**Reviewed by**

 the Board of Directors of UMP JSC

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 **Approved by**

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**SUSTAINABLE DEVELOPMENT PROGRAM**

**OF ULBA METALLURGICAL PLANT JSC**

**FOR 2020-2022**

**Ust-Kamenogorsk, 2020**

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# 1 Basic provisions

The concept in the field of sustainable development of the company was developed in accordance with the legislation of the Republic of Kazakhstan, the Charter of the Company, the Development Strategy of JSC NAC Kazatomprom for the period of 2018-2028, the Corporate Policy of JSC NAC Kazatomprom in the field of sustainable development and other internal documents.

The Sustainable Development Program of UMP JSC (hereinafter - the Program) was developed in accordance with the Corporate Governance Code of UMP JSC (hereinafter - the Company) approved by Resolution No. 414 dated 09.09.2015 of the Sole Shareholder of the Company, the Company's Development Strategy for 2018-2028 and the main activities of the Sole Shareholder in the field of sustainable development. The purpose of the Sustainable Development Program of UMP JSC is to strengthen the position of the Company as a socially responsible company in the medium term and to solve the issues of social and economic development of the Company and ensure the effective implementation of the Company's Development Strategy for 2018-2028.

# Terms and Definitions

* **EK –** Eastern Kazakhstan region;
* **Sole Shareholder –** JSC NAC Kazatomprom;
* **Concerned Party (stakeholder) –** persons whose rights are envisaged by the legislation of the Republic of Kazakhstan and the Charter of the Company and related to the activities of the Company: consumers, personnel, shareholders and the Company as a whole;
* **Legislation –** a set of legislative and other regulatory legal acts of the Republic of Kazakhstan;
* **Mediation –** a method of resolving disputes with the involvement of a mediator who helps the parties to the conflict to resolve a conflict situation with a solution that would satisfy the interests and needs of all parties to the conflict;
* **Young Employee –** a Company’s employee of up to 29 years of age;
* **Environment –** the natural environment in which the Company operates, including air, water, land and natural resources;
* **Company –** UMP JSC;
* **Ombudsman** – a person appointed by the Board of Directors of the Company, whose role is to advise the employees of the Company who have applied to him/her, to assist in resolving labor disputes, conflicts, problematic issues of a social and labor nature, compliance with the principles of business ethics by the employees of the Company;
* **Trade Union –** “Local Trade Union of the Employees of UMP JSC” Public Association;
* **Trade Union Committee –** a governing body of the “Local Trade Union of the Employees of UMP JSC” Public Association;
* **Employees (personnel) –** individuals who are in an employment relationship with the Company and are directly performing work according to an employment contract;
* **Employer –** a natural or legal person with whom the Employee has an employment relationship;
* **Sustainable Development** – a development in which the Company manages the impact of its activities on the environment, economy and society and makes decisions taking into account the interests of the Concerned Parties;
* **Fund –** JSC Samruk-Kazyna NWF.

# Sustainable Development Principles

The implementation of the Program is carried out on the basis of the following principles in the field of the Sustainable Development:

■ **Openness**

The Company is open to meetings, discussions and dialogue; the Company seeks to build long-term cooperation with the Concerned Parties based on the consideration of mutual interests, respect for rights and a balance between the interests of the Company and the Concerned Parties.

**■ Accountability**

The Company is aware of its accountability for the impact on the economy, the environment and the society and seeks to minimize the negative impact of its activities on the environment and the society through a careful attitude to resources, consistent reduction of emissions, waste and the introduction of high-performance energy and resource saving technologies.

**■ Transparency**

The Company strives to ensure that its activities and decisions are clear and transparent for the Concerned Parties. The Company discloses the information provided for by Legislation and internal documents in a timely manner taking into account the standards for the protection of confidential information.

**■ Ethical Conduct**

The Company's decisions and actions are based on values ​​such as respect, honesty, openness, team spirit, trust, integrity and fairness.

**■ Respect**

The Company respects the rights and interests of the Concerned Parties, which follow from the Legislation, concluded agreements or arising in the framework of business relationships.

**■ Legality**

The decisions, actions and conduct of the Company comply with the Legislation of the Republic of Kazakhstan and the decisions of the Company's bodies.

**■ Respect for Human Rights**

The Company observes and promotes the observance of human rights stipulated by the Constitution of the Republic of Kazakhstan and international documents such as the Universal Declaration of Human Rights.

**■ Intolerance to Corruption**

The Company declares its absolute intolerance to corruption in any of its manifestations in cooperation with all Concerned Parties.

* **Inadmissibility of Conflicts of Interest**

The Company is aware that serious violations related to a conflict of interest may damage the reputation of the Company and undermine the confidence in it on the part of shareholders and other Concerned Parties. When interacting with partners and Concerned Parties, the Company strives to act as honestly, conscientiously, fairly and loyally, and takes measures to prevent, identify and eliminate conflicts of interest to ensure the impartial performance by the Company's Employees of their duties.

**■ Personal Example**

Each of the Company's Employees contributes to the implementation of the principles of the Sustainable Development in their actions, conduct and decision-making on a daily basis; officials and Employees holding managerial positions should motivate by their personal example to implement the Sustainable Development principles.

**4 Current status of the Company's activities in the field of Sustainable Development (based on data for 2017-2019)**

The main activities of the Company in the field of Sustainable Development are:

* Regulation of labor relations and ensuring the social protection of Employees;
* Participation in a study to determine the Social Stability Index;
* Occupational health and safety and care for the environment;
* Social and economic development in the regions of presence.

# Regulation of labor relations and ensuring the social protection of the Employees

The Company recognizes and respects the rights of everyone during employment and carrying out work activities. The Company's Employees are the main asset and the basis for success in achieving a leading position in the supply of high-quality uranium, beryllium, tantalum and niobium products, as well as a guarantee of the Company's Sustainable Development in the future. The most important goal in HR management is to create a team of professionals to achieve high business results of the Company.

The Employer of the Company represented by Executive Board Chairman of the Company, and the Employees of the Company, represented by the Chairman of the Trade Union, signed a Collective Agreement for 2019-2022.

The Collective Agreement applies to:

* Employer of the Company;
* Employees of the Company - members of the Trade Union on behalf of whom the Collective Agreement was concluded;
* Freed and full-time Trade Union Employees;
* Former Employees of the Company to the extent stipulated by the terms of the Collective Agreement.

In addition, in accordance with the Employer’s order, the Employees of the Company who are residents of the Republic of Kazakhstan regardless of membership in Trade Union or other public associations, are provided with social benefits, guarantees and compensation payments included in the Collective Agreement and provided at the expense of the Company.

Taking into account the financial and economic situation of the Company, the Collective Agreement establishes higher guarantees, benefits and compensation payments in comparison with the Legislation of the Republic of Kazakhstan.

# Participation in a study to determine the Social Stability Index

Every year, starting from 2013, the "Center for Social Interaction and Communication" Private Institution conducts surveys to determine the social stability rating of the Company according to the following indices:



**Table 1.** Social stability rating of the Company for 2017-2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Index**  | **2017** | **2018** | **2019** | **Current level** |
| **SSI** | **78%** | **73%** | **77%** | **Above average** |
| Involvement | 78% | 58% | 64% | Positive |
| Social wellbeing | 76% | 60% | 65% | Increased |
| Social calm | 76% | 71% | 70% | Steady |
| Social development | 99% | 94% | 99% |  |

The SSI level “above average” demonstrates that increased attention is paid to the issues of social development in the Company. The social background and sentiments of the production personnel indicate their positive attitude and a constructive approach to solving emerging problems.

It should be noted that the Social Stability Index of the Company has been at the “above average” level since the start of the surveys.

#  Occupational health and safety and care for the environment

Work on the prevention of accidents at the production facilities of the Company is carried out in accordance with the "Policy of the UMP JSC Management in the field of Management (quality, environment, occupational health and safety)" adopted at the meeting of the Company's Executive Board (Minutes No. 24/1159 dated 06.05.2019).

The Company has implemented an integrated management system that complies with IS0 14001:2004 (environment management system), ISO 9001:2008 (quality management system) and OHSAS 18001:2007 (occupational health and safety management system). In accordance with this system, the Company has organized work to comply with the Legislation of the Republic of Kazakhstan in the field of labor and environmental protection, radiation and nuclear safety, industrial and fire safety.

The Company has developed programs in the field of ecology which set environmental goals, objectives and environmental targets. The analysis of the implementation of programs in the field of ecology reflects the results of the Company's activities in the field of environmental protection:

* Reduce the harmful impact of production activities on the environment (reduce emissions, discharges, waste production and disposal and groundwater contamination);
* Prevent environmental accidents, emergencies and incidents;
* Prevent the exhaustion of natural resources.

The round-the-clock industrial environmental and radiation monitoring of emissions into the environment is carried out by the Testing Center of the Company which is equipped with analytical, dosimetry and radiometric equipment for carrying out qualified measurements of parameters in accordance with the established nomenclature of industrial, environmental and radiation monitoring.

The Company pays great attention to the financing of measures to improve conditions, labor protection, sanitary and recreational activities, as well as environmental protection. The amounts taken from the Company's funds for the implementation of these activities are listed in Tables 2 and 3.

**Table 2.** Costs of labor protection measures in 2017-2019

 *mln. tenge*

|  |  |  |
| --- | --- | --- |
| 2017 | 2018 | 2019 |
| 123.8 | 100.7 | 143.0 |

**Table 3.** Costs of environment protection measures in 2017-2019

 *mln. tenge*

|  |  |  |
| --- | --- | --- |
| 2017 | 2018 | 2019 |
| 1,078.1 | 1,262.7 | 757.3 |

As a result of the measures taken, the following indicators have been achieved, listed in Tables 4 - 6.

**Table 4.** Indicators of improving working conditions, reducing possible injuries, morbidity and accidents in 2017-2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Description | units | 2017 | 2018 | 2019 |
| Improved working conditions | man | 1,813 | 1,846 | 2,651 |
| Reduced possible injuries | man | 351 | 329 | 446 |
| Reduced possible morbidity and accidents  | man | 275 | 261 | 204 |

**Table 5.** Coefficient of accidents frequency (number of accidents per 1,000 employees) in 2017-2019

|  |  |  |
| --- | --- | --- |
| 2017 | 2018 | 2019 |
| 0.54 | 0.28 | 0.27 |

**Table 6.** LTIFR (Lost Time Injury Frequency Rate per 1 million hours) in 2017-2019

|  |  |  |
| --- | --- | --- |
| 2017 | 2018 | 2019 |
| 0.36 | 0.18 | 0.18 |

In accordance with the Hygienic Standards "Sanitary and Epidemiological Requirements for Ensuring Radiation Safety" approved by the Minister of National Economy of the Republic of Kazakhstan (Order No. 155 dated 27.02.2015) the annual effective radiation dose for Group A personnel should not exceed 20mSv. In 2017-2019 the actual maximum annual dose did not exceed 2.5mSv in the Company.

**Table 7.** Maximum effective radiation dose of Group A personnel in 2017-2019

|  |  |
| --- | --- |
| Year | Maximum annual effective radiation dose of Group A Personnel, mSv |
| 2017 | 2.52 |
| 2018 | 1.77 |
| 2019 | 1.75 |

#  Social and economic development in the regions of presence

The Company is a socially responsible legal entity; therefore, the development of the social sphere and the implementation of social projects is one of the priorities of the Company.

In March 2017 the Company participated in the signing of a tripartite Memorandum of Cooperation within the framework of the social and economic development of the region between JSC NAC Kazatomprom, UMP JSC and the EK Akimat for 2017-2019. The subject of the Memorandum was the cooperation of the parties in the field of social and economic development of EK aimed at further developing the economy and social sphere of the region, increasing the level of welfare and life of citizens in connection with the implementation of investment projects of the Company. As part of the implementation of this Memorandum, in November 2017 according to Donation Agreement No. 13 dated 15.11.2017 the Company transferred one billion tenge to the RSA of the EK Department of State Revenues of the State Revenues Committee of the Ministry of Finance of the Republic of Kazakhstan for the social and economic development of EK.

In December 2017 according to the concluded Memorandum of Mutual Cooperation in the field of social partnership between the EK Akimat and UMP JSC for 2017 signed on 06.12.2017 the Company sold the building of the Palace of Culture of UMP JSC with the property necessary for its exploitation for its intended purpose and the adjacent land plot for its placement to the State Communal Enterprise "Ertis-concert" by concluding direct contract on public procurement of property at prices below market prices.

Every year within the framework of the execution of subsoil use contracts the Company makes contributions to the RSA of the Department of State Revenues for Ust-Kamenogorsk and the RSA of the EK Department of State Revenues of the State Revenues Committee of the Ministry of Finance of the Republic of Kazakhstan for the social and economic development of the region and its infrastructure. These contributions amounted to 5,171.7 thous. tenge, 9,089.0 thous. tenge and 6,606.6 thous. tenge in 2017, 2018 and 2019, respectively.

During 2017-2019, as a major taxpayer, the Company transferred taxes and contributions to the EK regional budget in the amount of 5,284.2 mln. tenge.

In addition, the Company regularly conducts work to maintain in proper condition (cleaning the territory, maintaining lawns and green spaces and current repairs) of the city memorial sites closely related to the history of the Company (Potanin's memorial, Slavsky monument). Annual costs for these purposes range from 1.4 to 1.9 mln. tenge. The Company invites its veterans and pensioners of the city of Ust-Kamenogorsk to participate in the events on the occasion of the Victory Day and the International Day of the Elderly. The annual costs of these activities amount to about 10 mln. tenge.

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 23 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. Within the framework of the annual republican action "The Road to School" for foster children the Company's Employees collect funds for the purchase of clothes, shoes, backpacks, stationery, etc. In 2017-2019 the Company’s Employees collected 2,564 thous. tenge.

More than ten years the Company’s Employees represented by the Young People Association help the City's Specialized Children's Home of Ust-Kamenogorsk. Every year through the "Give a Smile" campaign funds are collected for the needs of the Children's Home. The funds are used to purchase (in coordination with the administration of the Children's Home) the necessary things. In 2017-2019 funds were collected in the amount of 867.3 thous. tenge.

# Anti-corruption and fraud, settlement of corporate conflicts and conflicts of interest

# The Company constantly carries out work aimed at preventing and suppressing the facts of corruption and fraud. The main activities of the Company and general rules of conduct for the officials and Employees are determined by the “Policy of UMP JSC on Anti-corruption and Fraud Management”, and are also reflected in the “Corporate Social Responsibility Policy of UMP JSC”.

# Phone numbers and e-mail addresses of the Fund, the Sole Shareholder of the Company and the Office of the Director for Safety and Security of the Company are posted on the information boards and on the internal website of the Company so that the Company’s Employees and the Concerned Parties could communicate information about the facts of corruption, fraud, violations of corporate ethics, and also about illegal actions on the part of the Company's officials.

# In order to minimize the possibility of causing material damage, the occurrence of corruption risks as well as to protect the business reputation of the Company as a subject of the quasi-public sector during procurement procedures, Instruction I.19.0009-16 “Inspection Procedure of a Potential Supplier of UMP JSC” is applied.

* 1. **Scientific and technical and innovative and technological development**

Tasks, priorities and main directions of scientific, technical and innovative and technological development of the Company are determined by the "Development Strategy of UMP JSC for 2018-2028", "Technical Policy of UMP JSC", and the «Policy for the Development of Engineering and Innovation of UMP JSC in the Field of Nuclear Fuel Cycle and Rare Metals (NFC and RM)".

At present the Company has a certificate of compliance of the management system of UMP JSC with the requirements of ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 in the implementation of activities in the following areas:

* Production of beryllium, beryllium compounds and products;
* Production of tantalum, niobium, tantalum and niobium compounds and products;
* Production of natural and low enriched uranium compounds and fuel pellets for power reactors.

Uranium Operations of the Company was certified as a supplier of AFA 3G fuel pellets by AREVA NP, France, which made it possible to start implementing the project for the production of fuel assemblies in 2015.

In 2017 the Company opened the LEU Bank. The creation of the LEU Bank will significantly reduce the risks of further proliferation of nuclear weapons and form a certain guaranteed supply of input materials for the production of nuclear fuel in individual IAEA member states that do not have uranium enrichment technologies. In the event of an interruption in the supply of this input material, the consuming countries can use the material stored in the LEU Bank.

The location of the IAEA LEU Bank in the Republic of Kazakhstan contributes to further strengthening the international image of the state as an active supporter of the non-proliferation regime and one of the key participants in the process of reducing the global nuclear threat.

Parameters of the LEU Bank: 60 x 30B cylinders of UF6 enriched up to 4.95% U-235. The total weight of UF6 in terms of uranium is about 90 tons.

The Company pays great attention to its development. The total amount of capital investments for 2020 (5,401 mln. tenge) relative to the adjusted plan for 2019 (2,733 mln. tenge) increased by 2,668 mln. tenge, and this is almost twice due to the fact that:

1. In terms of investment and innovation projects with a feasibility study:

* Uranium Operations will complete the project “JV Building 600. Pellets Production. Technical Upgrade", due to which the production capacity of AFA 3G fuel pellets would increase up to 400 tons per year and WSE fuel pellets up to 90 tons per year;
* Beryllium Operations will continue to implement a project to mechanize and automate the process of washing and enriching the concentrate of the Ermakovskoye deposit, as well as purchasing highly efficient CNC metalworking equipment;
* A vacuum annealing furnace will be installed for Tantalum Operations for annealing tantalum semi-finished and finished products.

2. In terms of environmental projects:

* Construction of the 2nd stage of Evaporation Pond (Map) No.5 will be completed.

3. In terms of projects to improve nuclear safety and security:

* In 2019 the project “JV Building 600. HEU Processing Site. Technical Upgrade" was completed. The existing HEU processing site at UMP JSC located in Building 600 has been technically upgraded, and the necessary technological operations for the processing of nuclear material in the form of graphite blocks and rods have been provided.
* In 2020 works on the technical upgrade of the security perimeter facilities will continue.

The Company carries out a great deal of work on the development of rationalization activities and the maximum involvement of the personnel in the “10,000 Improvements” Program. For the period of 2017-2019 within the framework of this Program the Company's Employees submitted 1,493 proposals aimed at improvement of which 1,262 proposals were successfully implemented.

**Table 8.** Rationalization proposals and the economic effect of implementation for 2017-2019

|  |  |  |
| --- | --- | --- |
| Year | Number of submitted and implemented rationalization proposals  | Economic effect (mln. tenge) |
| 2017 | 49 (53 including for 2016) | 305. 5 |
| 2018 | 70 (85 including for 2017) | 277.1 |
| 2019 | 78 (93 including for 2018) | 173.9 |

# The Program key tasks and actions

# 5.1 The Program key tasks

The key tasks of the Company's Sustainable Development Program for 2020-2022 are as follows:

* Maintain decent working conditions and remuneration for Employees;
* Observe labor and social rights of Employees;
* Maintain the level and quality of life of Employees and their family members;
* Reduce harmful effects on the environment;
* Promote to sustainable development of the regions of presence;
* Create favorable business climate in the Company and in the regions of the Company's presence;
* Interact effectively with business partners and the state agencies.

# 5.2 The Program actions

The success of the Company's Sustainable Development Program is determined by important factors such as social development, environmental safety, and assistance in the development of the regions of presence. In this connection the Program includes the following actions:

***Social actions***

* Ensure social stability in labor collectives;
* Develop human resources;
* Ensure social peace in the Company's collectives;
* Combat corruption and fraud; settle corporate conflicts and conflicts of interest.

***Occupational safety and environmental protection measures***

* Protect and provide safe working conditions;
* Environmental protection;
* Ensure nuclear and radiation safety.

***Measures for scientific, technical and innovative and technological development***

* Preserve and develop the existing production and technical potential; increase the level of use of all available production resources;
* Supply rhythmically the raw materials for Beryllium and Tantalum Operations amid the market volatility;
* Apply proven during operation, economically profitable and scientifically grounded technical solutions based on an assessment of potential capabilities and provision of appropriate resources based on investments in production;
* Master, develop and acquire up-to-date and advanced production facilities, new technologies focused on energy saving; possible use of a wide resource base, including with the possibility of processing waste and semi-products of our own production with a long shelf life; create safe working conditions and minimize harmful effects on the environment using existing, upgraded and new unified equipment that does not require large capital expenditures for maintenance;
* Implement and improve technological process automation systems based on modern software;
* Improve the existing quality management system (QMS), bring technological processes and products into compliance with the international standards, develop rationalization activities based on attracting personnel of all levels to participate in the “10,000 Improvements Program”; use lean manufacturing tools, carry out continuous improvements and optimize use of resources.

***Measures for economic impact in the regions of presence***

* Support the social and economic development of the regions of presence;
* Procurement management procedures within the framework of the Sustainable Development.

# Social actions

# 6.1 Ensure social stability in labor collectives

The Company strives to ensure social stability and maintain a favorable moral and psychological climate in labor collectives by pursuing a balanced personnel policy of the Company and implementing the Action Plan to ensure social and labor conditions of the Company's production personnel.

# Social stability index

The Social Stability Index (SSI) is a tool for comprehensive diagnostics of the social situation in the Company. SSI of the Company is determined on the basis of the results of assessing the involvement of the personnel, social well-being and social peace as well as the index of social development of the Company.

As part of the work on forecasting and preventing social and labor disputes and conflicts, including monitoring the level of social moods it is necessary to regularly monitor the situation in the Company's labor collectives through an annual survey to determine SSI in the Company.

The Company's actions in this regard include as follows:

* Ensure the maximum possible participation of the Company's production personnel in the survey to determine SSI;
* Determine SSI of the Company at least once a year by conducting surveys in the Company;
* Achieve SSI of the Company at the level of 65-78% ("above average") by implementing the Action Plan to ensure the social and labor conditions of the Company's production personnel developed on the basis of the annual survey.

#  Actions for social partnership and improvement of social and labor conditions of the production personnel

With a view to a systematic approach to increasing the social stability of the Company, improving relationships and preventing social tension in labor collectives the Company annually develops measures for social partnership and improving the social and labor conditions of the production personnel.

The Company's actions in this regard include as follows:

* Information of managers and the production personnel of structural divisions about the results of the survey to determine SSI;
* Labor protection and social and labor relations;
* Personnel policy and corporate culture;
* Development of communications;
* Medicine and disease prevention;
* Interaction with the Concerned Parties.

# Human resources development

The Company recognizes the Employees as its most important asset and strives to ensure their well-being, professional and personal growth which is the key to the Sustainable Development of the Company. The Company builds relationships with the Employees on the basis of the principles of social partnership, consistency, legal protection, effective use of the personal potential of the Employee and equal opportunities.

**Key initiatives of HR policy:**

* Attract qualified personnel in the labor market;
* Joint training of personnel in leading colleges and universities within the framework of the implementation of the dual training system;
* Retraining and professional development of the personnel aimed at acquaintance with new trends and modern technologies as well as at mastering advanced experience and best world practices;
* Develop the potential of the personnel by working with a reserve of managerial personnel; implement competitions of professional skills, etc.

The main directions of the Company's activity in this area are:

# Transparent labor payment and wage competitiveness

Labor payment is one of the most important components of HR management systems since the material interest of an Employee in the results of his/her work is one of the main factors of the Company's competitiveness. The wage policy in the Company is aimed at implementing the following principles:

* The dependence of the Employee's remuneration on the complexity, quality, quantity and results of the work performed;
* Create benefits in remuneration for Employees whose work has a significant impact on the final results of the Company's activities and also Employees who constantly show creative initiative and contribute to the process of improving the Company's activities;
* Increase wages if financial and economic opportunities are available taking into account the growth of labor productivity and the situation on the labor market;
* Ensure compliance with all state guarantees in the field of payment provided for by the Labor Code of the Republic of Kazakhstan;
* Use flexible bonus systems in order to fully take into account the individual labor contribution and business qualities of the Employees.

The remuneration system in the Company is built on the basis of an assessment of the complexity of labor and grading which combines a wide range of wages and at the same time a clear distribution over hierarchical levels.

For the Employee of the Company this system allows:

* Understanding the place that his/her position occupies in the existing hierarchy of positions and evaluating its role for the Company;
* Receiving fair remuneration for work depending on the level of complexity, responsibility and work performed;
* Evaluating the prospects for their professional and career growth;
* Getting an opportunity for the “horizontal” career development (advancement of the levels of mastery within one position due to the complication of tasks, expansion of the circle of responsibility and authority), changing the grade and the level of remuneration associated with them;
* Consistent acquiring new professional knowledge and skills necessary for effective work in a higher position.

The variable part of the wage in the Company is aimed at stimulating labor activity as well as encouraging the achievement of the above-standard results. According to the documents approved by the authorized management bodies of the Company the Employees of the Company:

* It is possible to pay remuneration based on the results of work for the year. The basis of this remuneration is the key performance indicators (KPI) on which achievement the payment depends. KPIs are cascaded from the Chairman and members of the Executive Board of the Company to the personnel of the structural divisions of the Company. Bonuses are paid in the current year based on the results of the Company's activities for the previous year after an independent audit of the consolidated financial statements.

The KPI system is an effective management tool and enables the Company's management to:

- Create a clear hierarchy of goals: strategic, operational, long-medium and short-term;

- Focus the efforts of all business units at all levels of the hierarchy on the achievement of common goals and create a clear system of motivation for results;

- Manage the operational activities of the Company within the framework of a single process for achieving strategic goals.

* It is possible to pay a bonus from the fund of the head of a division as well as an award from the fund of the Chairman of the Executive Board of the Company for accomplishing important production tasks, achieving positive results that have led to an improvement in the activities of the structural division and also for active participation in organizing and holding corporate events within the structural division.
* By decision of the Executive Board of the Company it is possible to use the wages fund savings as a payment:

- Bonuses to holidays and anniversaries in excess of the size planned in the annual work plan of the unit. The condition for these payments is the fulfillment of planned production and financial indicators;

- Premiums due to savings in the WF. The condition for this payment is the fulfillment of planned production and financial indicators;

- Bonuses for making proposals to improve the efficiency of the Company in accordance with the “Regulations on Remuneration for an Idea” approved by the decision of the Executive Board of the Company;

- Premiums for winning prizes in review contests in accordance with the Collective Agreement of the Company or the relevant provisions approved by the decision of the Company;

- Awards and rewards in accordance with the initiatives of the Sole Shareholder. The procedure, conditions and sizes are determined on the basis of the documents of the Sole Shareholder.

In order to provide social support to the Company's Employees no more than once a calendar year material assistance is paid to the annual leave in the amount of one official salary.

Provision of material assistance to the Company's Employees will allow increasing the average salary of Employees by 6% in 2020, which will increase the competitiveness of salaries.

Planned activities to support the reputation of the Company as one of the most socially responsible Employers in the region and the Republic of Kazakhstan as a whole:

* Ensure the fulfillment of all social obligations to Employees and implement additional measures of social support for Employees who were forcedly limited in their rights to work during the state of emergency in the Republic of Kazakhstan due to COVID-19 pandemic;
* Minimize 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 wages, increasing the responsibility of officials of the Company for arrangement of wages payment and making appropriate changes to job descriptions and/or end-to-end job descriptions for specialists performing functions of personnel management and arrangement of wages payment.

# Improving the procedure of search, selection and recruitment of the Company’s Staff

The need for Staff is fulfilled through competitive selection of personnel in the automated HR-Recruiting system in compliance with the principles of competitive selection:

* Planning the selection of staff taking into account the needs of divisions
* 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 his/her compliance with the qualification requirements for the position/profession;
* Validity of decisions based on the meritocracy principle;
* Use of candidate evaluation methods that allow you to make objective decisions when hiring staff;
* Non-discrimination, professional, open and respectful attitude to all candidates;
* Compliance with the current legislation of the Republic of Kazakhstan;
* Rational use of resources for advertising and recruitment.

The search for qualified personnel is carried out in the following ways:

a) from an internal source - among the Company's employees, including those included in the reserve for key positions;

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

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

Competitive procedures include the following stages:

* Publication of information about the competition for a job (internal corporate portal for internal search of candidates and external portal, website and/or other resources for external search of candidates);
* Search for candidates and collect resumes;
* Resume analysis, selection of candidates who meet the requirements of the position/profession;
* Review by the head of division;
* Professional testing of candidates;
* Security check;
* Decisions relating to candidates in accordance with the regulations on competitive commissions for the selection of candidates in the Company;
* Job offer to the final candidate;
* Providing feedback to candidates;
* Publication of information about the results of selection (on internal corporate portal and/or the Internet (external portal and/or other resources).

The results of search, selection and recruitment of the Company's staff are evaluated by the implementation of the target key performance indicators (KPIs) for 2020-2022:

* Staff turnover, no more than 7%;
* Satisfaction of the main production facilities and the technical preparation office of UMP JSC with the coverage of staff based on submitted applications, not less than 95%.

# 6.2.3 Professional development of the Employees

One of the most important areas of the Company Staff Policy is the development and training of Employees focused on:

* Compliance of professional training with the requirements for Employees’ job duties, results of their performance assessment, and goals and objectives set for Employees;
* Solving specific tasks using training activities that improve the efficiency of the Company's employees, knowledge of best practices and international standards.

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



The Company is interested in attracting talented and energetic specialists who are focused on building long-term relationships and professional development with the Company. The Company constantly makes a lot of efforts to attract, train and retain talented Employees of all categories and levels.

The Company has systematized the processes of training, retraining and advanced training of Employees. The Company cooperates with various leading higher education institutions and colleges withing the frameworks of Staff training.

The Company carries out comprehensive work on the implementation of dual training system, which involves direct participation of the Company in the process of professional training of specialists. This type of activity allows the Company to train highly qualified workers for the main industries, as well as promotes the popularization of working professions among young people and implementation of the Company social responsibility as a city-forming legal entity.

**Table 9.** Estimated costs for the Staff development and training

 *thous. tenge*

|  |  |  |
| --- | --- | --- |
| Name | UM | Plan for year |
| **2020** | **2021** | **2022** |
| Expenses for the Staff development and training | thous. tenge | 122,250 | 127,140 | 132,226 |
| Number of Staff members for training | person- workshops\* | 8,451 | 9,000 | 9,000 |

\* total number of training received by the Employees for the period.

# Developing the potential of the Staff by working with the reserve, implementing professional skill competitions, etc.

Continuous development of the Staff potential is carried out by working with the reserve (pool of successors), professional skill competitions, etc.

The Company has a procedure that regulates the unified succession planning process for the Company's staff, determines the procedure for making up a reserve (pool of successors) and development of successors.

The pool of successors is formed for the purpose of:

* Providing candidates for vacant key positions in the mid - and long-term;
* Identifying and development of promising employees in order to maximize their potential to achieve the Company's strategic goals and objectives;
* Additional motivation to the Employees by development and promotion opportunities;
* Creating an attractive image of the Company as an Employer that helps attract and retain high-potential Employees.

The Company plans to implement the following activities in order to develop and involve its successors in corporate life and motivate them to improve their activities:

* On-site training (rotation, participation in projects, temporary replacement of a manager);
* Participation in corporate leadership development programs;
* Participation in special successor development programs;
* Meetings with mentors;
* Face-to-face and online training;
* Involvement in management decision-making, participation in the implementation of new projects.

The potential of Employees has also been increased through the implementation of professional skill competitions. The Company has a Regulation that defines the goals and objectives, organization and conditions of professional skill reviews and competitions among the Company's employees, the procedure for their organization, holding and summing up, as well as awarding the winners.

The main purpose of professional skill reviews and competitions is to increase the professional competence of workers and the prestige of their professions. Reviews and competitions of professional skills promote:

* Activation and development of creative activity of the Company’s workers, mastering advanced methods and techniques of work;
* Assessment of professional training level of workers and encourage its improvement, efficiency and quality of work performed;
* Identify the best professional and improvement of using the potential of industrial complex staff.

Competitions are held on industrial complex level with the participants working at one department, as well as on the Company level with the participants working in different departments of industrial complex.

The factory-wide competition of professional skills and competitions at the level of industrial departments in various professions are held on an annual basis.

Employees constantly take part in professional skill competitions organized at the city and regional level (including WorldSkills) or by the Sole Shareholder.

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

The Company's activities in this area include:

* Bilateral discussions of the issues of ensuring safe working conditions, recreation, providing additional benefits in excess of those provided for by the current legislation of the Republic of Kazakhstan, and other issues with Trade Union representatives;
* Discussion of the draft Collective Agreement in the labor collectives of the Company's divisions;
* Conclusion of Collective Agreement;

The conclusion of Collective Agreement is based on the following principles:

* Social partnership, mutual trust and respect, and differentiation of the rights and obligations;
* Equality of the parties in the development of Collective Agreement terms and conditions;
* Taking into account the actual possibilities of material, production and financial support of the obligations imposed on the parties;
* Control and responsibility of the parties for fulfilling the obligations included in the Collective Agreement.
* Depending on the current financial situation, the Company annually allocates funds to the Trade Union for holding cultural, sports and health events for the Company's Employees.

**Table 10.** Planned funds to be allocated to the Trade Union:

*thous. tenge*

|  |  |  |  |
| --- | --- | --- | --- |
| Name | 2020, exp. | 2021, forecast | 2022, forecast |
| Sport activities | 9,209 | 22,750 | 23,660 |
| Cultural events | 13,900 | 27,123 | 27,452 |

#

# Developing social programs for the Employees

The Company's Employees are provided with employee benefits that regulate provision of material and other support to the Employees and their family members. In accordance with the Company's internal documents and the Collective Agreement, the company's Employees are provided with the following benefits and guarantees:

**Table 11.** Expenses for employee benefits

 *thous. tenge*

|  |  |  |  |
| --- | --- | --- | --- |
| Name of action items | 2020, exp. | 2021, forecast | 2022, forecast |
| Financial help to the Employees | 85,783 | 88,658 | 94,064 |
| Retirement benefit | 10,360 | 10,878 | 11,313 |
| Social support to the decedent’s relatives | 12,831 | 13,472 | 14,011 |
| Social support to ex-employees of the Company | 25,238 | 23,099 | 23,449 |
| Voluntary insurance in case of illness  | 96,425 | 101,246  | 105,296  |
| Medical care of employees and ex-employees of the Company | 102,330 |  107,447 |  111,744 |

In addition, in order to provide social support to the Employees for housing improvement (purchase of land, housing, repair and modernization of housing, repayment of mortgage debt, treatment), the Company has a Regulation “on the Procedure for Processing Applications for Long-Term Loans to UMP JSC Employees” (hereinafter – the Regulation). Funds in the amount of KZT 50,000 thous. tenge is planned annually for the implementation of the Regulation in 2020-2022.

#

# Youth Policy of the Company

The main goal of the Company's Youth Policy is to involve the Young Employees in social activities, stimulate and develop their professional and creative potential.

The main tasks of working with the Young Employees are:

* Adaptation to corporate culture, assimilation of traditions and rules of behavior in the Company;
* Developing the ability to independently and efficiently perform tasks assigned to a Young Employee;
* Speed up the process of learning the basic skills of the profession.

Working with Young Employees is aimed at helping them to better master the necessary skills for effective performance of production tasks, general rules and professional features of work, and getting to know traditions and values of the Company.

The Company's activities in this area include:

* Ensuring the effective work of Young Employees by accelerating their adaptation, developing professional and managerial skills, and engaging them in innovative and research activities;
* Ensuring that the Company receives necessary number of promising Young Employees from among the best university graduates with training level that meets the Company's business requirements;
* Work with Young Employees and mentoring within the framework of HR policy.

Measures for the adaptation of young employees are carried out within the framework of the Regulations on Young specialist and Young worker of UMP JSC. Graduates of higher education institutions and institutions of technical and professional, post-secondary education, who studied in a specialty that is in demand in the Company, and accepted into the Company in the first year after graduation, are awarded the status of Young Specialist/Young Worker. During the period of validity of the status, an employee under the guidance of an experienced mentor acquires the necessary practical skills, learns production technology and specifics of work, gets acquainted with the staff and gets involved in the corporate culture.

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.

2020 has been declared the year of the volunteer in the Republic of Kazakhstan. YPA takes part in volunteer activities on a regular basis.

Volunteer activities planned by YPA for 2020-2022:

* Support for the elderly, disabled, and veterans of the second world war;
* Help to Specialized Children's Home in Ust-Kamenogorsk;
* Support for children from low-income families;
* Participation in environmental events.

# Assurance of social peace in the Company

# Institute of mediation

The Company's activities in this area include training in preventive measures, mediation, and negotiation techniques in crisis situations. In case of labor disputes and conflicts, these issues are resolved in accordance with the labor legislation of the Republic of Kazakhstan. Also, mediation methods are used to resolve labor disputes, which can be used to resolve conflicts that have arisen. To develop the institute of mediation, the Fund has created a corporate center for mediation and negotiation process at the center for social partnership. Since 2013, the Company has had a special training institute of specially trained mediators. The list of mediators is published on the Company's corporate portal.

In contrast to a formal court or arbitration process, during mediation, the parties reach an agreement themselves – the mediator does not make decisions for them.



# Institute of Ombudsman

According to the Corporate Governance Code of UMP JSC, approved by the decision of the Sole Shareholder of UMP JSC No. 414 dated September 9, 2015, an Ombudsman is appointed in order to comply with the principles of business ethics and effective regulation of social and labor disputes arising in the Company. The candidate for the position of Ombudsman must have an impeccable business reputation, high authority and the ability to make impartial decisions.

The role of the Ombudsman is to provide the consultations to the Workers who had applied to him, members of labor disputes, conflict, and assisting them in developing a mutually acceptable, constructive, and implemented decisions based on compliance with the Legislation of the Republic of Kazakhstan (including confidentiality, if necessary), assist in solving social and labor issues for both the Workers and the Company, as well as in compliance with business ethics of the Employees of the Company. The Ombudsman submits for consideration of the relevant bodies and officials of the Company the problematic issues identified by him that are of a systemic nature and require appropriate decisions (comprehensive measures), puts forward constructive proposals for their solution.

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

The Company recognizes honest business conduct, including combating corruption and fraud, avoiding corporate conflicts and conflicts of interest, as a necessary factor for ensuring interaction with Interested Parties, building trust-based internal corporate relations.

When anti-corruption and fraud management activity of the Company is based on the following principles:

* Legality and ethics;
* Nonacceptance of corruption and fraud in all forms and manifestations;
* Uncompromising attitude to corruption and fraud at all levels of corporate governance;
* Inadmissibility of corrupt and fraudulent actions, including the manifestation of conflicts of interest;
* Inevitability of punishment for committed corruption and fraudulent offenses.

The Company, as a socially responsible legal entity, adheres to transparency and openness in its activities. In particular, the procedures for countering the risks associated with the laundering of illegal income are regulated by the law of the Republic of Kazakhstan dated 28.08.2009. No. 191-IV "On countering the legalization (laundering) of proceeds from crime and the financing of terrorism". It clearly describes the powers of the authorized body for financial monitoring, financial monitoring entities (banks, stock exchanges, insurance companies, pension funds) are listed transactions with money and (or) other property subject to financial monitoring, order verification by subjects of financial monitoring. The financial monitoring Committee of the Ministry of Finance of the Republic of Kazakhstan has been designated as the authorized body in this area. Also, the production and use of products produced in the Company (uranium, nuclear fuel for nuclear power plants, special equipment, technologies and dual-use materials) are subject to the legislation of the Republic of Kazakhstan on export control and international agreements of the Republic of Kazakhstan. Delivery of the above-mentioned products and equipment outside the Republic of Kazakhstan is under the control of the International Atomic Energy Agency.

# Occupational safety and environment protection measures

The Company shall:

* Carry out its activities in strict compliance with the principles of the Sole Shareholder Policy and based on the principle of priority of preserving human life and health in the course of work, proclaimed at the legislative level of the Republic of Kazakhstan;
* Provide for solving problems in the field of occupational safety and health of the Employees on the basis of legislation and the international standard OHSAS 18001;
* Ensure the implementation of measures aimed at reducing production risks and creating safe and comfortable working conditions in the workplace;
* Fully support environmental safety and preservation of the natural environment in places where production activities are carried out, carrying out its activities in accordance with the legislative, legal and regulatory requirements of the Republic of Kazakhstan in the field of ecology;
* Minimize the damage caused to the environment as a result of its activities by using processes, methods, materials, products, and energy that eliminate and reduce the volume of any type of pollution or waste in order to reduce the negative impact on the environment.

#  Protection and assurance of occupational safety

# Main areas of the Company activity

Main activities of the Company in the field of labor protection and industrial safety are:

* Compliance with current legislation on labor protection and industrial safety;
* Prevention of industrial accidents and occupational diseases;
* Development of a safety culture;
* Improvement of working conditions and safety;
* Training and professional development of employees in the field of labor protection and industrial safety;
* Monitoring compliance with labor protection and industrial safety requirements;
* Informing the Employees about working conditions, cases of industrial injuries and occupational diseases, benefits and compensation for working conditions;
* Attracting all the Employees to participate in the formation and implementation of activities to improve working conditions and prevent accidents at work;
* Constant interaction with state authorized bodies and international organizations in the field of labor protection and industrial safety;

Careful attitude to the health of the Employees, continuous improvement of working conditions of employees and production culture;

* Continuous improvement of existing technologies and introduction of new ones, taking into account technical, environmental, nuclear and radiation safety standards;
* Financing of measures to improve working conditions and safety.

**7.1.2 Occupational health and safety management system**

Occupational health and safety management system (OH&S) allows management of the Company to:

* Identify and control hazardous production factors;
* Effectively manage the risks associated with safety of labor activity;
* Prevent accidents;
* Minimize possible damage from activities that do not meet occupational safety standards.

Standardization of occupational health and safety management processes helps to identify the causes of threats to safety and health of the Staff and take corrective measures to eliminate them.

OH&S has a systematic, planned nature and is carried out in accordance with the law of the Republic of Kazakhstan, regulatory and technical acts, decrees, orders of the Company, requirements of the international standard OHSAS 18001, instructions and recommendations of the Sole Shareholder regulating safety requirements at work. The system covers all structural divisions of the Company, technological processes and is a single guiding document for all organizational work on labor protection. It defines the objectives, functions and maintenance of work security of work, relationship between offices and divisions in terms of occupational safety in accordance with their functional duties, assigned functions, rights and responsibility of each Employee of the Company to create a healthy and safe work environment, compliance with rules and norms of occupational safety. The Company pays special attention to improving the level of safety culture, constantly analyzes, develops and implements the best world practices in order to achieve a zero level of injuries. In order to achieve these goals, the Company annually develops and implements measures indicating the deadlines for their implementation, costs, and responsible persons.

For each workplace and technological operation, lists of possible hazards are compiled, which are included into occupational safety instructions.

The Company conducts timely certification of production facilities for working conditions in accordance with the Rules for Mandatory Periodic Qualification of Production Facilities for Working Conditions.

**7.1.3 Providing the Employees with personal protective equipment**

On July 22, 2016, Order No. 168 "On approval and implementation of NAC Kazatomprom JSC standard "System of labor safety standards" was issued. Requirements for providing personal protective equipment for the Employees of NAC Kazatomprom JSC companies in order to unify the nomenclature and establish common organizational and technical requirements for providing the Employees of subsidiaries, dependent and jointly controlled companies of NAC Kazatomprom JSC with personal protective equipment against harmful and dangerous production factors". This standard applies to the main types of personal protective equipment (hereinafter referred to as PPE) intended for use in production conditions in order to protect employees of the Sole shareholder's enterprises from harmful and dangerous production factors and establishes General organizational and technical requirements for providing PPE. The provisions of this standard are subject to application when organizing the provision of PPE employees and developing internal regulatory documents of the company regulating the procedure for handling PPE.

The Company defines standards for providing the Employees with special clothing, special footwear and other PPE at the expense of the Employer, which fully correspond to the nature and conditions of work performed in special temperature conditions, with the presence of harmful production factors. These PPE allow you to protect employees from exposure to dangerous and harmful production factors that accompany the adopted technology and working conditions, and reduce the level of harmful factors to the value established by current sanitary standards.

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

**7.1.4 Professional development of the Employees**

The Company constantly pays close attention to the process of external training of its Employees with obtaining a standard certificate in specialized training centers, as well as conducting internal training of employees, emergency training and training alarms.

**7.1.5 Financing of occupational safety measures**

Financing of activities to improve working conditions, occupational safety and health and wellness measures are of the utmost priority for the Company.

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., during which they check:

* Compliance with occupational safety and health requirements;
* Sanitary condition of domestic premises, showers, rest rooms, rooms for eating, drying work clothes.

The results of inspections are discussed at the labor protection days, which are held in the divisions on a monthly basis.

**Table 12.** Estimated costs on occupational safety measures in 2020-2022

 *mln. tenge*

|  |  |  |
| --- | --- | --- |
| 2020expected | 2021forecast | 2022forecast |
| 195.9 | 150.0 min | 150.0 min. |

**7.1.6 Declaration of main activity**

In accordance with the law of the Republic of Kazakhstan "On civil protection", industrial safety declarations were developed and approved. Work is underway to modernize the equipment, which is a prerequisite for improving the level of production safety.

**7.2 Environmental protection**

The Company's priority tasks are to ensure environmental sustainability and safety, and to limit harmful radiological and chemical effects on the environment.

The Company's environmental protection activities set the following goals:

* Conduct production activities in accordance with the environmental Legislation of the Republic of Kazakhstan and other regulatory requirements in force in the Republic of Kazakhstan;
* Implementation of environmental management system aimed at minimizing the impact of production activities on people and environment;
* Prevention of industrial accidents, accidental pollution and environmental risks;
* Rational use of natural resources;
* Continuous improvement of existing technologies and introduction of new ones, taking into account technical and environmental safety;
* Improvement of production activities based on the effective application of environmental indicators in the field of sustainable development.

To achieve these goals, the Company constantly provides methodological guidance, monitoring and analysis of the state of production safety and environmental protection.

The Company has developed “UMP JSC action plan for the implementation of the ESAP roadmap of NAC Kazatomprom JSC". The main objectives of the above-mentioned plan are as follows:

* Improving monitoring of environmental objects;
* Strengthening the responsibility of officials for environmental protection;
* Improving mechanisms for interaction with stakeholders and the public;
* Cost planning in case of possible liquidation of the company.

The Company annually develops measures for environmental protection, which are coordinated with the Department of Ecology for East Kazakhstan Region.

In order to facilitate the implementation of the basic principles and guidelines of corporate policy in the field of waste management, the Company developed "Action Plan for UMP JSC waste management and maintenance of “Tailings facility” (hereinafter – TF) in 2017-2020" (hereinafter – the Plan).

The main objectives of the Plan are as follows:

* Annual reduction of the actual volume of liquid waste discharge to the TF;
* Development and implementation of low-waste technologies to reduce the amount of liquid waste discharged to the TF;
* Complete preservation of the 1C map (when filling is completed);
* Construction of the map No. 5;

The implementation of these measures leads to the improvement of environmental conditions.

The Company has developed "Waste management program for 2018-2022".

The goal of the Program is to achieve the established indicators aimed at gradually reducing the volume and/or level of hazardous properties of accumulated and generated waste, as well as waste in the process of treatment.

The goal of the Program is to determine the way to achieve the goal in the most effective and economically feasible ways, with the forecast of achievable volumes (stages) of work within the planned period. Tasks are aimed at reducing the volume of generated and accumulated waste, taking into account:

* Introduction of the best available technologies in the world for waste disposal, recycling and recycling in the Company;
* Attract investment in waste recycling and recycling;
* Implementation of the plan of search and technological works to reduce the volume of liquid and solid waste generated by UMP JSC;
* Recultivation of waste disposal sites, minimizing the negative impact of TF on the environment.

The implementation and adaptation of these measures will allow the Company to ensure environmental sustainability and safety, minimize industrial waste and arrange waste management system.

**Table 13.** Estimated costs to ensure environmental protection in 2020-2022

 mln. tenge

|  |  |  |
| --- | --- | --- |
| 2020, expected | 2021, forecast | 2022, forecast |
| 636.0 | 286.0 | 240.0 |

The reduction in environmental protection costs in 2021-2022 is due to the completion of construction of facilities at the Tailings Facility.

**7.3 Ensuring nuclear and radiation safety**

The Company carries out a mandatory range of measurements of radiation hazards in the workplace, production area and within the sanitary protection zone. In case of detection of excess of permissible and control levels of radiation hazards, work is carried out to eliminate the causes of excess: decontamination of equipment surfaces and transport containers, additional sealing of equipment, collection of contaminated soil and disposal of waste at the tailings facility.

All activities to ensure and control nuclear and radiation safety in the Company are performed in accordance with the requirements of the current legislation and regulations in the field of nuclear and radiation safety in the Republic of Kazakhstan.

The Company's divisions systematically develop and implement measures aimed at improving nuclear and radiation safety.

It is assumed that in 2020-2022, due to the planned increase in production volumes, the maximum effective radiation dose may reach 5 mSv, which is four times lower than the maximum permissible norm.

**8 Scientific and technical and innovative and technological development activities**

In order to ensure long-term competitiveness in the global market, diversify its activities, and increase production and operational efficiency, the Company implements measures for the consistent development of scientific, research, technological and innovative potential.

Within the framework of scientific and technical and innovative and technological development of the Company, its own Research Center, the Ulba Design Institute, the Bureau of scientific and technical information and patent and licensing work are implementing targeted programs and activities aimed at:

* Creation and development of a modern scientific and technical base;
* Conducting research and development work, including involving third-party research and production organizations and centers on a contractual basis;
* Commercializing the results of scientific, technical and innovative activities and ensuring timely legal consolidation of intellectual property rights;
* Development, implementation and support of innovative scientific and technical developments in the field of the nuclear fuel cycle, as well as processing of new types of tantalum, niobium and beryllium raw materials, development of new types of products and a greater orientation of production to produce products with high added value;
* Development of the already accumulated intellectual capital, including the preservation and training of highly qualified scientific and engineering personnel both in the process of industrial training and in cooperation with educational institutions in the region, as well as the consolidation and development of nuclear technology knowledge and competencies.

**9** **Economic impact measures in the regions of presence**

**9.1 Support for the social and economic development in the regions of presence**

The Company takes care of the social and economic development of the regions where it operates, realizing that high indicators of their development are one of the key factors contributing to the sustainable development of the Company in the medium term.

The Company's activities in this area include support and development of the social infrastructure of the regions where it operates, including within the framework of agreements and memoranda on socio-economic cooperation concluded with regional and district state bodies on the basis of mutually beneficial cooperation.

The Company as a responsible subsoil user makes payments to the address of the RSA of the Department of State Revenues of East Kazakhstan Region of the State Revenues Committee of the Ministry of Finance of the Republic of Kazakhstan for the social and economic of the region and its infrastructure. Annual planned contributions of the Company in 2020-2022 to the regional budget for these purposes will amount to 6,400.0 thousand tenge.

As a major taxpayer, the Company faithfully fulfills its obligations to transfer accrued taxes and deductions to the budget in a timely manner. During 2020-2022, the planned payments for taxes and deductions of UMP JSC to the regional budget of East Kazakhstan region will amount to a total of 5,811.6 million tenge, including 1,877.9 million tenge in 2020, 1,917.9 million tenge in 2021, and 2,015.8 million tenge in 2022.

**9.2 Procedures for procurement management in the framework of Sustainable Development**

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

The Company ensures openness and transparency of procurement in the electronic procurement information system on the website: https://zakup.sk.kz (hereinafter — ISEZ 2.0), in which a full cycle is performed from planning the need for goods, works and services, further procurement, conclusion and execution of contracts, ending with the delivery of goods to the warehouse.

The Company carries out:

* Continuous pre-qualification selection, formation and maintenance of the list of qualified potential Suppliers of the Company.
* Maintaining (timely updating) the developed purchasing category strategy "Tantalum", which determines the optimal approach to the purchase of goods, based on maximizing the benefits in the long or short term.
* Continuous master classes conducted by the management of the Company's procurement Director's service on changes to the procurement regulations and other regulatory acts, which reduces the risk of errors and delays in the procurement of goods, works and services.
* Inventory management by creating and maintaining a standard level of inventory and a 3-month supply of raw materials for beryllium and tantalum production; reducing the share of unclaimed inventory in the total amount of inventory in the Company's Central warehouses.

The Company plans to assist in the conclusion of contracts for the purchase of goods, works and services by local suppliers in the regions where it operates with a 45% share of local content (excluding raw materials purchased from foreign suppliers) in order to support domestic suppliers.

**10 Control mechanisms**

Appropriate control mechanisms are being formed to implement Sustainable Development Program, achieve its goals and solve its tasks.

**10.1 Industrial Safety and Health Council**

In accordance with article 203 of the Labor Code of the Republic of Kazakhstan, Industrial Safety and Health Council of UMP JSC was established to implement joint actions of the Company and the Trade Union to ensure labor protection requirements, prevent industrial injuries and occupational diseases.

Main tasks of the Industrial Council:

* Coordination of organizational and other measures of the Employer on labor protection issues;
* Organization of inspections of working conditions and labor protection in the workplace, preparation of proposals to the Employer to solve labor protection problems;
* Consideration of proposals for the development of organizational, technical and health-improving measures for the preparation of the draft of the relevant section of the Collective agreement;
* Informing the Company's employees:
* About the state and ongoing measures to improve working conditions and safety in the workplace;
* about the results of certification of workplaces by working conditions;
* about the current regulations in the field of industrial safety, sanitary norms and rules of the Republic of Kazakhstan, on providing special clothing, footwear and other personal protective equipment, the correctness of their application;
* assistance to the Employer in organizing training on labor protection, safe methods and techniques for performing work, as well as in the organization of testing of knowledge of labor protection requirements.

In accordance with the Company's standard ST 14.0028-16 "Organization of work to ensure labor safety in UMP JSC” the Company quarterly and at the end of the year holds meetings with Senior Deputy Executive Board Chairman– Chief Operating Officer, which address issues of labor protection, environmental protection, nuclear, radiation, industrial and fire safety in the Company over the past period.

For the effectiveness of work in the field of labor protection, environment and radiation safety, the Company maintains reports in the field of Sustainable Development:

* reports on the state of labor protection, environment and radiation safety are compiled quarterly and at the end of the year;
* during the year, reports on the implementation of Protocol decisions of corporate seminars and meetings on radiation safety, labor protection and the environment are prepared in accordance with the established deadlines.

**10.2 Event accounting system**

In order to set goals, evaluate performance, and manage changes aimed at making its activities more efficient, the Company maintains reports in the field of Sustainable Development:

* Consolidated report on staff training is generated at the end of the half-year and year;
* Consolidated information on social and labor indicators is compiled on a quarterly basis.

**10.3** **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. Accurate and timely identification, assessment, monitoring and response to risks allows effective decision-making at all levels of management and ensure the achievement of the goals and objectives of the Sustainable Development Program.

The Company annually approves risk registers and maps that include economic, environmental and social components of Sustainable Development.

In order to systematize and unify 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 risk assessment and improve the quality of risk management, the Company created the position of risk and compliance Officer.

The Company successfully carries out measures aimed at preventing the implementation of risks and reducing the consequences of the implementation of risks. Reports on the implementation of preventive measures within the risk register are generated on a regular basis.

All identified risks of the Company are divided into five main categories in accordance with the COSO methodology "organization risk management–integrated model": strategic, financial, operational, investment and legal.

The above-mentioned reports are sent by the executive body for consideration by the Company's Board of Directors in order to disclose information on the implementation of the principles of Sustainable Development.

**10.4 External control system: interaction with Stakeholders**

Stakeholders are defined by the extent to which they are exposed, or are likely to be exposed, directly or indirectly, to positive or negative impacts resulting from the Company's operations, which have the potential to affect production processes, corporate governance, or brand loyalty.

In the Stakeholder Map, the stakeholders are identified based on the relevant principles for identifying and selecting stakeholders.

In order to organize effective targeted interaction with stakeholders, public groups are divided into “inner” and “outer” circles, depending on whether they have a direct or indirect impact on the Company's activities, as well as on the influence exerted by the Company on them.

Sustainable Development Program is aimed at meeting the interests of all stakeholders:

Inner circle includes the Sole Shareholder, Investors, Suppliers and Customers, Staff, Trade Unions, Central Executive Body, Management and Senior Management, Creditors, External Auditors and consultants.

Outer circle includes Public, environmental, and other organizations, Local communities, Rating agencies, Central Executive Bodies other than the licensing authority, Partners, Local Executive Bodies, media, and NGOs.

The process of interaction with stakeholders is an integral part of any company's activities. Interaction with stakeholders allows the company to increase social capital, prevent and minimize risks, and identify new opportunities for development. In this regard, the Company pays special attention to the process of interaction with stakeholders in the coming years.

It is worth noting that the Company, as a socially responsible company, seeks to encourage and promote the application of Sustainable Development principles by partners, paying attention to compliance with these principles in contracts, agreements and other relevant documents on relations with partners.

Stakeholder engagement is a continuous cyclical process that involves the continuous development and improvement of practices and procedures.

Appropriate methods and channels of interaction with stakeholders are identified. Dialogues with stakeholders on various aspects of the activity are being organized. In order to receive information about concerns and complaints, a mechanism for submitting and reviewing appeals and complaints is used through a feedback system on a public Company website for written requests or phone call to the "hotline".

**11 Expected results**

Implementation of the Program contributes to strengthening the Company's position as a socially responsible legal entity in the medium term and solving the problems of socio-economic development of the company, as well as achieving the following results by 2022:

**11.1 Social actions**

* Ensuring social stability in labor collectives with a social stability Rating of at least 78% until 2022;
* Stimulation of labor activity of the Company’s Employees and motivation to achieve above-standard results, through payment of remuneration by the results of the year, based on achievement of key performance indicators that are cascading from the Chairman and the members of the Executive Board to the staff of the structural divisions;
* Providing financial assistance to the Company's Employees for paid annual leave no more than once a calendar year, in the amount of one official salary;
* Fulfilling all social obligations to the Company's Employees, as well as implementing additional social support measures for the employees who were forced to restrict their rights to work during the state of emergency in the Republic of Kazakhstan due to the spread of COVID-19 coronavirus infection.
* Professional development and training of more than 26,451 person-seminars worth more than 381,616 million tenge in the period from 2020-2022;
* Providing the Company's Employees with a set of social guarantees, benefits and compensations in accordance with the terms of the Collective Agreement concluded between the Company and the Trade Union;
* Enhancing the image and corporate culture of the company by implementing activities such as developing social programs and improving youth policy;
* Resolution and prevention of corporate conflicts and conflicts of interest;
* Ensuring transparency and openness of the Company's financial and non-financial activities, fair business conduct, including combating corruption and fraud.

**11.2 Occupational safety and environment protection measures**

* Exclusion of injuries;
* Annual financing of a comprehensive plan to improve working conditions, occupational safety and health measures in the amount of at least 150 million tenge;
* Ensuring environmental sustainability and safety, limiting harmful radiological and chemical effects on the environment;
* Minimize the impact of waste on the environment by creating a system of corporate control, accounting and monitoring of waste movement at all stages of waste management.
	1. **Measures for scientific and technical and innovative-technological development**
* Technological leadership;
* Expanding the geography of export supplies and sales markets;
* Continuous updating and expansion of the product line;
* Increase the profitability of production, optimize costs.

**11.4 Economic development activities**

* Influence on the socio-economic development and social infrastructure development of the regions of presence by:

- fulfillment of the Company's obligations under agreements and memoranda on socio-economic cooperation concluded with regional and district state authorities on the basis of mutually beneficial cooperation;

- conscientious fulfillment of the Company's obligations for timely transfer of taxes and other deductions to the regional budget;

* Support for small and medium-sized businesses in the regions where they operate by entering into contracts with them.

**11.5 Measures for managing procurement activities**

* Implementation of a comprehensive procurement management system (New procurement model) in UMP JSC, aimed at improving the competitiveness and market value of organizations;
* Providing all potential suppliers with equal opportunities to participate in the procurement process, provided that organizations with disabilities and individuals with disabilities who are engaged in business activities are supported;
* Purchasing from certified and socially responsible suppliers.

When the expected results are achieved, the Company will reach a new level of Sustainable Development, strengthen its corporate image and reputation, and ensure openness and accessibility for interaction with Stakeholders.