Director of production safety and Capital Projects Department. At detection of violations of work stopped by the order of representatives of the specified services before elimination of revealed violations. Standard 28.0021 Procedure for implementation of relationship of UMP JSC with contractors which establishes procedure for monitoring contractors with filling of the relevant register of contractors was updated.

The Company paid close attention to the issues of training workers on safety and labor protection, industrial, fire, radiation, nuclear safety on a constant basis.

In 2018, 192 employees were trained to obtain a certificate in specialized training centers at the advanced training courses Safety and Health Issues and Occupational Safety Issues.

Occupational safety and health, industrial, fire, radiation and nuclear safety training was conducted for 337 newly recruited employees. 433 employees passed introductory inductions, 337 employees passed primary inductions on safety and labor protection at workplace and knowledge check. There were no persons who had not been trained, tested and admitted to unsupervised work.

In order to prevent and detect violations and deviations from requirements of the existing rules, norms, instructions, standards and other normative legal acts on labor protection, technical (Trade Union) inspectors on labor protection, together with heads and specialists of structural units, carried out monthly scheduled inspections of the state of safety and labor protection at workplaces. The results of inspections were discussed during the Days of Labor Protection which were held in departments on a monthly basis.

In December 2018 planned certification of process facilities for working conditions was completed. Based on results of the mandatory periodic certification of workplaces on working conditions, a plan of measures to improve and recover working conditions in the Company has been developed.

Together with the Trade Union, an annual review competition is held on labor protection, environmental protection, industrial and fire safety in the Company. The results of this review competition are summed up once a year. The title - Winner of the review competition on labor protection, environmental protection, industrial and fire safety in 2018 was awarded to teams of Uranium Operations, Research Center and Warehouse Facility. The purpose of a review competition is to attract employees of the Company to actively participate in the work to comply with rules on labor protection, industrial and fire safety, reduce occupational injuries and occupational diseases, improve working conditions and production culture, reduce emissions and discharges of pollutants into the natural environments.

In 2018 there were three inspections done by Government agencies in the Company:

1 Inspection on labor protection. State Institution State Labor Inspection Administration of East Kazakhstan region in departments of the Company. 10 violations of legislation in the field of safety and labor protection are revealed, all violations were eliminated in time. Penalties were not applied to the Company.

2 Inspections on occupational safety:

- In October 2018 verification of compliance with order for 2017-no violations were revealed.

- In November 2018 Department of Committee for industrial development and occupational safety scheduled inspection of compliance with occupational safety requirements. As a result of inspection 75 violations are revealed, currently 40 violations are eliminated, on 35 violations the term of elimination did not come. The amount of the Company’s fine amounted to KZT 120.25 thous. The fine is paid.

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# 2.2 Environment Protection

Nature protection activities, preservation of favorable environment and resource conservation are also priorities for the Company.

Environmental concern ensures sustainable development of the Company. To prevent possible negative impact the Company takes all necessary actions to ensure environmental protection as well as conservation and restoration of natural resources, constantly improving products, processes and working conditions for its employees.

The Company ensures continuous implementation of priority tasks in the field of environmental protection.

The Company has been certified for compliance with international standard ISO 14000 requirements since 2003 and in 2018 it was certified according to the new ISO 14001: 2015 standard.

In accordance with UMP JSC Management Policy in the field of management (quality, environment, health and safety) approved at the Executive Board meeting (Minutes No. 59/1065 dated 26.12.2017), there were activities fulfilled to reduce environmental pollution.

Implementation of basic principles of the above-mentioned Policy and implementation of specific environmental objectives aimed at reducing impact on the environment and improving environment management system (EMS) is ensured.

All departments of the Company have impact on environment within the established limits of emissions, discharges of pollutants and waste disposal.

In 2018 gross emissions of pollutants into the atmosphere by the Company's departments on site in Ust-Kamenogorsk amounted to 64.6% of the established limits, gross discharges to the Ulba river amounted to 63.8% of the established limits, volume of hazardous waste disposed amounted to 61.8% of the established limits. Gross emissions of pollutants into the atmosphere on site of concentrator in Kurchatov was 83.8% of the established limits, there were no discharges of pollutants into the evaporator pond, as the tails were pumped to section No. 2 of the sludge collector, volume of hazardous waste placed was 70.2% of the established limits. Gross emissions of pollutants into the atmosphere at Karazhal mine site amounted to 61.6% of the established limits, volume of hazardous waste amounted to 98.1% of the established limits, discharges of pollutants from pit wastewater were carried out in the absence of established limits. To remedy this situation, Road Map for construction of facility: UMP JSC Karazhal Open Pit Mine has been developed. Sewage treatment plant pit waters with facility completion deadline 31.07.2019.

Environmental protection issues in the Company's Operations are considered during the Days of environmental protection on a quarterly basis.

In 2018 the Company in Ust-Kamenogorsk planned 20 activities to the amount of KZT 1,502.3 mln., KZT 1, 245.7 mln. used for environmental protection. The savings were due to failure of three environmental measures, namely:

- Cancellation of event "Shelter of Facility 734" (Storage of solid radioactive waste-SRW), due to shrinkage of SRW inside bunkers and occurrence of void space. The design of a shelter is suspended.

- Non-performance of works on construction of evaporator pond map No. 5 due to poor supply of geomembrane.

- Non-performance of works on development of working project on Reclamation of Card No. 1C, due to non-performance of contractual obligations on the part of the Contractor.

In accordance with UMP JSC Action Plan for Environmental Protection of Tantalum processing plant in Kurchatov for 2018, 12 activities were planned for implementation to the amount of KZT 10.6 mln., KZT 9.5 mln. used. There was no need to carry out Correction of Draft Standards of Maximum Permissible Discharge (MPD) of pollutants into the atmosphere due to the fact that effective draft standard of MPD comply with requirements of environmental legislation of the Republic of Kazakhstan.

In accordance with Action Plan for Environmental Protection at Karazhal mine for 2018, 13 activities were planned to the amount of KZT 18.9 mln., KZT 7.5 mln. was used. The savings were due to postponement of four environmental measures to 2019, including:

- Development of working project and execution of construction and installation works of waste water treatment facilities at Karazhal mine due to untimely fulfillment of contractual obligations by the Contractor. There is a delay from the schedule of Road Map for construction of water and wastewater treatment facility with a deadline 31.07.2019.

- There is no need to develop standards of maximum permissible discharges (PDS), due to the fact that the standards of discharges will be part of the working project for the construction of wastewater treatment facilities.

- There is no need to develop draft standards for waste disposal and maximum permissible emissions (MPE) due to the fact that the existing draft standards meet the requirements of environmental legislation of the Republic of Kazakhstan.

In ensuring environmental safety an essential role was given to effective industrial environmental control system functioning. Environmental monitoring at industrial site Ust-Kamenogorsk is provided with its own accredited laboratory, at the concentrator and Karazhal mine in Kurchatov is provided with accredited analytical laboratory Laboratory-Atmosphere. In 2018, KZT 99.2 mln. was spent on study of atmospheric air quality, surface water, groundwater, soils within the framework of industrial environmental control at the Company's site in Ust-Kamenogorsk, KZT 1.2 mln. was spent on the concentrator in Kurchatov and Karazhal mine KZT 6.9 mln.

The Company carries out systematic work to optimize waste management the main purpose of which is to minimize waste and harmful impact on environment.

In accordance with the “Program of works for industrial test of technological scrap dissolution process via use of soda re-extracts” were conducted industrial tests of soda re-extracts usability generated during regeneration of internal extraction agent of solutions refining operations of all types the raw materials processed by Uranium Operations during the process of scraps dissolution.

It has been established that involving of soda re-extracts into existing process line allow to reduce a quantity of liquid radioactive wastes (hereinafter referred to as – LRW) piped to Tailings Facility, by means of recycling of liquid wastes into process technology of uranium processing.

Industrial tests of filtrate using after nitric-acid washing of technological beryllium hydroxide in the process technology of enrichment and washing from fluorine concentrate of Yermakovsky mine have been completed. Test protocol has been developed; its agreement and approval are carried out at the Beryllium Operations.

Laboratory studies oriented to involving of liquid part of sludge collector No. 2 of Tantalum Operation’s concentration plant (Kurchatov City) into process technology of quartz-fluorite ore flotation have been carried out. It was noted that intermediate froth products with the content of main component, yield and recovery at the level of control sample were obtained regardless of involved circulation water volume (10%, 25%, 35%, 50%, 75%, 100%). Return into process technology the water part of sludge collector No. 2 in a volume up to 100% does not negatively affected to the quality of intermediate products. It is recommended to conduct industrial tests on involving the liquid part of sludge collector No. 2 in a volume up to 100%.

Use of technology which ensure an application of maximum uranium concentrations in initial solutions and re-extract during yellow cake processing is one of the key activities on reduction of LRW volumes.

Target specific ratio of LRW formation for 2018 was specified at the level of 14.25 l/kg subsequent to the results of activities on reduction of LRW volumes implemented in 2017.

Implemented process design solutions allowed to reduce specific ratio of LRW by 3.5% from July 2018 relative to specified for 2018 and specify the ratio – 13.75 l/kg U.

Works on supporting the maximum permissible concentrations of uranium in solutions at the operations of yellow cake incoming inspection, extraction and re-extraction were performed in the 4th quarter of 2018 for the purpose of reduction the specific ratio of LRW formation.

**Dynamics on reduction of specific ratios of the liquid radioactive wastes’ formation during yellow cake processing**

|  |  |  |  |
| --- | --- | --- | --- |
| Year  | Target specific ratio, l/kg U in FP | Attained annual average specific ratio, l/kg U in FP | Annual saving, m3 |
| 2017 | 15.00 | 12.79 | 7,723 |
| January – March 2018 | 14.25 | 12.98 | 1,065 |
| April – June 2018 | 14.25 | 12.9 | 1,161 |
| July – September 2018 | 13.75 | 12.85 | 969 |
| October – December 2018 | 13.75 | 12.68 | 1,039 |

The Company has a Section of the neutral granular gypsum producing for the purpose of resolution of an issue on reduction of solid wastes placement at “Tailings Facility” and in the plan of waste recycling.

In 2018 the Company concluded contract with Stroygood LLP (the Republic of Kazakhstan) for sale of neutral gypsum to the number of 1,344 tons. For 4th quarter of 2018 were concluded supplementary agreements to the contract with Stroygood LLP (the Republic of Kazakhstan) for another 168 tons.

In total were produced and shipped 1,498.55 tons of neutral granular gypsum.

Unified procedure of movable assets sale which also includes wastes subject to transfer to outside companies (FI 60.0006 “Procedure of satisfying the requirements of rules for UMP JSC movable assets sale) was developed in 2018 in the Company.

According to the requirements of this instruction that wastes which according to the results of an annual inventory included into the List of movable assets approved by the Board of Management of the Company are subject to transfer (sale) to outside companies.

List according to which 987 names of objects of movable assets subject to sale in 2019, including production wastes was developed according to the results of movable assets inventory for 2018.

Four inspections by the State environmental authorities were carried out in the Company for 2018:

* Unscheduled, thematic inspection of the Company for sludge pipe rupture in the region of column No.243 meant for pipage of Tantalum Operations wastes to Tailings Facility of the Service Center was conducted from March 27 to April 20 by the Department of Ecology in East Kazakhstan Region (hereinafter referred to as – DE in EKR). Amount of penalty for the Company was amounted to KZT 48.5 thous. Penalty was paid.
* Unscheduled, thematic inspection of the Company with respect to compliance with the requirements of environmental legislation of the Republic of Kazakhstan was conducted over the period from May 3 to May 25 in execution of the order of specialized environmental prosecutor of DE in EKR. No violations were found.
* Unscheduled, thematic inspection of the Company with respect to compliance with the requirements of environmental legislation of the Republic of Kazakhstan was conducted over the period from June 29 to July 12 in execution of the order of specialized environmental prosecutor of DE in EKR. Based on the results of inspection was drawn up an act according to which it has been established that during the period from January 1 to May 30, 2016 in the course of production activities of concentration plant were made unauthorized emissions into environment without environmental permit. An amount of damage was equal to KZT 13,235.9 thous. Damage was compensated.
* Unscheduled, thematic inspection of the Company with respect to compliance with the requirements of environmental legislation of the Republic of Kazakhstan was conducted over the period from December 6 to December 21 on the basis of prosecutor’s recommendation of Semey City, DE in EKR. Based on the results of inspection was drawn up an act according to which was detected a violation: The Company carry out a discharge of quarry waters of Karadzhal mine on relief of the terrain without permit for emission into environment. Amount of administrative fine for legal entity was equal to KZT 3,663.614 thous.

DE in EKR made a calculation of damage caused to environment by unauthorized discharge of quarry waters of Karadzhal mine in the first half of 2018. An amount of damage was equal to KZT 328.8 thous. Damage was compensated.

# 2.3 Provision of nuclear and radiation safety

In accordance with the hygienic standards of the Sanitary and Epidemiological Requirements for Ensuring Radiation Safety, approved by the Minister of National Economy of the Republic of Kazakhstan (Order No. 155 dd. 02.27.2015), an annual effective radiation dose of Group A personnel should not exceed 20 mSv. In 2018 an actual value of the maximum annual dose in the Company amounted to 1.77 mSv, which is 11 times less than the limit of the annual effective dose to the personnel of group A.

All the works on provision and control of nuclear and radiation safety in the Company were carried out in accordance with the requirements of applicable legislative and regulatory documents of the Republic of Kazakhstan with regard to nuclear and radiation safety.

**3. Economic impact measures in the regions of presence
3.1 Support for the socio-economic development of the regions of presence**
Society is socially responsible, therefore the development of the social sphere and the implementation of social projects is one of its priorities.

Since 2012, the Company's employees joined the implementation of the Comprehensive Plan to Support Orphans and Children Left Without Parental Care, and took 23 children from orphanages for foster care Ust-Kamenogorsk city. Employees of the Company introduce pupils to the conditions of modern life, ensuring their participation in ongoing corporate, holiday, sports and other cultural events.

In 2018, as part of the Plan, the Company's employees took an active part in the nationwide campaign “Road to School”. Employees of the Society collected KZT 653.5 thous., for which foster children purchased school and sports uniforms, shoes, school bags, stationery.

For more than ten years, the employees of the Company represented by the Youth Association Societies help the City's Specialized Child Home Ust-Kamenogorsk. Every year, through the “Give a Smile” campaign, funds are collected for the needs of the orphanage. With the funds raised, necessary things are purchased (in agreement with the administration of the orphanage). In 2018, funds were collected in the amount of KZT 202.7 thous., for which a sewing machine, a puppet theater, and construction materials were purchased.

As part of the improvement of the region, the Company carries out maintenance of V.P. Potanin and E.P. Slavsky (attractions of the city of Ust-Kamenogorsk) - cleaning of the territory, maintenance of lawns and green spaces, repair. In 2018, the cost of maintaining the monuments amounted to about KZT 1.43 mln.

In 2018, new long-term agreements were not concluded with small and medium-sized enterprises, as part of the implementation of measures to support small and medium-sized businesses in the regions.

**3.2 Procurement Management Procedures for Sustainable Development**
Measures to switch to a new procurement model at the implementation stage (in 2018, Kerimov E.M. and Morozov S.V. were trained, changes were made to the management structure of the procurement director’s service, in terms of the introduction of two posts - specialists in inventory and reporting, developed guidelines for determining levels and managing stocks).

The Company ensures openness and transparency of procurement by publishing procurement plans on the website <http://zakup.sk.kz>, including long-term procurement plans, regulatory acts, as well as information on tendering, procurement using one source, procurement by way of request for quotations and their results.

The Company make the purchases from certified, pre-qualified and socially responsible suppliers. Inventory control procedure was introduced in the Company for the purpose of inventory cost saving.

Volume of purchases of the goods, works and services in 2018 amounted to KZT 28,717.34 mln., including:

|  |  |
| --- | --- |
| * Goods
 | KZT 25,128.9 mln.; |
| * Works
 | KZT 1,560.7 mln.; |
| * Services
 | KZT 2,027.7 mln.  |

Local content share amounted to 36 % at the plan of 45%.

In 2017, in the approved Key Performance Indicators (KPI) Map of the Company's top managers who are not members of the Company's Management Board, the local content share indicator was calculated in accordance with the Order of the Minister of Investment and Development of the Republic of Kazakhstan dated January 30, 2015 No. 87 “On approval of the Unified methodology for calculating local content by organizations when purchasing goods, works and services” excluding goods that are a raw material resource, not mined in the Republic of Kazakhstan and purchased abroad.

In 2017 the raw materials were purchased to the amount of KZT 4.82 bln. at the plan amount of KZT 22.196 bln., which was amounted to 21.72% from plan amount. At that, local content share (hereinafter referred to as – LCS) was calculated from total amount of executed contracts 12.854 bln. without including of the raw materials and practically was amounted to 64.9%.

Along with this, threshold and objective values of LCS for 2018 approved by NAC Kazatomprom JSC includes the goods which are raw material resources not extracted at the territory of the Republic of Kazakhstan and purchased abroad. At that, threshold and objective values of LCS remained at the same level, i.e. 43 and 45 percent, accordingly.

Thus, in 2018 at the plan amount of KZT 29.841 bln. were purchased raw materials not extracted at the territory of the Republic of Kazakhstan and purchased abroad to the amount of KZT 10.57 bln. and “Bayterek” superyacht to the amount of KZT 1.456 bln. (procurement from Kazatomprom Damu LLP which was not planned during LCS determination for 2018), which was amounted to 40.3% from plan amount. Id est, share of the purchased raw material exceeded the volumes of 2017 by two times, which impacted on reduction of LCS in 2018 up to the level of 36%, which is at almost two times lower than achieved level of LCS in 2017.

# Conclusion:

The Company continues to perform focused work on implementation of activities of the “Program of sustainable development of Ulba Metallurgical Plant JSC with regard to corporate and social responsibility for 2017-2019”.

Activities with regard to social development, occupational health and safety, environmental safety as well as participation in the social and economic development of the presence regions are carried out and effective.

Rustam K. Medeo

Executive Board Chairman