**Reviewed by** the Board of Directors of UMP JSC Minutes No. 6 dated 24.05.2021

**Approved by** theResolution of the Executive Board of UMP JSC Minutes No. 12/1259 dated 31.03.2021

**REPORT ON THE IMPLEMENTATION**

**OF THE “SUSTAINABLE DEVELOPMENT PROGRAM**

**OF UMP JSC FOR 2020-2022”
FOR 2020**

**Ust-Kamenogorsk, 2021**

The activities of Ulba Metallurgical Plant JSC (hereinafter – the Company / UMP JSC) in the field of corporate social responsibility and sustainable development in 2020 are regulated by the Sustainable Development Program of UMP JSC for 2020-2021 approved by Resolution No. 11 dated August 13, 2020 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 perspective and to meet the objectives of the social and economic development of the Company as well as to ensure an efficient implementation of the Company’s Development Strategy for 2018-2028.

The main objectives of Sustainable Development Program of the Company for

2020-2022 (hereinafter referred to as the Program) are implemented through:

* Social actions;
* Occupational health and environmental protection measures;
* Measures for scientific, technical, innovative and technological development;
* Measures on economic impact in the regions of presence.

# Social actions

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# Assurance of social stability in labor collectives

The Company strives to ensure social stability and maintain a favorable moral and psychological climate in the labor collectives by implementing a balanced HR policy of the Company and implementing a Social Partnership Plan and improving the social and labor conditions of the Company’s production Staff.

# Social Stability Index

Social Stability Index (SSI) — is a tool for comprehensive diagnostics of the social situation in the Company. The SSI of the Company is determined based on the results of the assessment of the Staff involvement, social wellbeing and social calm.

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 Index (Rating) with the involvement of the independent sociological agency. (Private University “Center if social interaction and communications”.

In 2020, the study was conducted according to the new methodology of Samruk Research Services (SRS), while maintaining continuity in the main indexes of the process of collecting and processing sociological information. Thus, Company’s indicator as obtained by SRS in 2020 is an indicator of the Social Stability Index of the Company in 2020. The dynamics of the main SSI indicators for 2019-2020 is given in Table 1.

Table 1.

|  |  |  |
| --- | --- | --- |
| Indicator description, % | 2019 | 2020 |
| Social Stability Index (SRS) | **77** | **82** |
| *Engagement* | *64* | *88* |
| *Social well-being* | *65* | *50* |
| *Social peace* | *70* | *95* |

According to the results of the study, the value of SSI in 2020 increased by 5%. The increase in SSI was due to a 24% increase in engagement and a 25% increase in social calm. At the same time, compared to 2019, there is a decrease in the social well-being index by 15%. Specialists of the Center for Social Interaction and Communications noted that such a deterioration in the well-being of Employees can be explained by the consequences of the introduction of a state of emergency with prolonged quarantine measures in the country. It is important to say that, despite the deterioration in well-being, the Company’s Employees have mostly positive emotions about their future.

Achieved level of social stability in the labor collectives had a positive impact on the implementation of production program and on the implementation of tasks aimed at implementing in 2020 of the Company’s Development Strategy for 2018-2028.

**1.1.2. Measures for social partnership and improvement of social and labor conditions of production Staff**

Aiming at a systematic approach to the issue of improving the social stability of the Company, improving relationships and preventing social tension in labor collectives, based on the results of the SSI study, recommendations of specialists from the Center for Social Interaction and Communications and the Sole Shareholder, every year the Company develops measures for social partnership and improving the social and labor conditions of production Staff.

In 2020, the Company developed an Action Plan to ensure the social and labor conditions of production Staff (hereinafter referred to as the Plan), which includes 77 items in the following areas:

* Informing managers and production Staff of structural divisions about the results of the study on the definition of the SSI;
* Labor protection and social and labor relations;
* HR policy and corporate culture;
* Development of communications;
* Medicine and preventive healthcare;
* Interaction with stakeholders.

All the activities of the Plan were carried out completely. Actual share of the Plan implementation is 100%. The Report on the implementation of the Plan was sent quarterly for approval by the Company’s Management Board.

# 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 the keys to Sustainable development of the Company. The Company establishes relationships with the Employees based on the principles of social partnership, consistency, legal protection, effective use of the personal potential of the Employee and equal opportunities.

In 2020, the Company carried out activities to develop human resources in the following areas:

# Transparent labor payment and competitive level of salary

Actions to ensure transparent labor payment for the Company’s Employees and competitiveness of the salary, as well as to maintain the Company’s reputation as one of the most socially responsible employers in the region and the Republic of Kazakhstan as a whole, were carried out through the fulfillment of all social obligations to the Company’s Employees, the implementation of additional social support measures and minimizing the risk of violations of the Labor Code of the Republic of Kazakhstan:

* Salary to the Company’s Employees was paid in cash in the national currency of the Republic of Kazakhstan no later than the 10th day of the following month. There were no delays in the payment of salaries;
* By order of the Company No. 304 dated 12.03.2020 in accordance with Resolution of the Company’s Executive Board No. 11/1209 dated 02.03.2020, the remuneration in the amount of KZT 752 mln. was paid to the Company’s Employees based on the results of work for 2019 for achievement of the Corporate Key Performance Indicators (KPIs) for 2019;
* Corporate Key Performance Indicators (KPIs) for remuneration in 2021 based on the results of work for 2020 were approved by the Resolution of the Company’s Executive Board No. 42/1240 dated 23.11.2020;
* In accordance with the provisions on the payment of bonuses from the chief’s fund and the fund of the Chairman of Executive Board of the Company, approved by the Company’s decisions, for achieving positive results with the improvement of structural unit activities, as well as for active participation in the arrangement and implementation of corporate events within the structural units, individual Employees of the Company were paid bonuses in the amount of KZT 83.3 mln.;
* In accordance with the “Regulation on the procedure for determining and using the savings of the salary fund of UMP JSC, approved by the resolution of the Company’s Executive Board No. 62/1197 dated 25.12.2019, the savings of the salary fund in 2020 were used as payments to the Company’s Employees:

- bonuses through payroll savings by the end of 2020 in the amount of KZT 288,9 mln. (based on the resolution of the Executive Board No. 45/1243 dated 10.12.2020);

- bonuses for the submission of proposals for improving the effectiveness of the Company in accordance with the “Regulation on remuneration for the Idea” approved by the resolution of the Executive Board No. 6/1141 dated 01.02.2019 in the amount of KZT 1.9 mln.;

- bonuses for winning prizes in the show competitions in accordance with the relevant regulations, approved by the Company’s decisions in the amount of KZT 2.6 mln.;

- remuneration for the employees’ inventions in accordance with the Company’s Standard (ST 09.0027), approved by the resolution of the Company’s Executive Board
No. 37/1172 dated 30.07.2019 in the amount of KZT 5.1 mln.

* “Regulations on welfare assistance to the paid annual leave to the employees of UMP JSC” approved by the resolution of the Company’s Executive Board No. 59/1194 dated 06.12.2019 became effective by the Company’s order No. 1840 dated 24.12.2019. The amount of welfare assistance is equal to the size of one official salary of the Employee. The amount of welfare assistance paid in addition to the annual leave amounted to KZT 601.2 mln. This payment increased the average salary for the Company by 5.9 %.

In connection with the introduction of the state of emergency in the Republic of Kazakhstan and the introduction of restrictive measures to prevent the spread of coronavirus infection (COVID-19) in the territory of East Kazakhstan region, 44 Employees of the Company were sent to idle for reasons beyond the control of the Employer and Employee. The amount of payment for idle period amounted to KZT 2.1 mln.

The analysis of the regulations on the Company’s divisions and job descriptions of the Company’s specialists is carried out for the availability of responsibility of the Company's officials for the organization of salaries. Based on the analysis results, the regulations on the Company’s divisions, job descriptions for specialists performing staff management functions, as well as the organization of salaries were updated. Thus, the risk of violation of the Labor Code of the Republic of Kazakhstan and infringement of the rights of employees to timely and full payment of salaries is minimized, increasing the responsibility of the Company’s officials for organizing salaries.

# Improving the selection and recruitment procedures of the Company’s Staff

The need for Staff in 2020 was provided through the competitive selection of Staff in HR-Recruiting automated system in compliance with the principles of competitive selection:

* Planning for the selection of staff based on the units’ needs;
* Transparency of competitive procedures;
* Clear and transparent selection criteria based on the qualification requirements for the position/profession;
* Professionalism, personal qualities of the candidate and their compliance with the qualification requirements for the position/profession;
* Justification of decisions based on the principle of meritocracy;
* Use of candidate evaluation methods that allow you to make objective decisions when hiring staff;
* Non-discrimination, professional, open and respectful treatment of all candidates;
* Compliance with the current legislation of the Republic of Kazakhstan;
* Rational use of resources for staff attraction and recruitment.

Sourcing of qualified Staff was carried out in the following ways:

a) from an internal resource - among the Company’s Employees, including those included in the pool of successors to key positions;

b) from an external resource - through specialized Internet resources, etc.

Consideration of candidates from the pool of successors for key positions/internal resources of the Company/subsidiaries of the Company and the Sole Shareholder was a priority in the specified order over other candidates from the external resource, all other things being equal.

The procedures of competitions included the following stages:

* Placement of information (publication) about the competition for a vacancy on information resources, including in the HR-Recruiting;
* Search for candidates and collect resumes;
* Analysis of resumes, selection of candidates who meet the requirements of the position/profession;
* Consideration by the chief of unit;
* Professional testing of candidates, evaluation of candidates according to the competence model (for external candidates for the office positions) in accordance with the competence model of UMP JSC;
* Security check;
* Making decisions on candidates in accordance with the Regulations on the Competition Commissions for the Selection of Candidates in the Company;
* Job offers to final candidates;
* Providing feedback to candidates through HR-Recruiting;
* Publication of information about the results of recruitment in the HR-Recruiting.

The results of the and recruitment of the Company’s Staff shall be assessed by the implementation of the scheduled key performance indicators (KPIs):

* Staff turnover rate in 2020 was 4.9%, with a planned value of no more than 7%;
* Satisfaction of the main production facilities and the Office of technical preparation of UMP JSC with the provision of staff for the submitted applications was 100%, with the planned value of at least 95%.

# Professional development of the 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 2020 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 2020 the total amount spent on education and training of employees was equal to KZT 74.005 mln. Total number of trainings passed by employees in 2020 was equal to 9,277 person-trainings (hereinafter – person), including as part of implementation of:

* Advanced training, professional training and re-training programs – 8,878 persons;
* Corporate training programs – 199 persons (24 persons – “School of Successors”; 25 persons – “Leaders School”, 20 persons – course for internal coaches, 20 persons – Lean manufacturing course, 41 persons – workshop “School of shift foremen”, 26 persons - workshop “New Procurement Procedure and Standard for Samruk-Kazyna JSC Procurement Activities management and ИСЭЗ 2.0”, 28 persons - workshop “Integrated management systems as business management tool based on ISO 9001:2015, ISO 14001:2015, ISO 45001:2018”, 15 persons – education in psychological support and Labor Code of the RK).

As part of E-Learning implementation, 200 employees were provided with an access to online training portal of Virtual training and webinars of the Private Institution “Corporate University of “Samruk-Kazyna”. Dynamics of professional development and training of the Company’s employees since 2018 is shown in Table 2 below:

Table 2

|  |  |  |
| --- | --- | --- |
| Description | Unit of measurement | Year |
| **2018** | **2019** | **2020** |
| Total amounts spent on education and training  | KZT mln.  | 78.0 | 73.4\*\* | 74.0\*\* |
| Total number of employees participated in the professional development and training courses | man-seminars\* | 9,043 | 9,577 | 9,277 |

*\* Total number of trainings completed by the Employees during the period.*

*\*\* Indicated total amounts include: Clause 6.2.3 hereof – expenses for professional development of employees and Clause 6.2.4 hereof – expenses for preparation of master’s degree students and bachelors and implementation of dual educational system.*

# Implementation of corporate training programs for Employees and attracting talented graduates

Within the framework of an Agreement on scientific and technical cooperation between the Sole Shareholder and East Kazakhstan Technical University named after D. Serikbayev since 2017 has been preparing the master’s degree students and since 2018 the bachelors for the Company’s needs on the basis of East Kazakhstan Technical University named after D. Serikbayev. Expenses for their training in 2020 were equal to KZT 8.93 mln.

In 2020, the fourth group of students being studied under the Company’s educational grant - 1 master’s degree student (employee of the Company) for 2020-2022 academic years and 4 bachelors’ degree students (employees of the Company) for 2020-2024 academic years was formed.

For the period 2017-2020, 7 persons among non-employees of the Company who were trained under the grant of UMP JSC were employed.

Dynamics of expenses on bachelors and master’s degree students training as well as the number of students having been studied for 2017-2020 is shown in Table 3 below:

Table 3

|  |  |  |
| --- | --- | --- |
| Description | Unit of measurement | Year |
| **2017** | **2018** | **2019** | **2020** |
| Expenses for bachelors and master’s degree students training | KZT mln.  | 4.50 | 20.00 | 11.71 | 8.93 |
| Number of students | persons | 9 | 21 | 17 | 20 |

The Company carries out comprehensive work on preparation of professional staff through the implementation of a dual training system, within the framework of which:

* The group to the number of 8 persons was composed for training on the line of profession “Operator-Hydrometallurgist” in Municipal Public Institution “Ust-Kamenogorsk Multi-Discipline Technological College”.
* Cooperation agreement on the joint training of Metallurgical technicians was concluded with Eastern Technical and Humanitarian College.

Expenses for scholarship as part of implementation of the dual training system in 2020 were equal to KZT 0.59 mln.

Dynamics of expenses for paying the scholarships as part of implementation of the dual training system for 2017-2020 is shown in Table 4:

Table 4

|  |  |  |
| --- | --- | --- |
| Description | Unit of measurement | Year |
| **2017** | **2018** | **2019** | **2020** |
| Expenses for paying the scholarship as part of implementation of the dual training system | mln. KZT | 2.34 | 0.87 | 0.53 | 0.59 |
| Number of students | persons | 11 | 9 | 9 | 8 |

Change of expenses for paying the scholarship is due to the change by an educational institution of education program for students’ preparation (including due to quarantine measures) and, as a result, reduction in the period of internship with payment of a scholarship, as well as a decrease in the number of students.

# Development of the Staff potential by working with a pool of successors, implementing professional skills competitions, etc.

Continuous development of the Staff potential is carried out by working with a pool of successors for key positions, implementing professional skills competitions, etc.

The Company has a procedure that regulates the unified process for succession planning within the Company’s Staff, determines the procedure for forming a pool of successors and the development of successors.

The successor pool is aimed at:

* Providing candidates for vacant key positions on a mid- and long-term horizon;
* Identifying and develop promising Employees in order to maximize their potential to achieve the Company's strategic goals and objectives;
* Additional incentives for the Employees with the possibility of their development and career growth;
* Forming an attractive image of the Company as an Employer that contributes to the attraction and retention of high-potential Employees.

The Company’s successors pool consists of 470 people. 6 Employees of the company were selected to the pool of successors of the Corporate Center of the Sole Shareholder.

In 2020, among the successors:

- 39 people were appointed to key positions;

- 187 people were trained in various areas during the year, including corporate courses aimed at developing the potential of their successors.

- 123 people took part in scientific, cultural, social events, as well as events aimed at improving the activities of the unit and the Company.

The potential of Employees has also increased through the implementation of professional skills competitions. The Company has a Regulation that defines the goals and objectives, arrangements and conditions for conducting professional skill competitions among the Company’s workers, the procedure for organizing them, conducting and summing up the results, as well as awarding the winners.

The main purpose of conducting professional skill review competitions is to increase the professional competence of workers and the status value of their professions. Review competitions of professional skills contribute to:

* Activation and development of the creativity of the Company’s workers, the development of advanced working practices and methods;
* Assessment of the level of professional training of workers and promotion of its improvement, efficiency and quality of work performed by them;
* Identification of the best professionals and increasing the use of the human resources potential of PIC units.

Competitions are held at the level of PIC units, where the participants of the competition are the workers of one division and at the level of the Company, where the participants of the competition are the workers of different PIC units.

A plant-wide competition of professional skills and competitions at the level of PIC units in various professions are held annually.

In 2020, 1 review competition of professional skills at the Company level for the title of Best Electric and Gas Welder of UMP JSC and 7 competitions in PIC units in various professions were held.

The Company’s Employees constantly take part in professional skills competitions organized at the city and regional level (including within the framework of WorldSkills), as well as by the Sole Shareholder.

In 2020, 5 Employees of the Company took part in Zhyl Kyzmetkeri competition held by the Sole Shareholder, while 1 Employee of the Company was awarded the title Zhyl Kyzmetkeri in the category Professional.

4 Employees of the Company took part in the competition UZDIK MAMAN, held by the Center for Social Interaction and Communication of National Welfare Fund “Samruk-Kazyna” JSC.

# Cooperation with the Trade Union and ensuring compliance with the mutual obligations of the Employer and Employees

One important objective of the Company is to create favorable conditions for the Employees. The Company bears responsibility for the issues of social protection of its Employees, maintaining employees confident in the future. In order to strengthen social partnership, respect responsibility, ensure guaranteed benefits and payments to employees, on February 26, 2019, a 2019-2022 Collective Agreement was signed (hereinafter referred to as the Collective Agreement), which is a legal act regulating social and labor relations, as well as relations directly related to labor relations in the Company. The subject of the Collective Agreement is the establishment of specific mutual obligations in the field of labor between representatives of employees and the employer of the Company on the basis of the legislation of the Republic of Kazakhstan.

The Collective Agreement with regard to social benefits, guarantees and compensations provided at the expense of the Company covers all Company employees, regardless of their membership in a trade union organization.

For the purpose of collective negotiations, preparation of the draft Collective Agreement and amendments to it, the Commission for the negotiation and preparation of the draft Collective Agreement (hereinafter referred to as Commission) was established on a parity basis. In 2020, five meetings of the Commission were held, at which amendments and additions to the current Collective Agreement were discussed. On a quarterly basis, the Commission for Monitoring the Implementation of the Collective Agreement monitored the fulfillment of the terms of the Collective Agreement. The mutual obligations of the employer and the Employees under the Collective Agreement for 2020 in accordance with the current legislation of the Republic of Kazakhstan (Labor Code of the Republic of Kazakhstan, the Law of the Republic of Kazakhstan "On Trade Unions"), the Charter of the Company, the Labor Regulations of the Company and the financial plan of the Company are fully fulfilled.

Information about the conditions of the Collective Agreement is available on the Corporate website of the Company as well as was conveyed to the employees during the meetings of the Chairman of the Executive Board with representatives of the Company's workforce.

In 2020, the Company allocated money to the Trade Union for cultural, sports and recreational activities for the employees of the Company in the amount of KZT 17.5 mln.

# Development of social programs for the Employees

The Company pays great attention not only to social payments, which are aimed at creating a healthy working climate in collectives that allows Employees successfully carry out their duties, but also to the social support of the former employees.

The size of the social package in 2020 year have amounted to:

|  |  |
| --- | --- |
| ■ per a single Employee          | KZT 57.3 thous.  |
| ■ per one former employee          | KZT 12.2 thous. |

In total, in 2020 it was spent on:

 *KZT mln.*

|  |  |
| --- | --- |
| ■ Financial help to Employees  | 55.1 |
| ■ Social support to former employees of the Company  | 26.8 |
| ■ Voluntary insurance for the Company Employees in case of illness  | 76.1 |
| ■ Medical care for employees and former employees of the Company  | 73.3 |
| TOTAL: | 231.3 |

In order to provide social support to the Employees to improve housing conditions the Company has Regulation "On the procedure for consideration of applications for the provision of long-term loans to employees of UMP JSC. For the improvement of housing conditions funds are allocated in the amount of KZT 50 mln. annually. In 2020, 9 employees of the Company improved housing conditions totaling KZT 48.6 mln.

**1.2.8** **Youth Policy of the Company**

Active work with young employees is one of the most important priorities of the Company. It is aimed at involving Young workers in social activities, stimulating and disclosing their professional and creative potential.

Measures to adjust young workers are carried out in the framework of the UMP JSC Regulations on young professionals and young workers. Graduates of universities and institutions of technical and vocational, post-secondary education, trained in a specialty in demand in the Company, and admitted to the Company in the first year after graduation, are assigned the status of Young Specialist / Young Worker. During the period of the said status the Employee under the guidance of an experienced mentor acquires the necessary skills, studying the technology of production and specificity of work, meet with the workforce and is attached to the corporate culture.

In order to adapt to the corporate culture, exploring the traditions and regulations the Company developed "Newly Ulba Metallurgical Plant Employed Memo" which is given to each newly adopted employee.

Since 2003, the Company has a Youth Association (hereinafter referred to as YA). The main goal of YA is the creation of conditions for the full spiritual, cultural, educational, professional and physical development of young workers, participation in decision-making, the successful socialization and the direction of their potential for further development of the Company.

YA includes representatives from among the most active young workers, successfully combining industrial activity, working in the YA, as well as participation in social and political life of the community and region (Ust-Kamenogorsk and Kurchatov).

In 2020 YA carried out its activities in accordance with the "Regulations of the primary UMP JSC Youth Association as part of the public association "Nuclear Forum" and in the framework of the Year of the Volunteer announced in Kazakhstan in 2020.

YA members took part in:

■ Online forums and meetings of the Sole Shareholder Youth Board;

■ Round table to discuss the draft law “On the Procedure for Conducting Peaceful Assemblies”;

■ Meetings on youth affairs under the akimat of Ust-Kamenogorsk;

■ Organizing election campaigns of candidates for deputies from UMP JSC to maslikhats of the Eastern Kazakhstan region and Ust-Kamenogorsk city;
■ All events held by the Company (online Olympics and challenge, competitions, workshops, etc.), the administration of the region (Ust-Kamenogorsk and Kurchatov) and Nur Otan party.

In 2020, Timur Aldazharov, the leading research engineer of the uranium laboratory of the scientific center of the Company was recognized as the “Best Young Scientist” in the framework of the presentation of the annual youth award of the Akim of Ust- Kamenogorsk. Margarita Mekhnina, acoustic tests operator from the testing center of the Company, became the “Best Young Athlete”.

**1.3** **Ensuring social tranquility in the Company**

The Company pays special attention to carrying out various measures to prevent conflicts and labor disputes among employees.

The resources available in the Company for resolving conflict situations are supplemented by the presence of mediators and the activities of the Ombudsman.

**1.3.1. Institute of mediators**

The Company's activities in this area includes the area of preventive education, mediation and techniques of negotiating in crisis situations. In the event of any labor disputes and conflicts, these issues are resolved in accordance with the Labor legislation of the Republic of Kazakhstan. Also, mediation methods of resolving labor disputes are used, through which it is possible to resolve the conflicts that have arisen. For the development of the mediation institution the Fund established the Corporate Center of mediation and negotiation process with the Social Partnership Center. The Institute of mediators with special training has existed in the Company since 2013. List of mediators is published on the Corporate Portal of the Company.

In 2020, there were no requests from the Company's Employees to mediators.

**1.3.1. Ombudsman Institute**

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

In 2020, UMP JSC Ombudsman was trained within the program “Corporate Ombudsman” in the online format arranged by IVT LLP of the “Kazakhstan Nuclear University”.

Information about the Ombudsman is also posted on the information stands of the Company, indicating contact telephones and e-mail addresses.

In 2020, there were no complaints from the Company’s Employees to the Ombudsman.

**1.4** **Anti-corruption and fraud management, settlement of corporate conflicts and conflicts of interest**

In 2020, in the Republic of Kazakhstan, the ideology of integrity in Company becomes the basis for a conceptual change in the paradigm of combating corruption. Compliance services are being created in the quasi-public sector focused on monitoring compliance with anti-corruption legislation and preventing corruption practices with a special focus on risk assessment, abuse prevention, identification and management of conflicts of interest, as well as employee training.

For realization of tasks the Company is arranging extensive organizational work. The main internal normative documents in the field of ethics and compliance have been adopted:

■ Resolution of the Board of Directors No. 5 dated March 27, 2020 effected “Code of Coprorate Ethics and Compliance” of UMP JSC;

■ Resolution of the Board of Directors No. 7 dated May 05, 2020 effected “Anti-corruption and Fraud Management Policy” of UMP JSC in the new edition and within the framework of the above Policy in accordance with paragraph 2 of Article 10 of the Law of the Republic of Kazakhstan “On Anti-corruption” – “Anti-corruption Standard of UMP JSC”;

■ Resolution of the Board of Directors No. 8 dated June 30, 2020 approved “Regulations for the settlement of corporate conflicts and conflicts of interest of UMP JSC”.

The Risk and Compliance Officer started working in May 2020.

As a systemic measure of anti-corruption monitoring the Company has successfully implemented the project “Declaration of Conflict of Interests”. With the help of the commissioned web application, the practice of mandatory declaration of the absence/presence of a conflict of interest has been introduced. Declaration was filled by 100% of staff available in the workplace.

The Company implements the practice of written confirmation of acceptance of anti-corruption restrictions by the heads of services / divisions, equated to persons authorized to perform state functions. Order No. 1296 dated October 2, 2020 for the Company approved the List of UMP JSC positions included in the category of persons performing managerial functions in UMP JSC/equated to persons authorized to perform state functions. The Company has introduced a formalized, documented and risk-based approach to the compliance check of counterparties. New counterparties, as well as all counterparties, on an annual basis provide a counterparty questionnaire, in which they disclose information about themselves for a comprehensive analysis (due diligence). The form of anti-corruption provisions for inclusion in the contracts/agreements concluded by the Company was approved.

To minimize possible causing of any material damage, the emergence of corruption risks, as well as protecting the business reputation of the Company as a subject of the quasi-public sector, procurement procedures were monitored in the manner prescribed by ST NAC 13.6-2019 “Organization of economic and own security of NAC Kazatomprom JSC”,
I.19.0009 -16 “Procedure for checking a potential supplier”.

There is zero risk appetite for corruption established. Corruption risks are assessed on an annual basis, the Board of Directors approves a register and a corruption risk map, as well as an action plan to minimize corruption risks. There are no realized corruption risks in the Company.

In order to raise awareness training is conducted among the Company Employees. In 2020 Staff Director Service familiarized all Company Employees with the principles of ethics (including anti-corruption issues), followed by testing. The Risk and Compliance Officer conducted two seminars for administrative and management staff on conflict of interest issues (with subsequent testing), on changes in the anti-corruption legislation of the Republic of Kazakhstan. Two groups were organized for training at master classes held by the Sole Shareholder on the topics: Code of Corporate Ethics and Compliance and Compliance Checking of Counterparties.

With the aim of anti-corruption education, the formation of an intolerant attitude towards manifestations of corruption, the prevention of corruption and in honor of the International Day against Corruption (December 9), a poster competition “We are against corruption!” was held among the Company's Employees. The competition was preceded by the publication in the corporate edition “UMZ-Inform” of a series of articles on the topic of “Anti-corruption”.

For the effective fight against risks, adequate counteraction to offenses, the Company applied the “Policy of Confidential Reporting of Possible or Known Facts of Fraud, Violations of Internal Control Procedures and Other Standards of NAC Kazatomprom JSC”.

Information about the methods of contact persons and contacting the hotline of the external independent organization KPMG Tax and Advisory LLP, which provides hotline services and for the possibility of obtaining from the Company's Employees and interested parties information about the facts of corruption, fraud, violations of corporate ethics, as well as illegal actions of the Company's officials, is posted on the information stands, on the internal and external corporate websites of the Company.

# Measures for occupational safety and protection of the environment

The Company is fully aware of its responsibility for ensuring trouble-free production activities, safe working conditions for the Employees and maintaining the health of the population living in the region of presence.

The Company has implemented an integrated management system that meets the requirements of international standards ISO 9001 (quality management system), IS0 14001 (environmental management system) and ISO 45001 (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 environmental protection, radiation and nuclear safety.

In 2020, UMP JSC switched from the OHSAS 18001 standard to an updated version of the ISO 45001 standard. The Company underwent a supervisory audit
by Intercertifica TÜV LLC together with TÜV Thuringen, which confirmed the compliance of the Company's management system with the requirements of ISO 9001, ISO 14001 and ISO 45001.

**2.1.** **Protection and provision of safe working conditions**

**2.1.1 Main directions of the Company’s activity**

In 2020, a contract of compulsory insurance of the employee against accidents in the performance of his (her) labor (official) duties was concluded with
LIC Nomad Life JSC dated November 18, 2019, Series 41 No. 41011119001/301118/3.

In order to take measures to prevent accidents at work, the Company records all accidents, as well as investigation and analysis of their causes. Based on the results of investigations preventive measures were developed, however, in 2020 the Company took one accident with the operator of Beryllium operations. An investigation of the circumstances and causes of the accident was carried out. The following reasons for a work-related accident have been identified:

The causes of the accident were:

1) Depressurization of the sight glass along the weld line;

2) Personal negligence of the victim, expressed in the fact that he, having taken off his goggles, opened his eyes without thoroughly rinsing his face with running drinking water, which is a violation of the requirements of clause 3.17.38 “In case of contact of hazardous substances in the face before taking your glasses off, close your eyes, squeeze your eyelids tightly, tilt your head down. After taking your glasses off, thoroughly rinse your face with running drinking water and only then open your eyes” and p. 4.4 “If corrosive liquids, solutions, beryllium-containing liquids and pulps come into contact with the body, proceed as follows: Immediately throw off drenched clothes and other PPE and wash yourself under an emergency shower. Before you take your goggles off, close your eyes, firmly squeeze your eyelids, upon taking your glasses off, rinse your face thoroughly with running drinking water and only then open your eyes ...” “Safety and labor protection instructions for the BO operator performing work in the chemical section of the chemical and metallurgical division in shop No. 1 BO” S&LP No. 41.013-18.

Within the framework of the “7 golden rules” of the VIZION ZERO concept the Company is constantly working to achieve the main goal - the pursuit of zero injuries.

In order to develop occupational safety culture in the workplace, openness, awareness and personal responsibility of each Employee for creating and maintaining a safe working environment, the Company regularly conducts the study, analysis and implementation of global best practices in the field of industrial safety. In 2020 the Company implemented STOP-MAP procedure where Employees suspend/stop unsafe work.

The essence of the procedure is that each and every Employee is empowered to suspend work if:

■ there is a danger to his/her health and (or) life, health of others;

■ there is a risk that the continuation of work will lead to an incident, accident, environmental pollution;

■ works are carried out in violation of safety requirements.

On a regular basis, conduct of behavioral safety audits is organized, aimed at systematic conduct of verification of the work performed by staff by managers of all levels in order to improve the working conditions of the Employees and to prevent and exclude injuries in the workplace.

Cascade-type training is arranged for newly adopted Employees with “7 golden rules” in accordance with the Occupational Safety Code.

In 2020, the Company developed and implemented a system of encouragement and motivation of Employees for improving the culture of industrial safety.

An analysis of the accident frequency rate for 2020 is presented in Table 5 below.

Table 5.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Number of employees** | **Number of accidents** | **Actual** **Cf\*** | **LTIFR \*\*** | **Target value Cf / LTIFR** |
| **group** | **deadly** | **heavy** | **light** | **Total** |
| 3,681 | 0 | 0 | 0 | 1 | 1 | 0.27 | 0.18 | 0/0 |

\*Coefficient of injury frequency Cf - characterizes the number of accidents per 1,000 employees for a certain period of time

\*\*LTIFR is a measure of injuries per million hours worked

In order to prevent and detect violations and deviations from the requirements of the current rules, norms, instructions, standards and other regulatory legal acts on labor protection, technical (trade union) labor protection inspectors, together with managers and specialists of structural divisions, carried out monthly scheduled inspections of the state of safety and security labor in the workplace. The results of the inspections were discussed at the Occupational Safety Days, which were held in the departments on a monthly basis.

Together with the Trade Union, a review competition is held annually on labor protection, environmental protection, industrial and fire safety in the Company. The results of this competition are summed up once a year. The winners of the review-competition on labor protection, environmental protection, industrial and fire safety in 2020 will be determined after summing up the results.

The purpose of the contest is to attract the Company’s Employees to participate actively in the work to comply with the safety rules and labor protection, industrial and fire safety, reduce workplace injuries and occupational diseases, improve working conditions and culture of production, reduction of emissions and discharges of pollutants into objects environment.

**Checks by the internal control of the enterprise:**

In 2020, specialists of the industrial safety and labor protection department of the service of the director for production safety carried out 40 inspections in the divisions of UMP JSC. 420 violations were revealed, currently 364 of them have been eliminated. The deadline for eliminating the remaining violations did not come up.

**State audits:**

From January 6, 2020 through January 22, 2020 the state labor inspectors
of the State Institution “State Labor Inspection Office of Eastern Kazakhstan Region (EKR)” checked for compliance with the UMP JSC regulations and mandatory requirements. 30 violations of labor safety and health were identified. On the basis of the audit, an order was issued on elimination of violations No. 1421-E dated January 22, 2020. According to the results of the audit there is no fine.

The audit service director for safety of production developed an action plan (No. 14-01-10/190 dated February 13, 2020) to address violations under the instruction of SO Department of State Labor Inspection of EKR. All violations were eliminated on time in full.

From May 21, 2020 through June 03, 2020 RSO “Emergency office of the city of Ust-Kamenogorsk DES EKR CSF MIA of RK” checked compliance of Kazakhstan legislation in the field of civil protection for the execution of previously identified violations of fire safety rules. On the basis of the audit, an act on the results of the audit No. 85-E dated May 28, 2020 was issued. No violations were found.

From September 21, 2020 through October 9, 2020 the Department of the Committee of Industrial Development and Industrial Safety of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan on the Eastern Kazakhstan Region audited, by special order, UMP JSC for compliance with requirements of the legislation of Kazakhstan in the field of industrial safety at hazardous production facilities. During the inspection 42 violations were revealed. The deadline for eliminating violations has not come. In accordance with Article 298 Part 1 of the Code of the Republic of Kazakhstan dated July 5, 2014 “On Administrative Offenses”, according to the results of the audit, an administrative fine was imposed on a legal entity - 50 MCI (KZT 138,900). Based on the results of the audit, an Action Plan No. 14-08-06 / 1333 dated October 30, 2020 was developed to eliminate the identified and prevent such violations.

From November 9, 2020 through November 26, 2020 the Republican state institution "Department of Emergency Situations of the city of Ust-Kamenogorsk to the Department of Emergency Situations of East Kazakhstan region of the Committee for Emergency Situations of the Ministry of Internal Affairs of the Republic of Kazakhstan" audited UMP JSC for the compliance with fire safety rules. During the inspection 26 violations were revealed. The deadline for eliminating violations has not come. In accordance with Article 410 Part 2 of the Code of the Republic of Kazakhstan dated July 5, 2014 "On Administrative Offenses", based on the results of the audit an administrative fine was imposed on a legal entity - 50 MCI (KZT 138,900). Based on the results of the audit, an Action Plan No. 14-06-06 / 1526 of 15.12.2020 was developed to eliminate the identified and prevent such violations.

From December 14, 2020 through December 15, 2020 the Republican state institution “Department of Emergency Situations of the city of Ust-Kamenogorsk Emergency Management Department of the city of East Kazakhstan region of the Committee for Emergency Situations of the Ministry of Internal Affairs of the Republic of Kazakhstan” audited UMP JSC on the subject of execution of previously identified violations of fire safety norms and rules. During the inspection, no violations were revealed.

**2.1.2 Occupational safety management system**

In 2020, the occupational health and safety management system was carried out in accordance with the laws of the Republic of Kazakhstan, regulatory and technical acts, orders, instructions of the Company, the requirements of the international standard IS0 45001, instructions and recommendations of the Sole Shareholder regulating the requirements for industrial safety.

Scheduled qualification of production facilities for working conditions was carried out in December 2018 in accordance with the “Rules for Mandatory Periodic Qualification of Production Facilities for Working Conditions”.

For each workplace and technological operation, lists of potential hazards are compiled, which are included in the labor protection instructions.

**2.1.3 Personal protective equipment for the Employees**

All Employees of the Company are provided with PPE and safety devices in full in accordance with applicable regulations. In 2020, KZT 290.5 mln. were spent for the purchase of this equipment.

Constant control over provision of employees with overalls, special footwear and other means of individual protection was carried out. 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 in departments on a constant basis.

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

**2.1.4 Employees professional development**

On a permanent basis the Company pays close attention to training of Employees in safety and labor protection, industrial, fire, radiation, and nuclear safety.

In 2020, 356 Employees underwent training in specialized advanced training centers for the training courses of "Occupational Health and Safety" and "Industrial Safety" and received standard certificates.

Introductory briefing was conducted for 342 Employees, and 268 Employees were given initial instructions on occupational health and safety at the workplace and knowledge was tested. There were no persons who have not undergone training, knowledge testing and admitted to independent work.

In 2020, industrial safety engineers monitored 24 emergency drills and 23 instruction alarms. During instruction alarms, 10 violations were revealed, and during emergency drills - one violation. All violations have now been eliminated.

**2.1.5 Financing of occupational safety measures**

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 2020 (hereinafter – the Comprehensive Plan) was developed and approved on 20.12.2019 for these purposes in the Company by the Executive Board Chairman.

148 actions were performed as per the Comprehensive Plan, for which KZT 152.3 mln. were spent, including:

* 106 measures were taken to improve working conditions, KZT 92.1 mln. were spent;
* 34 measures were taken to reduce the likelihood of injury, KZT 58.3 mln. were spent;
* 8 measures to reduce the overall morbidity, KZT 1.9 mln. were spent.

Working conditions were improved for 2,853 Employees, the likelihood of injury was reduced for 800 Employees, and the likelihood of illness and accidents was reduced for 600 Employees.

In order to prevent and identify violations and deviations from the applicable rules, norms, instructions, standards and other regulatory legal acts on labor protection, technical (trade union) labor protection inspectors together with managers and specialists of structural divisions conduct scheduled inspections of the state of occupational health and safety at workplaces. The results of inspections are discussed at the Occupational Safety Days which are held in the departments on a monthly basis.

**2.1.7 Core business declaration**

In accordance with the Law of the Republic of Kazakhstan "On Civil Protection", 9 industrial safety declarations have been developed and approved

# 2.2 Environmental 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 approved at the meeting of the Executive Board (Minutes No. 35/1233 dated 06.10.2020), activities to reduce environmental pollution were performed.

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

In 2020, gross emissions of pollutants into the atmosphere by the Company's divisions at the site in Ust-Kamenogorsk amounted to 43.8% of the established limits, while gross discharges to Ulba River were equal to 55.7 % of the established limits, and the volume of hazardous waste disposed was 83.0 % of the established limits.

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

The Company provides financing for environmental protection measures, including the costs of improving the efficiency of dust and gas treatment plants, protection and rational use of water resources.

In accordance with the Company Action Plans for Environmental Protection for 2020, 11 activities were planned to the amount of KZT 692.3 mln.

In accordance with Action Plan for Environmental Protection for 2020 at Karadzhal Mining & Concentration Complex (hereinafter - MCC) of the Company, 11 activities were planned to the amount of KZT 7.8 mln.

In accordance with Action Plan for Environmental Protection for 2020 of MCC of the Company in Kurchatov city, 9 activities were planned to the amount of KZT 3.2 mln.

Note: Actual expenses spent in 2020 for implementation of Action Plans for Environmental Protection:

* UMP JSC, Ust-Kamenogorsk – KZT 1,256.8 mln. The increase in costs for the implementation of activities was caused by the follows:
* “Tailings dump. Map 1C. Stage 2. Enclosure”: works were performed that were not completed in 2019 due to non-fulfillment of contractual obligations by the contractor;
* “Tailings dump. Evaporation pond (map) No. 5. Stage 2 construction»: works scheduled for 2021 were completed ahead of schedule in full in 2020;
* “Tailings dump. Slurry pipelines of Tantalum and Uranium Operations, and Service Center from Pipe Saddle 525 to the evaporator pond (map) No.1. Installation”: project cost has risen and works planned for 2021 were completed ahead of schedule in full in 2020.

Any activities planned for 2020 have been completed with the exception of the development of the “Report on Geological Information of the Subsoil Area for the Injection of Conditionally Clean Effluents of UMP JSC into the Alluvial Aquifer of the Ulba River Valley” and its approval by the Committee of Geology and Subsoil Use of the Republic of Kazakhstan. The action was partially completed. The Report was developed, and further implementation of the project was suspended due to the refusal to issue the license from the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan.

* Karadzhal MCC – KZT 7.8 mln. Any activities have been completed;
* Concentration plant – KZT 3.3 mln. Any activities have been completed.

In 2020 by the World Environment Day:

* Landscaping, care and maintenance of the administrative territory and the sanitary protection zone of the Company were carried out, including 12,000 flower seedlings planted.
* In March 2020, an exhibition stand on the Company's activities in the field of environmental protection was updated in the lobby of the Company's management building.
* The Ecological Bulletin of the Company is published on a monthly basis on the corporate portal.
* “Days of Environmental Protection” are held in the Company's divisions.
* An order was issued for the Company to encourage Employees for the World Environment Day.
* Information on environmental protection has been updated and posted on the Company's website.
* A radio speech for the World Environment Day by the Director for Industrial Safety was prepared and aired on 05.06.2020

In order to improve the image of the Company for environmental protection and according to the media plan of the Press Office of the Department for public and state authorities relations, the Press Office of the Company prepared and posted the following publications in external media and internal channels for information distribution for the World Environment Day:

* “Rudny Altay” regional newspaper, “Eco-priorities are set”, No.66 dated 04.05.2020;
* "DIDAR" regional newspaper, “Экологиялық басымдықтарды белгілейміз”, No.66 dated 04.05.2020;
* "ALTAY NEWS" news city Internet portal, "UMP: environmental priorities are set", 05.06.2020;
* “7 DAYS” city newspaper “Eco-priorities are set”, No. 22 dated 04.05.2020;
* Press release on the external website of UMP JSC, 05.06.2020;
* "UMP-Inform" corporate newspaper, "World Environment Day", No. 11 dated 05.06.2020.

# 2.3 Ensuring 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 staff should not exceed 20 mSv. In 2020, an actual value of the maximum annual dose in the Company amounted to 2.12mSv, which is almost 10 times less than the limit of the annual effective dose to the staff 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.

# Scientific, technical and innovative and technological development activities

As part of the scientific, technical and innovative and technological development of the Company, more than 30 research and development projects aimed at supporting strategic and other projects of the main operations have been implemented, five of which have been introduced into production.

In terms of technological support of the main operations, recommendations were tested and given for the processing of new types of tantalum, niobium and beryllium raw materials. A technology for the concentration of the Ermakovsky concentrate using fundamentally new technological approaches based on the Tomra Sorting process has been developed and proved by pilot tests. In order to obtain the required properties of products, at the request of Elecond JSC the process parameters of the manufactruing of diameter (0.24 ± 0.1mm) tantalum wire were worked out. Works on the manufacture of pellets for calibration fuel elements of Ulba-FA LLP have been completed. For 2020 the Research Center has issued 6 reports and technical documents with recommendations for the reduction of liquid waste.

In 2020, by the order of the Sole Shareholder, the Research Center completed the first stage of prospecting studies of possible associated extraction of scandium and other valuable metals from solutions of in-situ leaching of uranium from the Company's mining enterprises. This work was carried out with the involvement of the "High Technologies Institute" LLP on a contractual basis. Under an agreement with the Karlsruhe Institute of Technology, Germany, a technological method for producing beryllium intermetallic compounds, considered as candidate materials in thermonuclear power engineering, has been developed and mastered; a sample of a product from chromium beryllide and heat-treated titanium beryllide has been manufactured and delivered to the customer. This work was highly appreciated at the 31st International Symposium on fusion technology SOFT 2020 in Croatia.

In terms of technical upgrade of the production facilities the following projects have been implemented:in 2020 in accordance with the "Consolidated Investment Plan for UMP JSC":

*Southern site. Building 57. Metal annealing furnace*

*Purpose of the project:*

* Upgrade tantalum operations of UMP JSC for the production of Y alloyed Ta products with the improved application and operational properties to expand the presence and share of participation in the existing market and to develop new markets of products.

*Tailings dump. Evaporation pond (map) No. 5. Stage 2.*

*Purpose of the project:*

* Provide the main operations with sufficient free capacities to accept all types of waste and exclude the possibility of forced shutdown.

*Northern site. Building 600. Pellets manufacturing division. Gas control panel for hydrogen supply for СШВЭ furnaces. Technical upgrade*

*Purpose of the project:*

* Replace physically worn-out and obsolete gas analyzers with modern devices for analyzing gas mixtures.
* Reduce damage and losses from possible downtime of the process equipment and manufacture of low-quality products due to failures of measuring equipment.
* Fitting up of the installed equipment.

*Northern site. Building 571A. CT BeCu master alloy production. Fuel and lubricants warehouse.*

*Purpose of the project:*

* Comply with the regulatory documents of the Republic of Kazakhstan to ensure fire safety at the site for the production of carbothermic Copper Beryllium master alloy.

*Northern site. Building 4.4A. Extraction site. ЭЦК-320 centrifugal equipment. Inv.No. 413646, Inv. No. 413647, Inv. No. 413648, Inv. No. 413649. Overhaul.*

*Purpose of the project:*

* Eliminate risks of non-fulfillment of contractual obligations, prevent from possible damage by restoring the original technical characteristics and improve the operational capabilities of the equipment of the extraction site;
* Improve radiation situation by increasing the reliability of equipment during its operation by reducing the number of repairs due to failures with dismantling of internal units contaminated with the product.

The main objective of the Company's innovative activity is to increase profits by attracting new, non-traditional solutions and technologies in this area in the form of intellectual property into the production process.

The Company has identified two main areas of innovative activity - the improvement of existing technological processes and equipment, and the development of new technologies and new types of products.

For the implementation of these directions, conditions are necessary for intellectual work, an important component of which are ideas, rationalization proposals and inventions.

In 2020:

* 385 ideas were submitted under the “Program of 10,000 improvements”, 312 ideas were introduced.
* 78 rationalization proposals were drawn up and implemented, the economic effect of introducing rationalization proposals into production for 2020 amounted to KZT 106.71 mln.
* Patent of the Republic of Kazakhstan No. 34441 was received for the invention of the “Method for producing beryllium concentrate from fluorite-bertrandite-phenakite ores”.

The expert commission of UMP JSC reviewed 4 applications for alleged service inventions. It was decided to protect one invention in the know-how mode, for 3 others to apply for a title of protection in the Republic of Kazakhstan and the Russian Federation.

The Knowledge Base software package which allows to manage and systematize the accumulated intellectual capital of the Company was replenished in 2020 with 39 scientific and technical documents. To build up nuclear technology knowledge and competencies, two reports were prepared and presented at the X School-Conference of Young Siberian Nuclear Scientists, November 09-13, 2020, Tomsk, Russia, and the XVI seminar "Nuclear potential of Kazakhstan", December 2-4, 2020, Almaty, Kazakhstan.

# Economic impact measures in the regions of presence

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# 4.1. Support for the social and economic development in the regions of presence

The Company 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 have joined the implementation of the Comprehensive Plan to Support Orphans and Children Left without Parental Care, and have taken children from orphanages in Ust-Kamenogorsk for foster care. The Company’s Employees introduce children to the conditions of modern life, ensuring their participation in corporate, holiday, sports and other cultural events of the Company.

Employees of the Company did not stay away from the misfortune that happened to the family of the Employee of the Compnay’s Transport Facility. In June 2020 Yu.Tsybriy, who was raising four children alone (his wife died in 2013) died suddenly. Three minor children could end up in an orphanage, since the family lived in a house that needed repair.

To help Yu.Tsybriy’s family, the plant workers raised funds in the amount of KZT 1,161,800. This money was used to purchase materials for home repairs, household appliances, a computer, phones and furniture. Individual staff provided assistance directly with materials. Current repairs inside and outside the house, repairs of the heating system, cleaning of the house territory were carried out by the efforts of the Company's Employees. Minor children stayed with the family.

Upon completion of the charitable action, the Company submitted an application to the “Center for Social Interaction and Communications” private institution for participation in the “Uzdik Volunteer” competition. In total, 87 applications were submitted for participation in the competition. On December 29, 2020, the results of the "Uzdik Volunteer" competition were summed up. As a result of the competition, the Company took the second place in the Best Volunteer Project nomination.

As part of the improvement of the region, the Company regularly conducts work to maintain Potanin's memorial, Slavsky monument (attractions of the city of Ust-Kamenogorsk) in proper condition, which includes cleaning the territory, maintaining lawns and green spaces and current repairs. In 2020, the cost of maintaining the monuments amounted to about KZT 2.2 mln.

In 2020, the Company, as a bona fide subsoil user, made contributions to the Regional State Administration of the Eastern Kazakhstan State Revenue Department at the Ministry of Finance of the Republic of Kazakhstan the social and economic development of the region and its infrastructure. The Company's contributions to the regional budget for these purposes amounted to KZT 7.2 mln.

As a major taxpayer, the Company faithfully fulfills its obligations to timely transfer the accrued taxes and deductions to the budget. In 2020, tax payments and deductions from UMP JSC to the regional budget of the Eastern Kazakhstan region amounted to KZT 1,843.9 mln.

# Sustainable development procurement management procedures

Responsibility for procurement activities and control over their execution is assigned to the Managing Director for Business Support, the Procurement Director's Office and the responsible structural divisions of the Company.

The principle of openness and transparency is ensured by conducting purchases in the electronic procurement information system 2.0 at https://zakup.sk.kz, in which a full cycle takes place from planning the need for goods, works and services, then conducting procurement, conclusion and execution of contracts, ending with the delivery of goods to the warehouse.

From 01.01.2020, according to the Procurement Management Standard of NWF “Samruk-Kazyna” JSC, approved by Resolution No.31/19 dated 09.09.2019 of the Management Board of “Samruk-Kazyna” JSC (Article 3.1.22), a list of pre-qualified potential suppliers of goods, works and services has been formed by the qualification body.

In 2020, the Company carried out:

* Compliance audits of contractors for the purchase of works and services, once for a period of 12 months when concluding contracts/agreements.
* Development and maintenance in working order of the procurement category strategy "Tantalum". Benefits from the implementation of the strategy for 2020 (Reg. No.1281c) have been calculated.
* Master classes by the Acting Procurement Director for amendments to the procurement regulations and other regulations to reduce the risk of errors and untimely procurement of goods, works and services.
* Maintainance for Tantalum Operations of a 3-month standard stock of the raw materials. Remaining stock as of 31.12.2020: 21.2 tons (Tantalum contained). In 2020, the normative stock of the raw materials for Beryllium Operations is not provided for by the plan for the needs of Beryllium Operations in the raw materials.
* Conclusion of contracts for the purchase of goods, works and services with local suppliers in the region of presence:

|  |  |
| --- | --- |
| Region | Number of contracts/agreements with the suppliers |
| Ust-Kamenogorsk, Eastern Kazakhstan region | 298 |
| Nur-Sultan, Akmolinsk region | 99 |
| Almaty, Almaty region | 160 |
| Shymkent, Southern Kazakhstan region | 10 |
| Karaganda, Karaganda region | 25 |
| Pavlodar, Pavlodar region | 20 |
| Aktobe, Aktyubinsk region | 5 |
| Petropavlovsk, Northern Kazakhstan region  | 3 |
| Aktau | 2 |
| Kyzylorda | 1 |
| Kostanay | 1 |
| Uralsk | 1 |

In 2020, there was an increase in unclaimed reserves compared to the volume at the end of 2019, from KZT 377 mln. to KZT 505 mln., by KZT 128 mln., which is 34%.

The main reasons for the growth are:

* Production waste put up for sale in 2021;
* Relocation from the category of liquid inventories transferred during the liquidation of CH UMP LLP;
* Lack of orders for the production of high CV tantalum powders;
* Stop of the production of pellets in Q4 at the Uranium Operations;
* Experimental and trial works at the line of pressing pellets at the Uranium Operations;
* Inventories stored in the warehouses of the Mining & Concentration Complex.

The share of local content in the procurement of goods, works and services for 2020 (except for the raw materials purchased from foreign suppliers) was calculated on the basis of Report Form 4 dated 03.02.2021, integrated from the Electronic Procurement System (zakup.sk.kz).

|  |  |  |
| --- | --- | --- |
| Actual deliveries amount in 2020, KZT | Local content (average weighed\*), KZT  | Local content, % |
| 16,484,419,386.18 | 9,494,394,553.67 | 57.59 |

\* Calculation is made in accordance with Order No. 260 dated April 20, 2018 of the Minister for Investment and Development of the Republic of Kazakhstan "On approval of the Unified methodology for calculating local content by the organizations when purchasing goods, works and services."

# Control mechanisms

Appropriate control mechanisms have been formed for the purpose of implementation the Sustainable Development Program, achievement its objective and solution of the tasks.

# Production Council on Occupational Health and Safety

In accordance with article 203 of the Labor Code of the Republic of Kazakhstan, for implementation of joint actions of the Company and Trade Union to ensure labor protection requirements, prevention of industrial injuries and occupational diseases, the Production Council on Occupational Health and Safety of UMP JSC was established.

In 2020, 3 meetings of the Production Council were held. The following issues were considered and discussed during the meetings:

* on the results of the Company's work on occupational health and safety, industrial, nuclear and radiation safety, environmental protection in the 1st half of 2020;
* on the results of competition on occupational health and safety in honor of the World Day for Safety and Health at Work;
* on approval the composition of the Company’s Production Council;
* on development the work plan of the Production Council on Occupational Health and Safety for 2021;
* on approval the candidates for technical inspectors on occupational health and safety;
* results of the work of technical inspectors on occupational health and safety of the Company’s structural divisions (work of technical inspectors on occupational health and safety of the Company’s structural divisions was recognized as satisfactory).

In accordance with the Company’s standard ST 14.0028-20 “Arrangement of work to ensure occupational safety in UMP JSC” the Company holds meetings (on a quarterly basis and at the end of the year) under the Executive Board Chairman, at which issues on occupational health and safety, environmental protection, nuclear, radiation, industrial and fire safety in the Company are considered for the past period.

Due to introduction of restrictive measures for the period of COVID-19, 2 meetings were held in 2020 under the Executive Board Chairman:

* No. 14-01-04/193 dd. 14.02.2020 “On results of work for 2019 applicable to occupational health and safety, environmental protection, nuclear, radiation, industrial and fire safety”;
* No. 14-01-04/1520 dd. 14.12.2020 “On results of work for 9 months of
2020 applicable to occupational health and safety, environmental protection, nuclear, radiation, industrial and fire safety”.

For the effectiveness of work applicable to occupational health and safety, environmental protection and radiation safety, the Company maintains reporting applicable to sustainable development:

* Reports on the state of occupational health and safety, environmental protection and radiation safety are drawn up on a quarterly basis and at the end of the year and sent to the Sole Shareholder in due time;
* During the year, in accordance with the fixed dates, reports are prepared on the implementation of protocol decisions of corporate seminars-meetings on radiation safety, occupational health and safety, environmental protection.

Information on execution of protocol decisions items and copies of documents confirming the implementation of measures are entered into the PC program “Protocols”.

# Activities recording system

To set objectives, assess the effectiveness of work, as well as manage transformations aimed at making its activities more efficient, the Company maintains reporting applicable to Sustainable Development:

* Consolidated report on Staff training is drawn up at the end of half a year and a year;
* Consolidated information on social and labor indicators is drawn up on a quarterly basis.

In 2020, in accordance with FI 30.0003 “Staff Training”, the Company issued quarterly and annual reports on staff training by divisions of production and industrial complex (PIC) and consolidated in UMP JSC.

Consolidated (the Company & subsidiaries and affiliates) information on Company’s Staff training was sent on a quarterly basis and at the end of the year to the Sole Shareholder as part of reports: 2HR, materials to the outcomes commission based on the results of activities of consolidated group of the Company’s entities, as part of the Integrated Report, and also uploaded to the eKAP portal to the section Human Resource Management.

# Risk management system

The Company’s activities are associated with various risks, and therefore, an effective risk management system is a fundamental element of the Company’s activities. Exact and timely identification, assessment, monitoring and response to risks allows to make decisions effectively at all levels of management and ensures an achievement of the stated objectives and tasks of the Sustainable Development Program.

The Company annually approves registers and risk maps, which include economic, environmental and social components of Sustainable Development. Risk register, risk map and level of risk appetite of the Company were approved:

* for 2020 as per resolutions of the Company’s Board of Directors No. 17 dd. 18.11.2019, No. 13 dd. 21.09.2020, No. 18 dd. 03.12.2020;
* for 2021 as per resolutions of the Company’s Board of Directors No. 16 dd. 10.11.2020.

To systematize and uniform approaches to compliance issues, taking into account the status of the Sole Shareholder as a public company, as well as to conduct an independent, professional assessment of risks and improve the quality of risk management, Risk and Compliance Officer was appointed as per decision of the Company’s Board of Directors No. 7 dd. 26.05.2020.

In addition, the Company successfully carries out activities aimed at preventing the risk realization and at reducing the consequences of risk realization. Reports on risk management and implementation of preventive measures are drawn up on a regular (quarterly) basis within the framework of risk register.

All identified risks of the Company are divided into five main categories in accordance with the COSO methodology “Management of the Company Risk-Integrated Model”: strategic, financial, operational, investment and legal.

The above-mentioned reports are sent by the executive body to the Board of Directors for the purpose of disclosing information on the progress in implementing the principles of sustainable development.

# External control system: interaction with the Stakeholders

As per resolution of UMP JSC Board of Directors No. 17 dd. 29.12.2017, the Map of Stakeholders of Ulba Metallurgical Plant JSC was approved. The Map of Stakeholders of UMP JSC is intended to build constructive relationships with both external and internal stakeholders that have a significant impact on the sustainable development of the Company. An effective system of interaction with the stakeholders provides necessary conditions for creating long-term value, achieving strategic goals and building a positive reputation of the Company.

UMP JSC on a permanent basis takes measures to establish dialogue and long-term cooperation, and management of relations with the stakeholders.

Analysis of internal and external environment is carried out in the company in order to identify and select the stakeholders. Thus, analysis of the relationship between the company and persons whose interests are affected in the framework of the company's activities, as well as those who have or believe that they have legal requirements in relation to some aspects of the company’s activities. Based on the results of analysis, the list of stakeholder groups of the Company is revised and updated.

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| 1. Sole Shareholder of UMP JSC - NAC Kazatomprom JSC
 | Degree of stakeholder’s impact on UMP JSC 4 | Degree of UMP JSC impact on stakeholder 2 |
| Stakeholder’s interest to UMP JSC  | **Impact mechanisms**  |
| 1. Increase of UMP JSC long-term value.
2. Implementation of UMP JSC Development Strategy as part of implementation of NAC Kazatomprom JSC overall strategy.
3. Receipt of dividends.
4. Implementation of social programs.
5. Achievement of indicators of the medium-term development plan.
 | 1. Decisions of UMP JSC Sole Shareholder (decisions of NAC Kazatomprom JSC Board of Directors and Management Board, orders of NAC Kazatomprom JSC Board Chairman).
2. Decisions of UMP JSC Board of Directors.
3. Joint working groups.
4. Meetings, negotiations, etc.
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| 1. Partners and shareholders / members of UMP JSC subsidiaries and affiliates (S&A)
 | Degree of stakeholder’s impact on UMP JSC 2 | Degree of UMP JSC impact on stakeholder2 |
| Stakeholder’s interest to UMP JSC  | **Impact mechanisms**  |
| 1. Increase of joint venture companies’ long-term value.
2. Receipt of profit (dividends) from joint management.
3. Implementation of production and investment programs.
4. Implementation of social programs.
5. Achievement of indicators of the medium-term development plan.
 | 1. Articles of association.
2. Decisions of GMM (GMS)\*
3. Decisions of SB (BD)\*\*
4. Decisions of joint advisory and consultative bodies.
5. Joint working groups.
6. Joint checking.
7. Meetings, negotiations.
8. Correspondence on the activities of subsidiaries and affiliates.
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| 1. External auditors and consultants
 | Degree of stakeholder’s impact on UMP JSC 3 | Degree of UMP JSC impact on stakeholder 1 |
| Stakeholder’s interest to UMP JSC  | **Impact mechanisms**  |
| 1. Compliance with IFRS standards.
2. Reliability in preparation of UMP JSC financial statements.
3. Implementation of the external auditor’s recommendations.
4. Timely payment as per the contracts.
 | Contracts, reports and letters to the Management.  |

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| 1. UMP JSC creditors
 | Degree of stakeholder’s impact on UMP JSC2 | Degree of UMP JSC impact on stakeholder 1 |
| Stakeholder’s interest to UMP JSC  | **Impact mechanisms**  |
| 1. Timely return of the principal debt in full and receipt of remuneration.
2. Financial stability of UMP JSC.
 | 1. Business correspondence.
2. Regular analytical meetings, negotiations.
3. Publication of information about UMP JSC in the mass media.
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| 1. Suppliers and consumers
 | Degree of stakeholder’s impact on UMP JSC4 | Degree of UMP JSC impact on stakeholder2 |
| Stakeholder’s interest to UMP JSC  | **Impact mechanisms**  |
| 1. Stability and reliability of the mutually beneficial cooperation.
2. Guarantee of fulfillment of the mutual obligations under agreements/contracts.
3. Guarantee of the products/services high quality (stability, reliability, safety and supply reliability).
4. Regular updating and improvement of UMP JSC activities.
 | 1. Customers feedback system.
2. Holding of meetings, negotiations.
3. Signing of the contracts, memorandums, agreements on strategic cooperation.
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| 1. UMP JSC subsidiaries and affiliates
 | Degree of stakeholder’s impact on UMP JSC2 | Degree of UMP JSC impact on stakeholder 4 |
| Stakeholder’s interest to UMP JSC  | **Impact mechanisms**  |
| 1. Confidence in financial support to fulfill the plans.
2. Implementation of investment and social plans/obligations of subsidiaries and affiliates with the support of UMP JSC.
3. Providing support to UMP JSC in sustainable development.
 | 1. Articles of association.
2. Decisions of GMM (GMS).
3. Decisions of SB (BD).
4. Correspondence on the activities of subsidiaries and affiliates.
5. Information/reports on implementation of production, investment and social plans/obligations sent to UMP JSC.
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| 1. Management and staff
 | Degree of stakeholder’s impact on UMP JSC4 | Degree of UMP JSC impact on stakeholder4 |
| Stakeholder’s interest to UMP JSC  | **Impact mechanisms**  |
| 1. Results, achievements and prospects for UMP JSC development.
2. HR and social policy of UMP JSC.
3. Employee engagement and development prospects.
4. Activities on material and non-material motivation.
5. Terms and conditions of the Collective Agreement.
6. Compliance with legislation and statutory regulations applicable to labor legislation of the Republic of Kazakhstan.
7. Creation of favorable conditions (motivation) for retaining and attracting highly qualified Employees.
 | 1. Operational, production, action and other meetings.
2. Oral appeals.
3. Internal communications channels.
4. Applications and requests.
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| 1. Trade unions
 | Degree of stakeholder’s impact on UMP JSC2 | Degree of UMP JSC impact on stakeholder3 |
| Stakeholder’s interest to UMP JSC  | **Impact mechanisms**  |
| 1. Compliance by the employer with the established obligations in relation to the Employees.
2. Protection of the Employees rights and interests.
 | 1. Discussion and approval of the Collective Agreement.
2. Meetings of the trade union members with UMP JSC management.
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| 1. Governmental authorities of the Republic of Kazakhstan
 | Degree of stakeholder’s impact on UMP JSC4 | Degree of UMP JSC impact on stakeholder2 |
| Stakeholder’s interest to UMP JSC  | **Impact mechanisms**  |
| 1. Compliance with legislation and statutory regulations of the Republic of Kazakhstan by UMP JSC and subsidiaries and affiliates.
2. Receipt of timely and reliable information.
3. Promotion of competition.
4. Issuance of the conclusion on further activities in a specific product market.
5. Fulfillment of tax obligations to the budget in full and within a fixed timeframe.
6. Fulfillment of international obligations of the Republic of Kazakhstan.
7. Granting the right to subsurface use.
8. Licensing of certain types of activities.
9. Fulfillment of license and contractual obligations of UMP JSC subsidiaries and affiliates.

Development of atomic power engineering and industry in the Republic of Kazakhstan.  | 1. Request for reporting on the results of UMP JSC financial and economic activities.
2. Requests of the governmental authorities on different areas of UMP JSC activities.
3. Providing information on amendments and additions to the laws and regulations of the Republic of Kazakhstan.
4. Approval of the contract for subsurface use, the certificate of state registration for the right of subsurface use.
5. Verification of the fulfillment of license and contract obligations of UMP JSC.
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| 1. Local executive agencies
 | Degree of stakeholder’s impact on UMP JSC3 | Degree of UMP JSC impact on stakeholder1 |
| Stakeholder’s interest to UMP JSC  | **Impact mechanisms**  |
| 1. Increase in tax revenues to local budgets.
2. Performance of contract obligations in terms of social expenditures.
3. Timely and high-quality implementation of social projects.
4. Increase (saving) of working places.
5. Compliance with the legislation of the Republic of Kazakhstan in the field of industrial, radiation and nuclear safety.
 | 1. Memo of cooperation between local executive bodies and UMP JSC in order to support and develop the social sphere of the regions.
2. General agreements between local executive bodies and UMP JSC on the financing of the social sphere of the regions.
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| 1. Media
 | Degree of stakeholder’s impact on UMP JSC2 | Degree of UMP JSC impact on stakeholder1 |
| Stakeholder’s interest to UMP JSC  | **Impact mechanisms**  |
| 1. Obtaining timely and reliable information about the activities of UMP JSC:* re. production safety;
* re. the quality of products;
* re. financial indicators;
* re. implementation of joint projects;
* re. prospects for the development of the industry.
 | 1. Contracts for the provision of services for the placement of information (articles, stories) about the activities of UMP JSC.
2. Participation in press conferences, briefings, presentations, press tours to production facilities, distribution of press releases, provision of photo and video filming.
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| 1. International organizations
 | Degree of stakeholder’s impact on UMP JSC4 | Degree of UMP JSC impact on stakeholder1 |
| Stakeholder’s interest to UMP JSC  | **Impact mechanisms**  |
| 1. Compliance with Kazakhstan and international (ratified and non-ratified in the Republic of Kazakhstan) standards/ norms for ensuring industrial, radiation and nuclear safety and requirements of management systems.
2. Openness and transparency of activities.
3. Participation in the preparation/review of draft regulatory legal documents.
 | 1. Participation in joint projects.
2. Correspondence on questions of interest.
3. Preparation of expert opinions, proposals and comments to draft regulatory legal documents.
4. Conducting verifications and audits.
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| 1. Non-governmental organization, local public
 | Degree of stakeholder’s impact on UMP JSC4 | Degree of UMP JSC impact on stakeholder3 |
| Stakeholder’s interest to UMP JSC  | **Impact mechanisms**  |
| 1. Financing of social programs.
2. Provision of charitable and sponsorship assistance.
3. Public hearings.
 | 1. Conducting public hearings.
2. Informing about current activities.
3. Letters (appeals) addressed to UMP JSC.
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GMM (GMS)\* – General Meetings of Members (General Meetings of Shareholders);

SB (BD)\*\* – Supervisory Boards (Boards of Directors).

# Conclusion

In 2020, the Company carried out targeted work on implementation the activities on “UMP JSC Sustainable Development Program for 2020-2022”.

Activities determined by “UMP JSC Sustainable Development Program for 2020-2022” with regard to social development, labor protection, environmental safety, as well as participation in social and economic development in the regions of presence in 2020 were carried out and were effective and contributed to the results achievement of the Program to 2022 and implementation of the tasks planned for 2020 by the Company’s Development Strategy for 2018-2028.

Executive Board Chairman

Sergey V. Bezhetskiy