



KAZAKHSTAN  
HOUSING  
COMPANY



**ANNUAL REPORT**



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# KEY INDICATORS

## KEY INDICATORS OF 2022

### Supporting the Housing Supply

Purchased LEB bonds worth KZT 176.4 bln

36 guarantees issued for the completion of construction worth KZT 211.8 bln (1,073 thous m<sup>2</sup>, 11,938 apartments)

Subsidy contracts concluded on loans from private developers amounting to KZT 9.8 bln

### Supporting the Housing Demand

331 apartments were provided for rent with redemption worth KZT 5.7 bln

### Development of Information Technology and Analytics

Online building materials platform [www.material.kz](http://www.material.kz) has been launched

The Nurly Zher Situation Centre has been modernized

A new version of the Qazreestr has been drafted

Housing Portal for individuals and existing customers of the Company has been launched

### Socially oriented and anti-crisis programs

Early repayment of funds of KZT 11.2 bln allocated for construction of Mega Silkway Shopping Mall

75 parking lots and 13 non-residential premises worth KZT 90 mln were sold on Expo 2017 facilities

### Financial Indicators

Net profit of KZT 44.7 bln

Assets of KZT 1,449 bln

Equity Capital of KZT 243 bln

Liabilities of KZT 1,206 bln

ROA 3,11%

ROE 19,3%



# KEY EVENTS

## KEY EVENTS OF 2022

### FEBRUARY

On February 4, 2022, KASE raised KZT 1.3 bln through placement of 30-year KZ2C00007631 (KZIKb35) bonds with a coupon rate of 0.1% per annum under the Mortgage Refinancing Program of the NBK and ARDFM RK.

### MARCH

On March 1, 2022, the "Online building materials platform" information system ([www.material.kz](http://www.material.kz)) was launched as part of the state housing program.

### JUNE

On June 10, 2022, dividends on ordinary shares KZ1C00000637 (KZIK) for 2021 amounting to KZT 3.6 bln were paid.

### JULY

On July 1, 2022, KASE raised KZT 582 mln through placement of 30-year KZ2C00007086 (KZIKb32) bonds with a coupon rate of 0.1% per annum under the Mortgage Refinancing Program of the NBK and ARDFM RK.

### SEPTEMBER

On September 7, 2022, KASE raised KZT 540 mln through placement of 30-year KZ2C00004356 (KZIKb28) bonds with a coupon rate of 2.99% per annum under the Mortgage Refinancing Program of the NBK and ARDFM RK.

### OCTOBER

On October 27, 2022, KASE raised KZT 221 mln through placement of 30-year KZ2C00007086 (KZIKb32) bonds with a coupon rate of 0.1% per annum under the Mortgage Refinancing Program of the NBK and ARDFM RK.

### OCTOBER

On October 31, 2022, the Housing Portal information system for individuals and existing customers of the Company was put into commercial operation.

### NOVEMBER

The Moody's International Rating Agency affirmed the long-term and short-term ratings in national and foreign currencies at Baa3, as well as the issuer rating on the national scale at Aa2.kz with a Stable Outlook.

### NOVEMBER

The Fitch Ratings affirmed the long-term foreign and national currency Issuer Default Ratings (IDRs) at 'BBB' with a Stable Outlook. The short-term foreign currency IDR is affirmed at 'F2'. The Fitch also affirmed the long-term rating of the Company's outstanding senior debt at 'BBB'.

### DECEMBER

On December 29, 2022, KASE raised KZT 749.2 mln through placement of 30-year KZ2C00007086 (KZIKb32) bonds with a coupon rate of 0.1% per annum under the Mortgage Refinancing Program of the NBK and ARDFM RK.



# ADDRESS

## OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



**Kanat SHARLAPAEV**

Chairman of the Board of Directors  
of Kazakhstan Housing Company JSC

### DEAR LADIES AND GENTLEMEN!

In 2022, Kazakhstan Housing Company JSC continued on its way to achieving its strategic goals, mission and vision to provide the people of Kazakhstan with affordable housing.

We were able to achieve significant results in the reporting year. The volume of housing commissioned through our supply support tools was 2.4 million square metres of housing, or 27,200 apartments. The total volume of rental housing with redemption provided by the Company reached 23,200 apartments.

The company aims to provide a comprehensive approach to housing and a balanced development of the housing market with the active use of information technology.

Affordability of housing for citizens is an

important factor in the socio-economic development of Kazakhstan. The government is carrying out a wide range of activities to improve the housing provision.

Kazakhstan retains the need to support and stimulate housing construction in affordable price segments and to apply additional measures to support demand.

In view of the tasks entrusted in 2022, the Company, together with the sole shareholder – Baiterek National Managing Holding JSC and the Government of the Republic of Kazakhstan, will continue to work on the financing of housing construction and development of mortgage lending.

Thank you to our customers and partners for your fruitful cooperation, and I wish you financial stability and prosperity!

### **Kanat Sharlapaev**

Chairman of the Board of Directors  
of Kazakhstan Housing Company JSC

# ADDRESS

## OF THE CHAIRMAN OF THE MANAGEMENT BOARD



**Altay KUZDIBAYEV**

Acting Chairman of the Management Board  
of Kazakhstan Housing Company JSC

### DEAR CUSTOMERS, PARTNERS AND COLLEAGUES!

I am glad to present the Annual Report 2022 of Kazakhstan Housing Company JSC.

In the reporting year, Kazakhstan Housing Company JSC strengthened its position as the Single Housing Construction Operator and achieved record results thanks to its institutional development work and chosen strategy.

As part of its support for housing supply, the Company purchased KZT 176.4 billion worth of local executive bodies' bonds to finance the construction of credit housing. To protect the interests of shareholders, 36 guarantees were issued for the completion of construction totalling KZT 211.8 bln. Subsidy agreements have been concluded with private developers totalling KZT 9.8 bln. The Company's contribution to housing construction in the Republic of Kazakhstan through all of the Company's support instruments was 27%.

In support of housing demand, the Company sold 331 rental apartments with redemption for KZT 5.7 bln.

As part of the development of information technology, in order to support Kazakh producers of building materials and to increase Kazakh content in housing construction, the Company launched an Online Building Materials Platform ([www.material.kz](http://www.material.kz)) on March 1, 2022 as part of the state housing program,

which reflects the demand for building materials from construction companies, as well as a showcase of building materials from Kazakh producers.

The Housing Portal information system ([www.homeportal.kz](http://www.homeportal.kz)) was also launched for individuals and current customers of the Company, providing information on all shared construction projects with the relevant permit or guarantee from the Company to raise funds from shareholders.

The Company had a record net profit of KZT 44.7 bln, assets of KZT 1,449 bln and equity of KZT 243 bln, which ensures the Company's financial stability.

KHC JSC is focused on balanced sustainability and creating value for a wide range of stakeholders in the long term. The Company strives to effectively manage the impact of its activities on the environment, the economy and society.

Certainly, the Company's greatest asset is its employees. The Company is guided by the principle of equal opportunity and does not discriminate against its employees in recruitment, remuneration, access to training or promotions.

I appreciate our clients, partners and the sole shareholder for their trust, as well as the Company's employees for their professionalism and the results achieved in 2022.

### **Altay Kuzdibayev**

Acting Chairman of the Management Board  
of Kazakhstan Housing Company JSC



# COMPANY PROFILE



Kazakhstan Housing Company Joint-Stock Company (formerly called Mortgage Organization Kazakhstan Mortgage Company Joint-Stock Company) was established in 2000 in accordance with the resolution of Management Board of the National Bank of the Republic of Kazakhstan in order to implement the Concept of long-term financing of housing construction and mortgage lending development.

In 2020, MO Kazakhstan Mortgage Company JSC was reorganized by joining Baiterek Development JSC and Housing Construction Guarantee Fund JSC by Order of Kassym-Jomart Tokayev, the Head of State.

Baiterek Development JSC (until 2014 – Distressed Assets Fund JSC) performed the functions of the financial operator of Nurlı Zher Program in the direction of financing the construction of credit housing through the purchase of government securities of local executive bodies, as well as monitoring the progress of construction of credit housing. Other activities of the Company were the implementation of investment projects in the construction industry, the completion of activities initiated as part of the anti-crisis measures of 2009-2010, and EXPO-2017 projects.

Housing Construction Guarantee Fund JSC was established in 2016 on the basis of the previously operating Kazakhstan Mortgage Loan Guarantee Fund JSC. Task of the Fund was to create an effective mechanism to protect the rights and interests of interest holders by guaranteeing completion of the shared-equity construction object.

As a result of the reorganization, the activities were optimized, duplicate functions within Baiterek NMH JSC were eliminated and administrative costs were reduced.

In accordance with the Development Strategy for 2021-2023, after the reorganization, the Company became Single Housing Construction Operator and in January 2021 it changed its name to Kazakhstan Housing Company JSC.

In 2021, the Company combined all the products and services of three companies. In 2022, the Company ensured the continuity of activities and implementation of government programs.

## CONTACT DETAILS

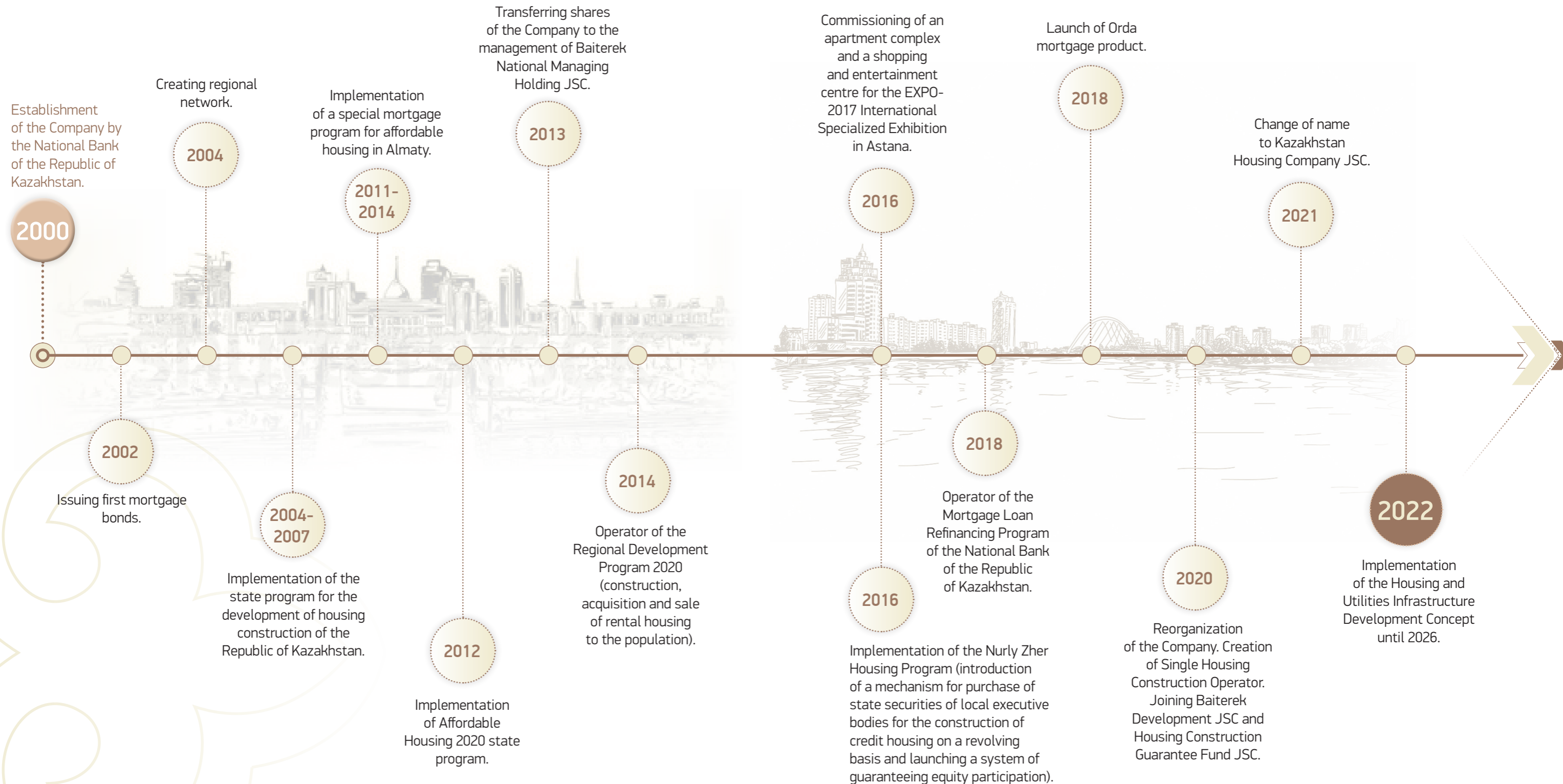
Kazakhstan Housing Company Joint-Stock Company  
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Phone: +7 (7172) 79 75 75  
Email: info@khc.kz

If you have any questions about the report, please contact the Analysis and Strategy Department:

Director – **Rauan Khadesov** (ext. 2309);  
Chief Specialist – **Meruert Uakpayeva** (ext. 2347).



# HISTORY OF DEVELOPMENT



# BUSINESS MODEL OF THE COMPANY

I

CAPITALS

## FINANCIAL RESOURCES

assets of KZT **1,449** bln

equity capital of KZT **243** bln

borrowing portfolio of KZT **1,533** bln

## HUMAN CAPITAL

210 persons

## SOCIAL AND REPUTATION CAPITAL

Single Operator of Housing Construction

II

STRATEGY

## MISSION

Provide the population of Kazakhstan with affordable and quality housing.

## VISION

Key Development Institution for affordable housing for the people of Kazakhstan.

## OBJECTIVES

1. Increase housing construction by stimulating the private sector and become a one-stop shop for developers
2. Increase the housing affordability for citizens of Kazakhstan
3. Digitalization of the Company's products and analytics development
4. Create jobs and ensure timely repayment of allocated funds

## SUSTAINABLE DEVELOPMENT GOALS



III

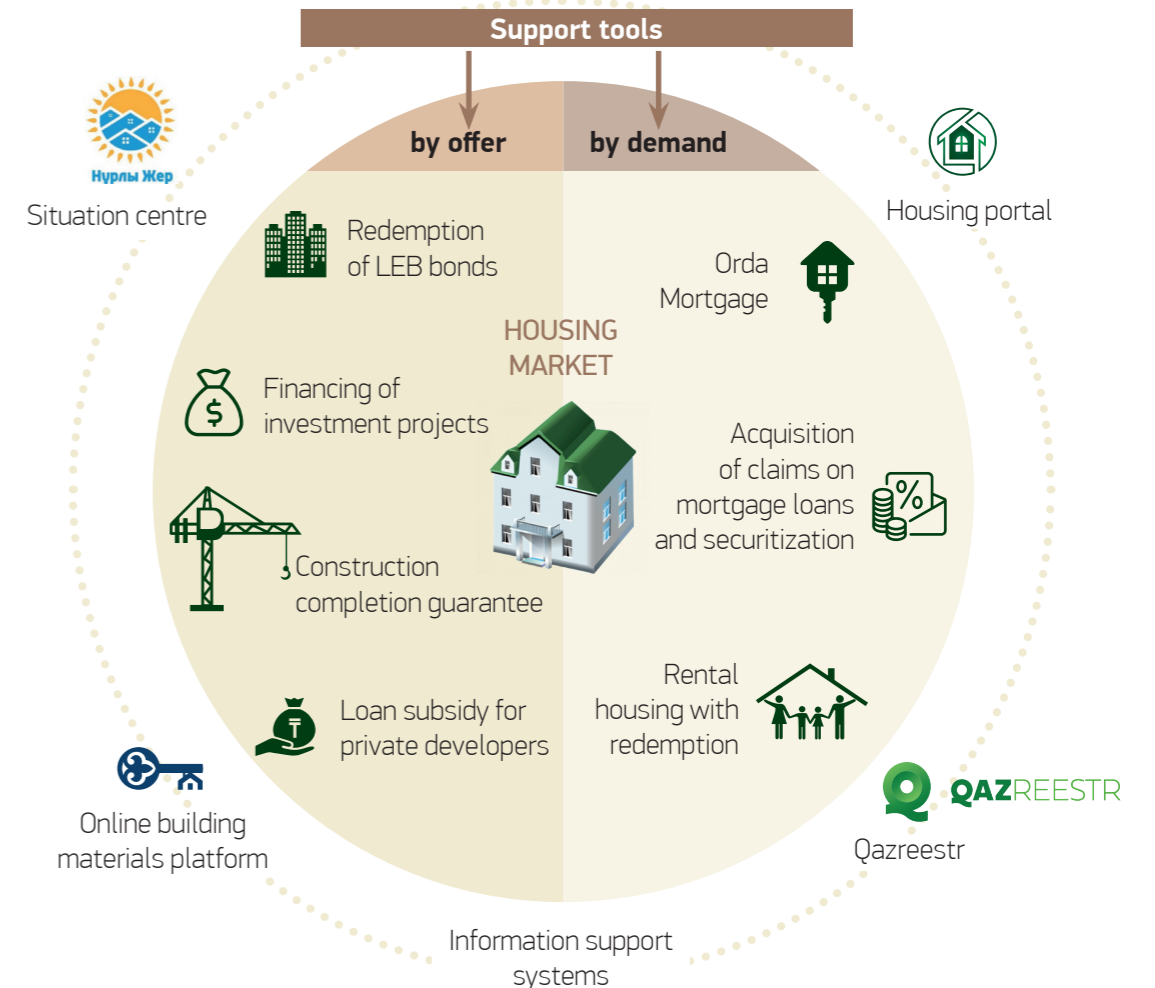
OPERATIONS CYCLE

IV

RESULTS



## DIGITAL BAITEREK



**26.8%** the Company's contribution in the construction of apartment buildings in the country

**2.4** mln sq. m. of housing  
**27 239** apartments commissioned through support instruments of the Company

net profit of KZT **44.7** bln

**3,1%** ROA

CIT of KZT **1,8** bln

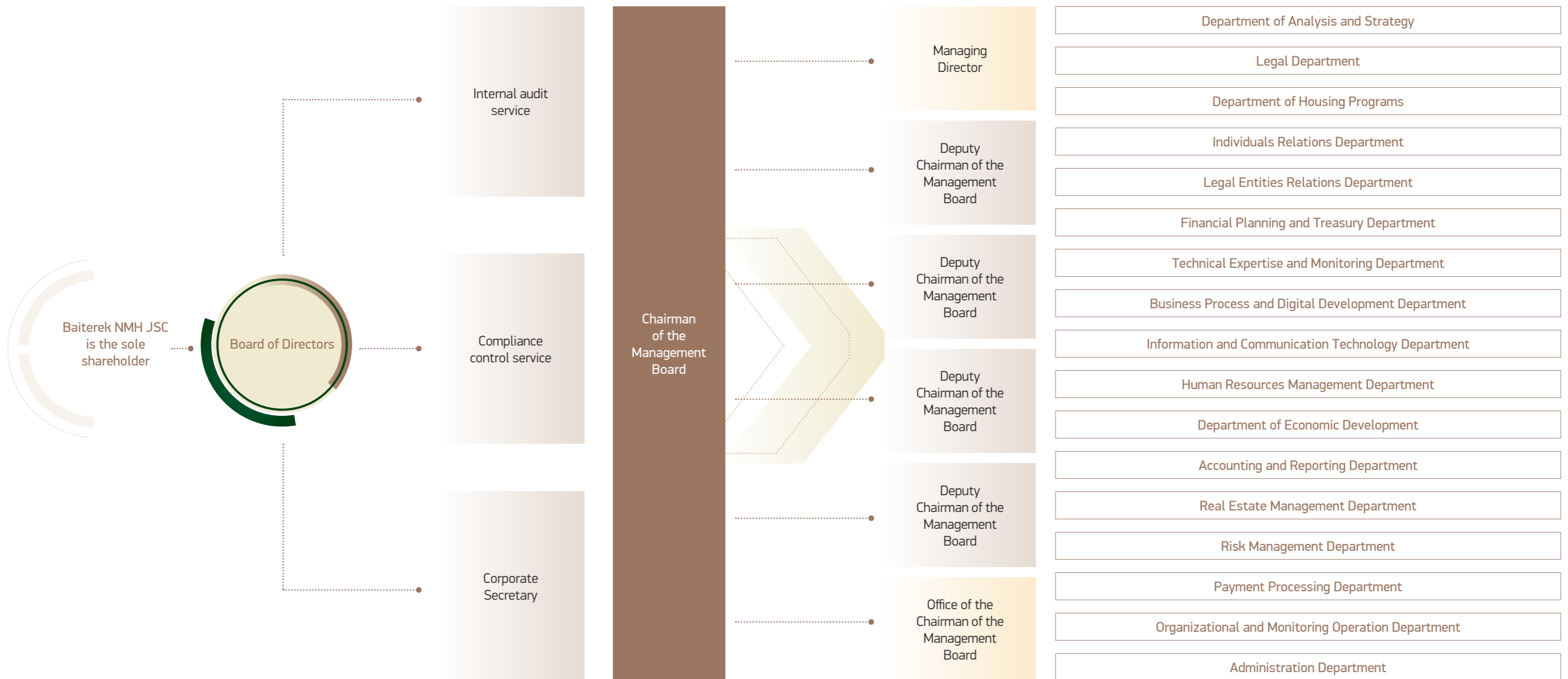
**84.1%** of the Company performance confidence index

dividends of KZT **31.3** bln for 2022 (70% of net income)





# ORGANIZATIONAL STRUCTURE





# OVERVIEW OF THE EXTERNAL ENVIRONMENT

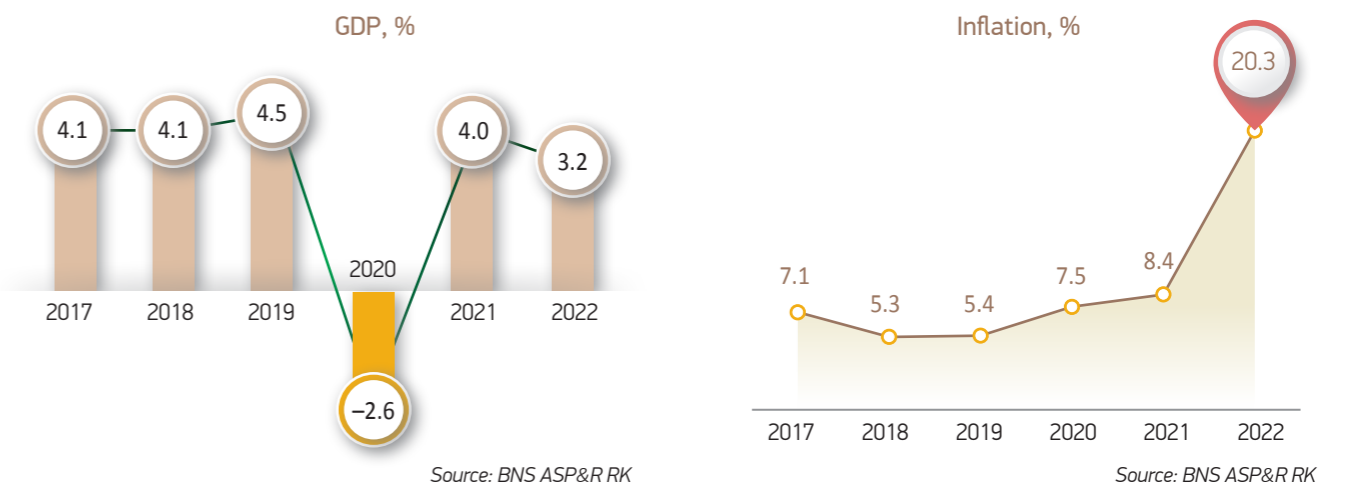
## OVERVIEW OF THE EXTERNAL ENVIRONMENT

### MACROECONOMIC OVERVIEW

Despite external negative factors, Kazakhstan's economy is expected to grow by 3.2% in 2022. Growth in the real sector was 3.2% and in services – 2.5%.

The sectors showed the greatest growth: construction – 9.4%, agriculture, forestry and fishing – 9.1%, wholesale and retail trade; repair of motor vehicles and motorbikes – 5%, transport and storage – 3.9% and manufacturing – 3.4%. In the mining industry, however, the growth rate declined by 1%.

The growth rate of fixed investment was 7.8%. Investments increased in the main sectors of the economy: in real estate operations by 15.4%, in agriculture by 6.9%, in transport and storage by 5.5%, in industry by 5.6% and in mining by 14.2%.



Annual inflation in Kazakhstan in 2022 is 20.3%. Over the year, food prices rose by 25.3%, non-food prices by 19.4% and paid services by 14.1%.

The IMF expects Kazakhstan's GDP to grow by 4.3% in 2023, the EDB by 4.2%, while the ADB by 3.7% and the World Bank believe that Kazakhstan's economy will grow by 3.5% in 2023. The Ministry of National Economy of Kazakhstan forecasts three scenarios for economic growth in Kazakhstan: a baseline scenario of 4%, an optimistic scenario of 4.2% and a pessimistic scenario of 3.5%.

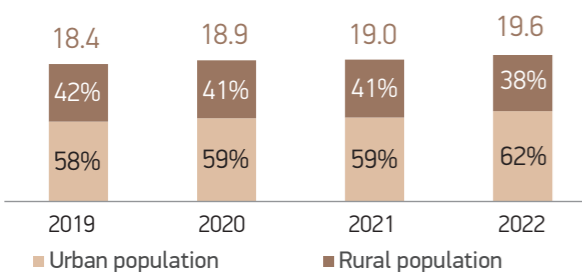
### Forecasts for economic growth in 2023

Country	IMF	EDB	ADB	World Bank	Ministry of National Economy of the Republic of Kazakhstan
Global Economy	2.9%	1.5%	4.5%	1.7%	-
Kazakhstan	4.3%	4.2%	3.7%	3.5%	3.5%

## OVERVIEW OF THE HOUSING AND CONSTRUCTION SECTOR

The population of Kazakhstan **grew by 6.5%** to **19.6 million people** between 2019 and 2022, according to the BNS ASP&R RK.

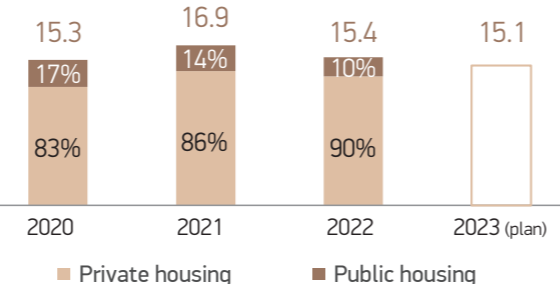
Population dynamics in Kazakhstan, mln people



Source: BNS ASP&amp;R RK

The total area of housing commissioned in 2022 is **15.4 mln m<sup>2</sup>**, which is **8.9% lower** than in 2021.

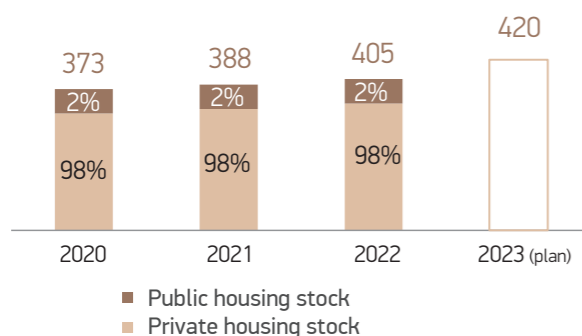
Area of housing commissioned, mln sq. m.



Source: BNS ASP&amp;R RK

In 2022, the country's housing stock is **405 mln m<sup>2</sup>**, an increase of **4.4%** compared to 2021. Private housing stock accounted for **98%** of the total in 2019-2022.

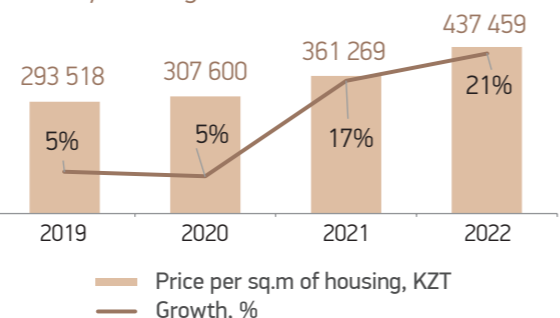
Housing stock, mln sq. m.



Source: BNS ASP&amp;R RK

In 2022, there was a high growth in primary housing prices. Compared to 2021, prices have **risen by 21%**.

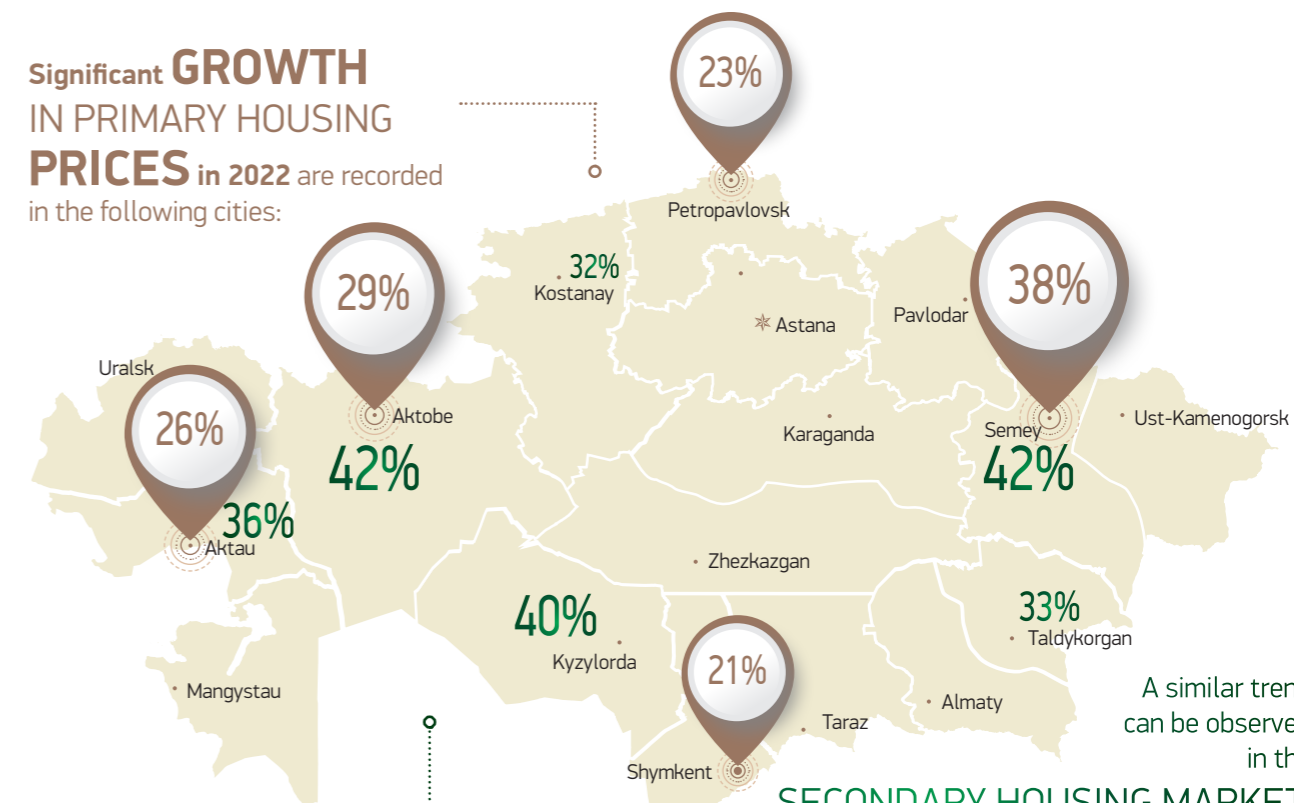
Price of 1 sq.m., Primary housing in Kazakhstan for 2018-2022



Source: BNS ASP&amp;R RK

Significant **GROWTH**  
IN PRIMARY HOUSING

**PRICES** in 2022 are recorded in the following cities:



A similar trend can be observed in the

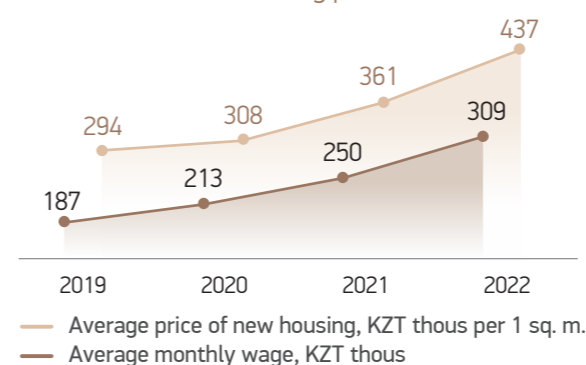
**SECONDARY HOUSING MARKET.**

In 2022, the price per m<sup>2</sup> on the secondary market has **increased by 66%** compared to 2021. By region, prices have increased significantly in cities such as: Aktobe, Semey, Kyzylorda, Aktau, Taldykorgan, Kostanay

In 2022, the average **monthly nominal wage** is **KZT 309 thous.**, **24% higher** than in 2021.

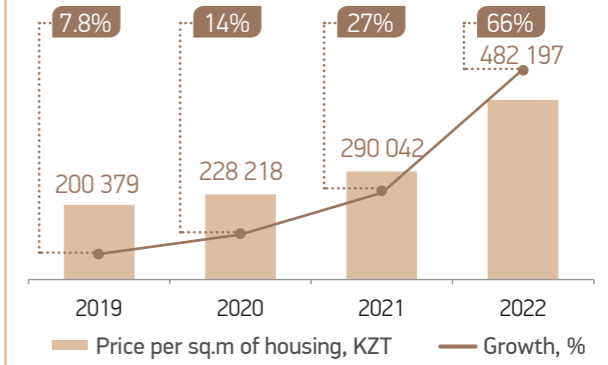
Thus, given the dynamic price growth in both the primary and secondary markets, there is a need to support and stimulate the housing and construction sector in affordable price segments, as well as additional measures to support demand.

Population income growth rate and housing prices



Source: BNS ASP&amp;R RK

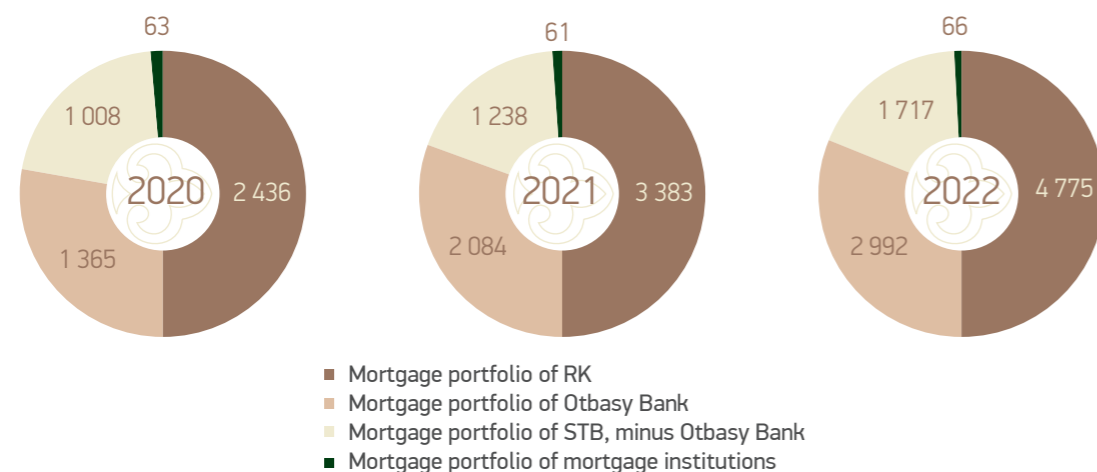
Price of 1 sq.m., secondary housing in Kazakhstan for 2019-2022



Source: BNS ASP&amp;R RK

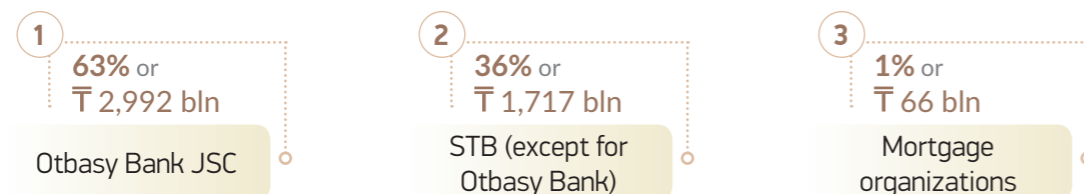
## OVERVIEW OF THE MORTGAGE MARKET

Mortgage portfolio of RK, KZT bln



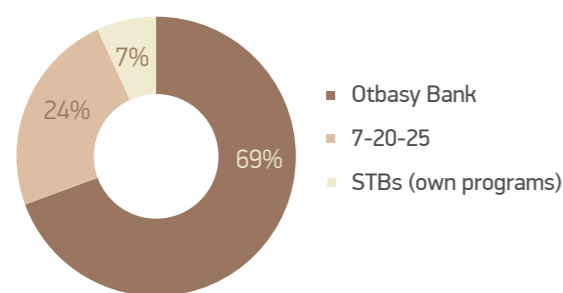
Source: NB RK

According to the National Bank of the Republic of Kazakhstan, as of December 31, 2022, the total mortgage portfolio of the Republic of Kazakhstan amounted to **KZT 4,775 bln**, including



Since the beginning of 2022, the total mortgage portfolio **increased by 41%**. The growth in the STB's mortgage portfolio, except for Otbasy Bank JSC, was **44%** mainly due to the 7-20-25 programs, while Otbasy Bank JSC's portfolio increased by **53%**.

Structure of mortgage loans issued in 2022, by RK mortgage programs, %



Source: Otbasy Bank JSC's data, 7-20-25, KHC estimates

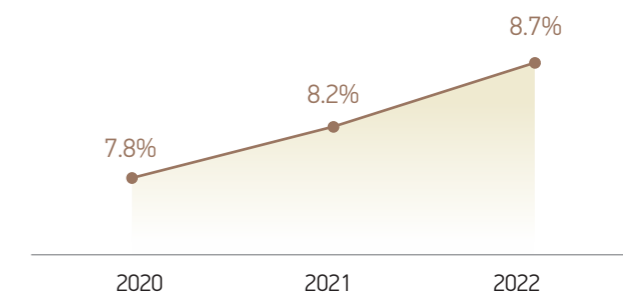
As of December 31, 2022, the total mortgage portfolio of STB, including Otbasy Bank JSC, was **KZT 4,709 bln**. The growth since the beginning of 2021 (**KZT 3,322 bln**) was **42%**, mainly due to the use of pension savings to improve housing conditions.

According to the NB RK, in 2022, mortgage loans worth KZT 1,990 bln were issued, of which:

- Otbasy Bank JSC issued loans of KZT 1,381 bln;
- loans of KZT 427 bln were issued under the 7-20-25 program;
- STB's own programs provided loans of KZT 137 bln.

In 2022, the weighted average interest rate on loans issued by STB for construction and purchase of housing for citizens was 8.7%, which is 0.5% higher than in 2021.

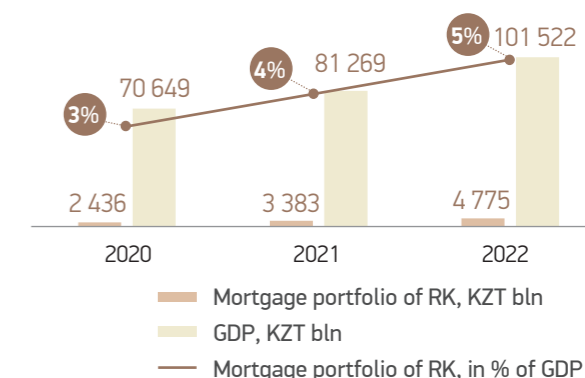
Weighted average interest rate on loans issued by banks for construction and Purchase of Housing for citizens, %



Source: NB RK

The share of Kazakhstan's mortgage portfolio in GDP in 2022 was 5%, an increase of 1 percentage point compared to 2021. In comparison, the share of mortgage portfolio in GDP in the UK is 12%, the US – 11%, Russia – 9%, Germany – 7%, Uzbekistan – 5% and Kyrgyzstan – 3%.

Mortgage Portfolio of Kazakhstan, % of GDP

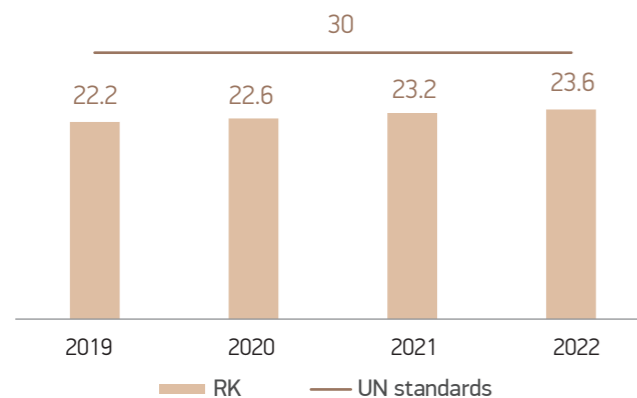


Source: BNS ASP&amp;R RK



## OVERVIEW OF THE HOUSING AFFORDABILITY

Availability of housing, sq.m., per person



Source: BNS ASP&R RK



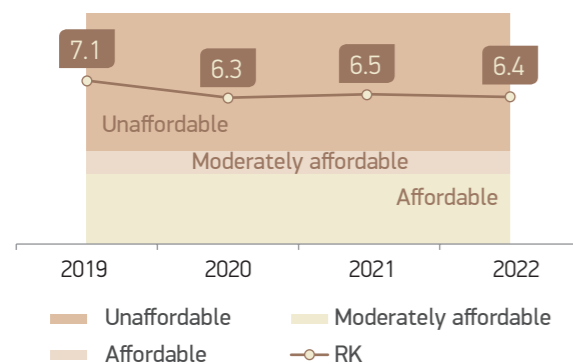
The housing capacity of the population in 2022 is

**23,6 m<sup>2</sup> per person**, while the **UN social standard is 30 m<sup>2</sup> per person**.

To provide 30 m<sup>2</sup> per person, the housing stock in the Republic of Kazakhstan needs to increase by 110 mln m<sup>2</sup> from 405 mln m<sup>2</sup> to 515 mln m<sup>2</sup>.

According to UN standards, housing is considered affordable if it takes less than 3 years to acquire a medium-sized and affordable apartment, 3 to 4 years for a medium-sized apartment, and more than 5 years for an unaffordable apartment.

Comparison of housing affordability: RK and UN standards, years



Source: BNS ASP&R RK and estimates of KHC JSC

For example, the housing capacity in developed countries, such as the USA and Germany, is 70 m<sup>2</sup> and 50 m<sup>2</sup> per person, respectively.

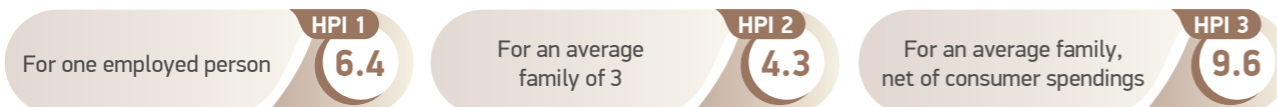
There are housing affordability indices that measure the amount of time it takes to purchase a standard home – the **HPI** (Housing price-to-income ratio) and the ability of the population to purchase a standard home with a mortgage **HAI** (Housing Affordability Index)<sup>1</sup>.

According to HPI calculations, it would take **6.4 years (HPI1)** for a single working Kazakh citizen to buy a standard 54 m<sup>2</sup> apartment, assuming that all of his/her income is earmarked for housing.

It would take an average Kazakh family (3 people) **4.2 years (HPI2)** to buy the same apartment, assuming that all income is earmarked for housing. However, no average family can allocate all of its income to buying an apartment over several years. Assuming that a family can spend no more than 1/3 of the total family income per year, i.e. net of consumption expenditure, while

<sup>1</sup> HAI index developed by the US National Association of Realtors

Number of years required to purchase a standard apartment in RK



Source: BNS ASP&R RK and estimates of KHC JSC

still enjoying normal living conditions, it will take the average family **9.6 years (HPI3)** to purchase a standard apartment.

There is also the **HAI (Housing Affordability Index)**, which measures a family's ability to purchase a standard home with a mortgage.

$$HAI = \frac{\text{Proportion of income that a household can spend on mortgage payments} \cdot \text{Household Average Nominal Cash Income} \cdot 3 \cdot 12}{12 \cdot \text{Monthly mortgage payment amount}}$$

30%

The higher the index value (it should be over 100), the more affordable housing is for a family with its income level under existing mortgage conditions, i.e. if the index value is above 100 – the mortgage is affordable, if the index value is below 100 – the mortgage is unaffordable.

Index of affordability of market mortgage products issued in 2022 by decile group of the RK population

Deciles (1 for the poorest population group and 10 for the richest population group)	HAI indicator	
	Otbasy Bank (Own House) *	STB mortgage**
1	17	11
2	21	14
3	24	16
4	26	18
5	30	20
6	34	23
7	39	27
8	46	32
9	58	40
10	99	68

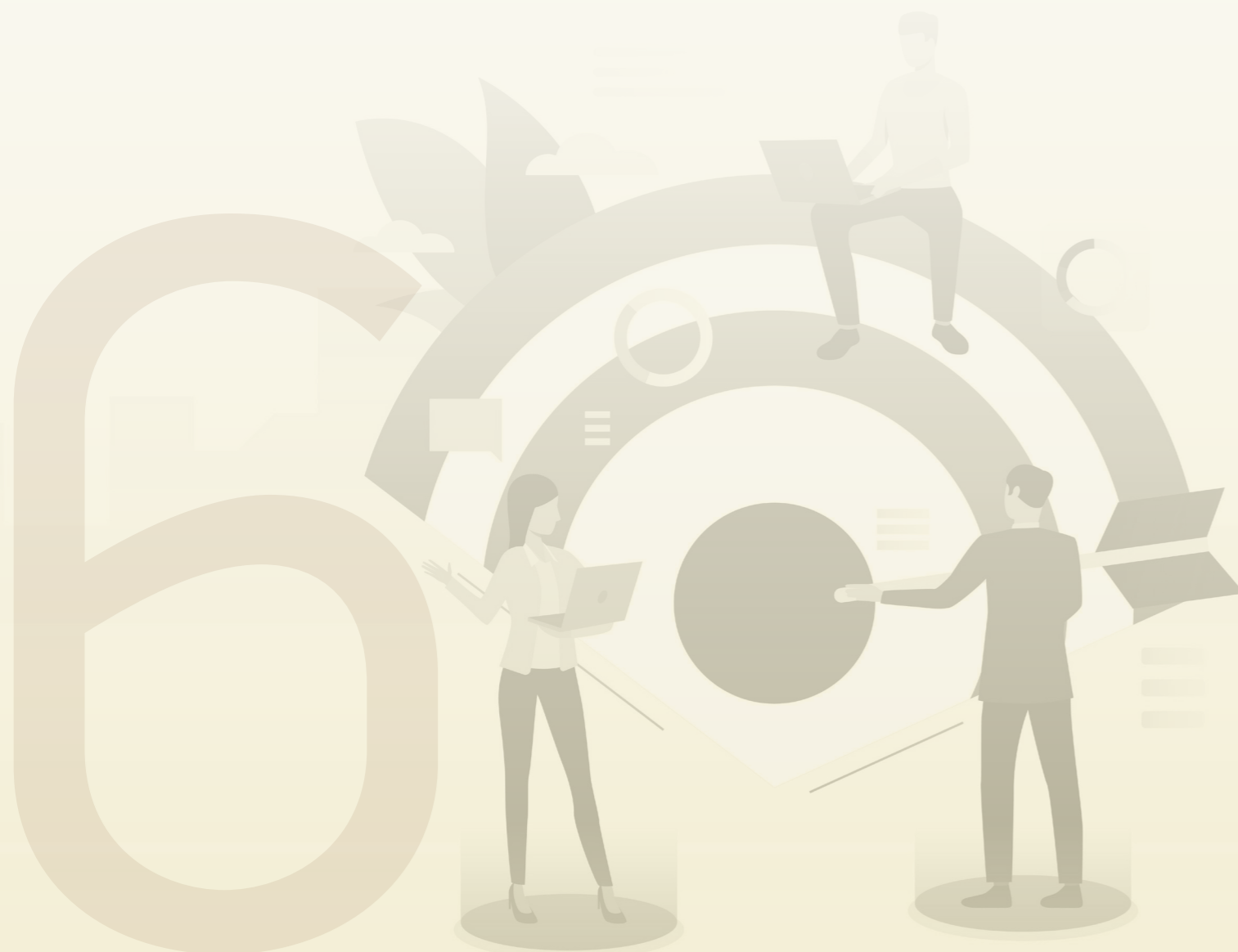
\* subject to 50% accumulation over 3 years with an estimated 16 (interest rate 5%, down payment 50%, term 6 years);

\*\* STB average interest rate 16%, down payment 20%, term 15 years;

HAI indicator calculations have shown that in terms of decile (10 per cent) income groups, the terms of Otbasy Bank ('Own House') and STB Mortgage program are considered unaffordable.

For social categories of citizens there are preferential mortgages "7-20-25" as well as "Bakytty Otbasy" (2-10-18) and (5-20-25) under the Nurly Zher program.

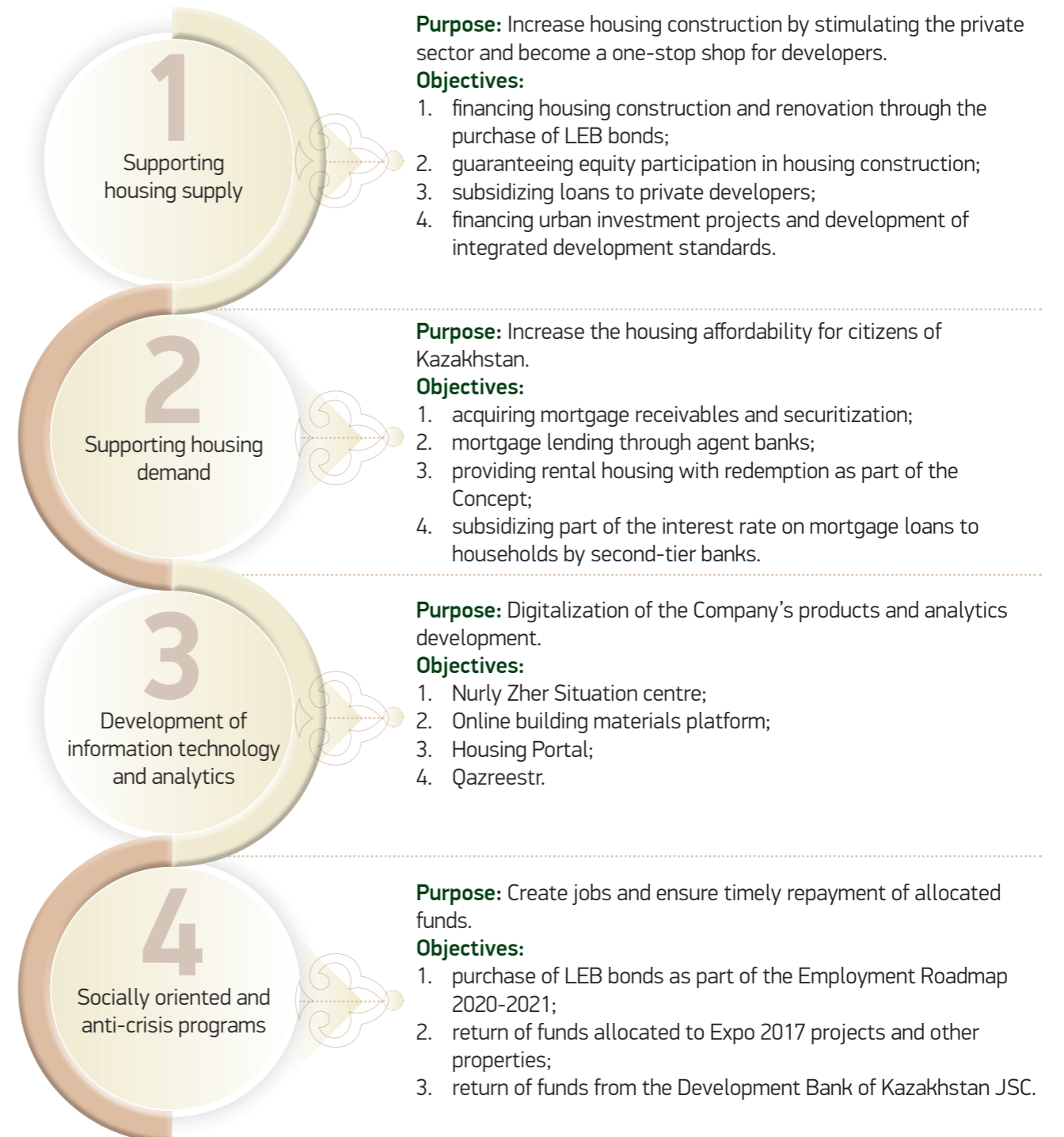
# MANAGEMENT REPORT



## MANAGEMENT REPORT

**Mission:** Provide the population of Kazakhstan with affordable and quality housing.  
**Vision:** Key development Institution for affordable housing for the people of Kazakhstan.

### STRATEGIC AREAS OF ACTIVITY



## The Company's strategic map

**Mission:** Provide the population of Kazakhstan with affordable and quality housing.  
**Vision:** Key Development Institution for affordable housing for the people of Kazakhstan

	Supporting housing supply	Supporting housing demand	Development of information technology and analytics	Socially-oriented and anti-crisis programs
Customers	<ul style="list-style-type: none"> <li>Financing housing construction and renovation through purchase of LEB bonds</li> <li>Guaranteeing equity participation in housing construction</li> <li>Subsidizing loans to private developers</li> <li>Financing urban investment projects and development of integrated development standards</li> </ul>	<ul style="list-style-type: none"> <li>Acquiring mortgage receivables and securitization</li> <li>Mortgage lending through agent banks</li> <li>Providing rental housing with redemption</li> <li>Subsidizing part of the interest rate on mortgage loans granted to the population by STBs</li> </ul>	<ul style="list-style-type: none"> <li>Situation center "Nurly Zher" (research and analytics)</li> <li>Online building materials platform</li> <li>Housing portal (My Home Portal)</li> <li>Qazreestr</li> </ul>	<ul style="list-style-type: none"> <li>Purchase of LEB bonds in within the Roadmap employment for 2020-2021</li> <li>Refunds for Expo 2017 projects and other properties</li> <li>Refunds from Development Bank of Kazakhstan JSC</li> </ul>
	Become a one-stop shop for developers			
Finance	Be financially sustainable			
	Optimize operating costs			
Internal business processes	Optimize corporate business processes			
	Housing policy development			
	Collaborate with public authorities and LEB on community development and social facilities to ensure a harmonious life for the people of Kazakhstan			
	Build effective relationships with stakeholders			
Organizational opportunities	Create a corporate culture	Become a better employer	Build new competencies and capacities	
	The best quality/price ratio		Digital technology, data analysis	

## Execution of KPIs based on the 2022 results and planned KPIs for 2023

In order to assess performance, the Company monitors and analyzes the achievement of its objectives on an ongoing basis by using the following key performance indicators:

Nº	KPI	2022 Plan	2022 Actual	% of execution	2023 Plan
<b>Strategic direction 1: Supporting housing supply</b>					
Purpose: Increase housing construction by stimulating the private sector and become a one-stop shop for developers.					
1	The Company's contribution to affordable housing construction in the Republic of Kazakhstan (%)	13,0	26,8	206	13
2	Volume of housing commissioned using the Company's tools (thous sq. m)	2 145	2 367	110	1 930
<b>Objective 1. Financing housing construction and renovation through the purchase of LEB bonds</b>					
3	Purchase of LEB securities to finance housing construction and renovation (KZT bln)	268,6	176,4	66	110,4
<b>Objectives 2 and 3. Guaranteeing equity participation in housing construction and subsidizing loans to private developers</b>					
4	Amount of guarantees issued (KZT bln)	120,0	211,8	177	170
5	Amount of subsidized loans to private developers (KZT bln)	20,0	9,8	49	
<b>Strategic direction 2: Supporting housing demand</b>					
Purpose: Increase the housing affordability for citizens of Kazakhstan					
<b>Objectives 1 and 2. Acquiring mortgage receivables and securitization and mortgage lending through agent banks under the Orda Program</b>					
6	Mortgage portfolio volume (KZT bln)	12,5	0,0	0	24,0
<b>Objective 3. Providing rental housing with redemption as part of the Concept</b>					
7	Selling rental apartments with redemption (KZT bln)	3,2	5,7	178	4,5
<b>Other KPIs</b>					
8	ROA (%)	1,20	3,11	259	1,04
9	Share of loan and investment portfolios in total assets (%)	87	81	93	80
10	Share of non-state sources of borrowing in the general borrowing structure for the reporting year (%)	-	-	-	70
11	Customer satisfaction (%)	84	84	100	87

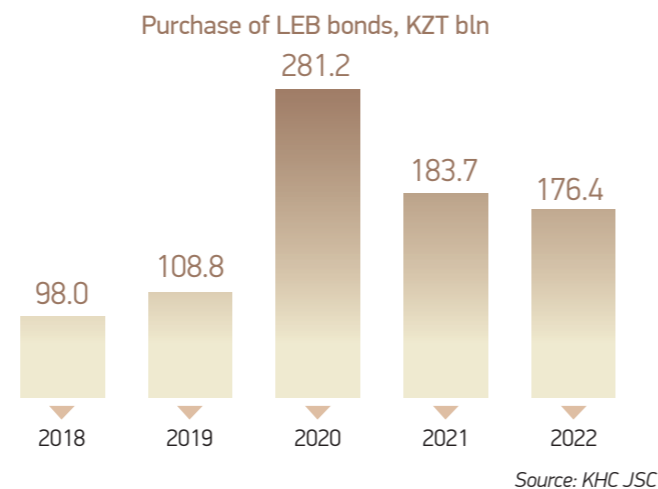


## SUPPORTING HOUSING SUPPLY

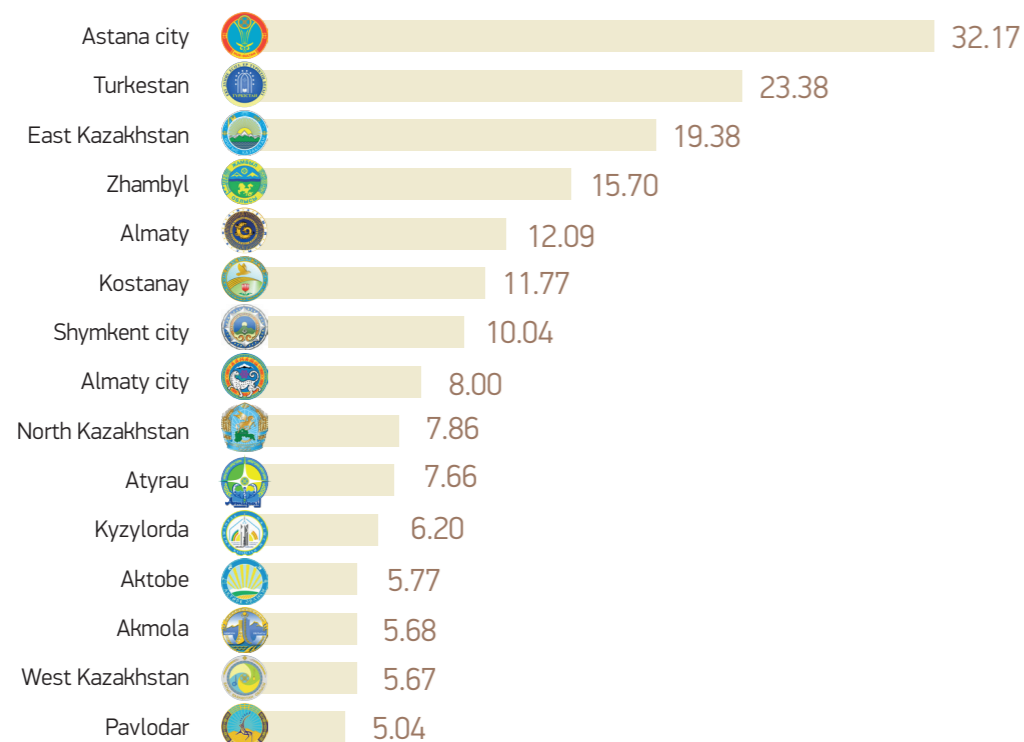
### FINANCING HOUSING CONSTRUCTION AND RENOVATION THROUGH THE PURCHASE OF LEB BONDS

A key objective of the Company is to increase the amount of affordable housing for the people of Kazakhstan. In this area, as part of the Housing and Utilities Infrastructure Development Concept until 2026 (formerly the Nurly Zher Program), the Company is financing the construction of credit housing for depositors of Otbasyl Bank JSC and LEB queue holders by purchasing LEB bonds. Funds from bond issues are used by LEB for housing construction in all regions of Kazakhstan.

The source of funding for redeeming LEB bonds is the National Fund of the Republic of Kazakhstan (hereinafter – the NF RK) in the amount of KZT 277 bln allocated in 2016-2019, as well as funds of the RK National Bank, of which an additional KZT 180 bln is allocated in 2020 as part of anti-crisis measures to finance the construction of credit housing. Funding is provided on a revolving basis.



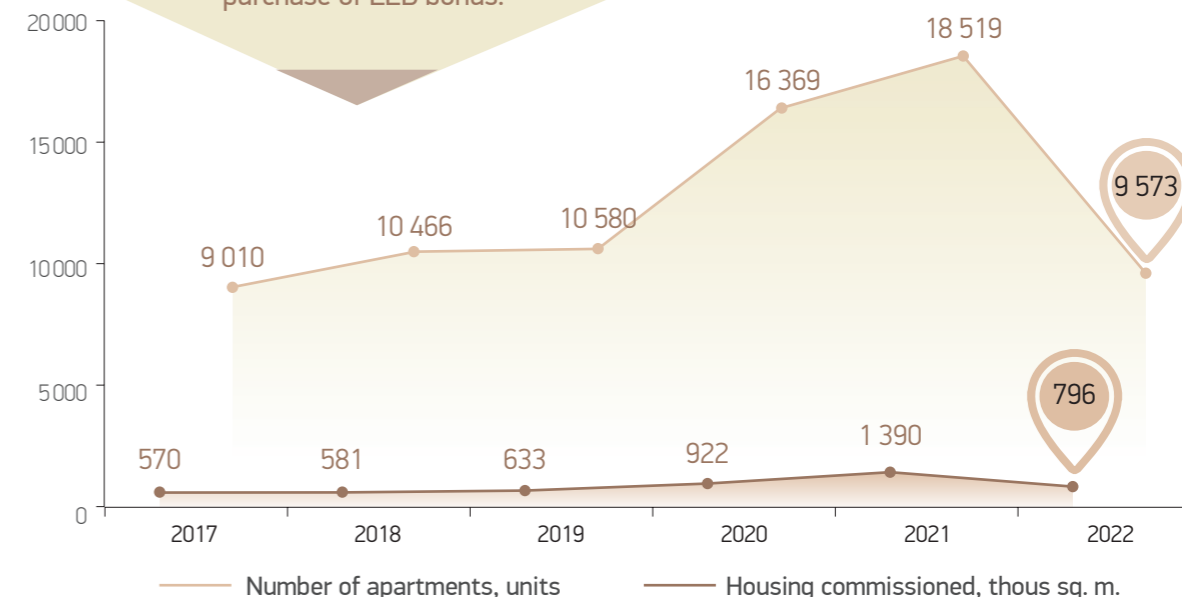
#### Purchase of LEB bonds in 2022 by region, KZT bln



796,000 m<sup>2</sup> of housing  
9,573 apartments

WERE COMMISSIONED  
in 2022 through the  
purchase of LEB bonds.

In 2022, the Company purchased LEB bonds to finance the construction of affordable housing in the regions for a total of KZT 176.4 bln.



The measures taken not only make it possible to provide housing for citizens in need, but also have a positive effect on economic development, ensuring entrepreneurial activity, construction and job creation. All funds are refundable.

The Company purchase a total of KZT 958.1 bln worth of LEB bonds during 2016-2022 by financing credit housing under the Housing and Utilities Infrastructure Development Concept until 2026. About 74,800 apartments (4.9 mln m<sup>2</sup>) were commissioned.

Important objectives are to monitor the affordability of housing, to create comfortable living conditions for the population and to determine the effectiveness of the measures taken. The Company is therefore working on analytical studies, including those on the real estate and housing market.

In order to ensure timely reinvestment of allocated funds and fulfilment of the indicators of state programs, the Company will formulate proposals to state authorities for the allocation of funds and ensure digital monitoring of the disbursement of funds, as well as the pace of construction and real estate sales.

### FINANCING THE CONSTRUCTION OF PROBLEMATIC FACILITIES IN ASTANA

Also, between 2018 and 2022 the Company was granted a loan totalling KZT 60 bln (KZT 20.0 bln in 2018 and KZT 20.0 bln in 2019 and KZT 20.0 bln in 2022) by an authorized organization under the Astana City Akimat (Elorda Kurylys Company LLP) from the National Fund of the Republic of Kazakhstan for the completion of problem facilities in Astana City, based on the protocol of the National Fund Management Council.



## GUARANTEEING EQUITY PARTICIPATION IN HOUSING CONSTRUCTION

In order to protect the rights and interests of shareholders, the Company provides guarantees for the completion of the residential building upon the occurrence of a warranty event and the transfer of shares in the residential building to shareholders under agreements on share participation in residential construction.

The company shall acknowledge the occurrence of a warranty event when the following events have occurred:

delay in commissioning of a residential building

unauthorized use of money

insolvency of the developer established by an enforceable court decision

When a warranty event occurs, the Company undertakes to complete the facility construction, which will be financed from the reserve formed from the guarantee fees of the developers and intended solely to cover the costs associated with the settlement of warranty event.

The Law of the Republic of Kazakhstan on Share Participation in Housing Construction establishes qualification requirements for the developer and the authorized company in terms of financial stability and experience. The Company has mechanisms for controlling and monitoring the intended use of shareholders' money and the progress of construction through engineering companies.

According to the law, a developer may use one of the following methods when intending to raise money from shareholders:

1

obtaining a guarantee from the Single Housing Operator

2

participating in the project through bank financing

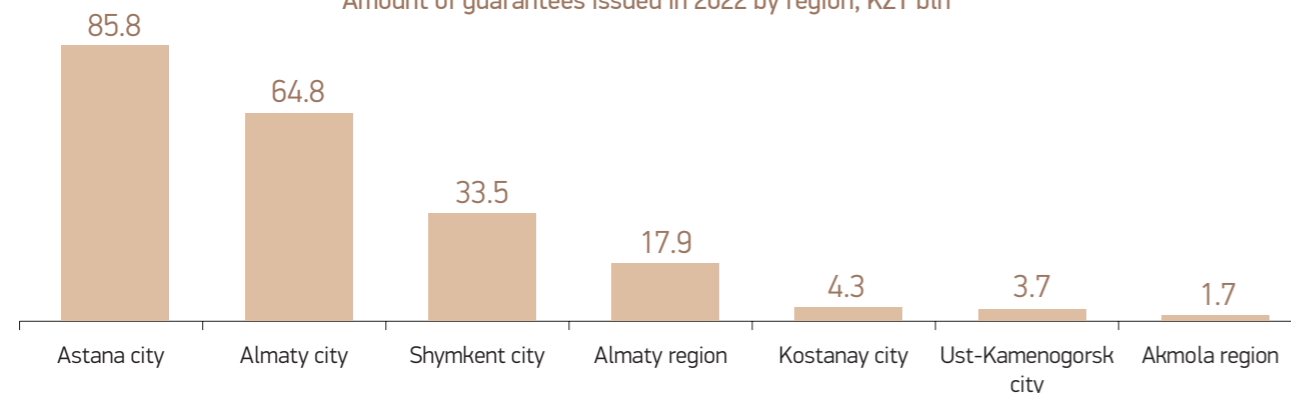
3

raising money from shareholders after the frame of the apartment block (residential building) has been erected

When a developer uses the second or third method, permission from the local authorities is required to borrow money from shareholders. These three methods currently form the system of shared construction in Kazakhstan.

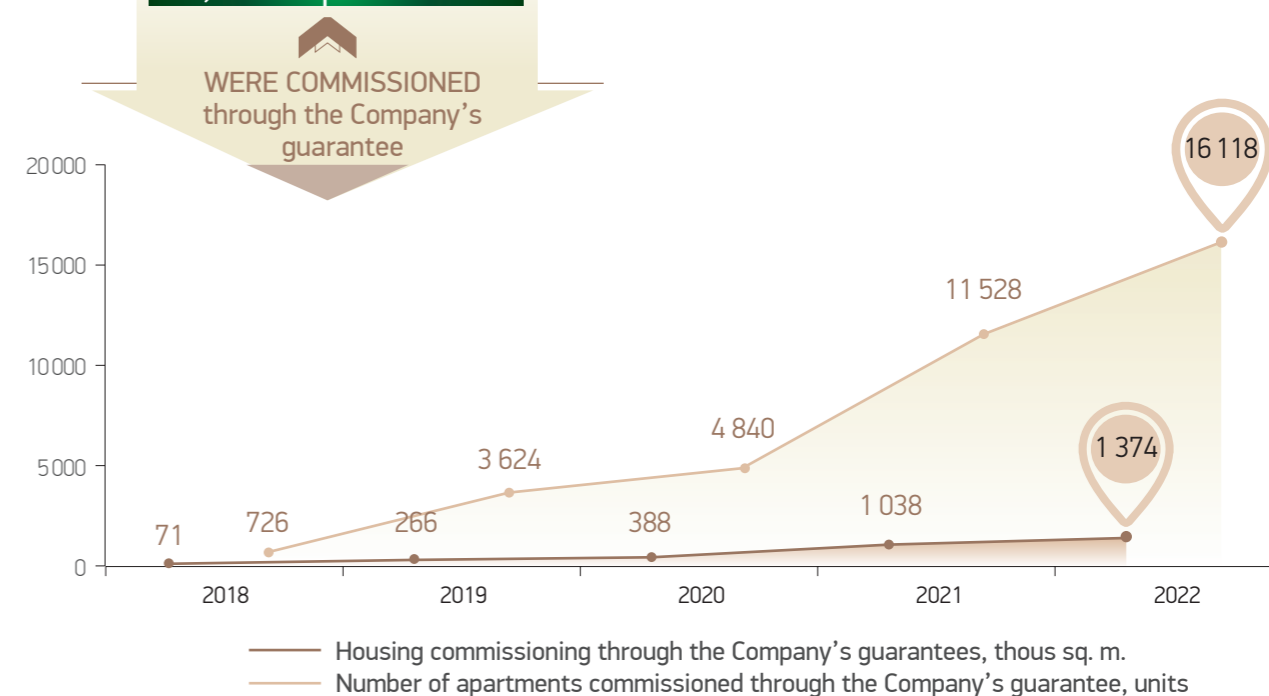
At the end of 2022, the Company issued 36 guarantees for a total amount of KZT 211.8 bln to complete the residential construction in the cities of Astana, Almaty, Shymkent, Kostanay, Ust-Kamenogorsk and in Almaty and Akmola regions. The Company's guarantee covers the construction of apartments for about 11,938 Kazakh families (1,073,000 m<sup>2</sup>).

Amount of guarantees issued in 2022 by region, KZT bln



Source: KHC JSC

In 2022,  
1,374,000 m<sup>2</sup> of housing  
16,118 apartments

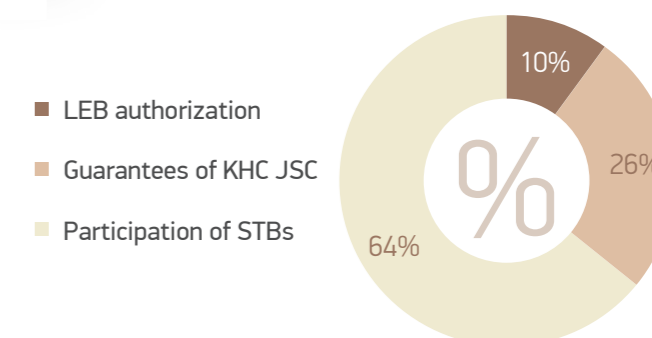


— Housing commissioning through the Company's guarantees, thous sq. m.  
— Number of apartments commissioned through the Company's guarantee, units

Source: KHC JSC

Totally in 2022 were implemented 137 construction projects of residential real estate, of which 14 are permits from LEB, 36 Company's guarantees and 87 projects with the participation of STBs. The share of issued guarantees by the Company amounted to 26%.

### Share of guarantees issued by the Company in RK in 2022



Source: Qazreestr

## SUBSIDIZING LOANS TO PRIVATE DEVELOPERS

In order to stimulate the supply of primary housing by private developers, an instrument to subsidize the interest rate on loans issued by second-tier banks to private developers for housing construction under the Nurly Zher Program was introduced in 2017.

Currently, by Government Decree No736 dated September 23, 2022, the aforementioned program is no longer in force, and a number of provisions and norms of the program are reflected in the Housing and Utilities Infrastructure Development Concept until 2026.

The interest rate subsidy shall be applied to the loans of STBs at an interest rate not exceeding the base rate of the National Bank of the Republic of Kazakhstan by more than 5%, effective at the time of resolution to subsidize.

Each year, subsidies are allocated from the national budget under the state program to reimburse 7% of the annual interest rate on developers' loans.

In September 2022, the Housing and Utilities Infrastructure Development Concept until 2026 was amended so that in order to receive subsidies, a private developer must offer at least 50% of the housing at a fixed selling price per square meter:

NOT MORE THAN **310** KZT thous

1 m<sup>2</sup>

in the cities of **Astana, Almaty** and their suburban areas

NOT MORE THAN **260** KZT thous

1 m<sup>2</sup>

in the cities of **Shymkent, Atyrau, Aktau**

NOT MORE THAN **220** KZT thous

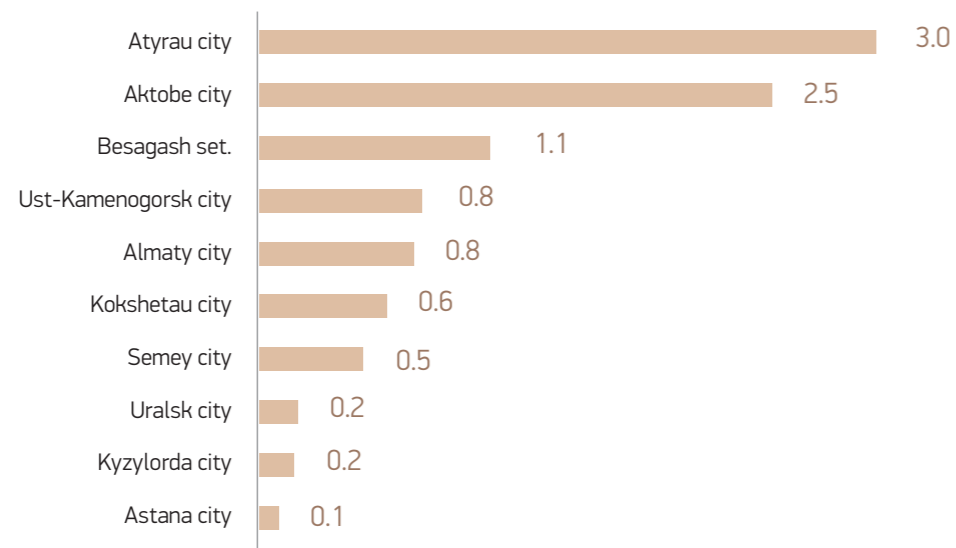
1 m<sup>2</sup>

in other regions

During 2022, the Company entered into subsidy agreements totalling KZT 9.8 bln in the cities of Ust-Kamenogorsk, Aktobe, Astana, Uralsk, Atyrau, Kyzylorda, Kokshetau, Semey and in the settlement of Besagash, Talgar District, Almaty Region.

In 2022, the total area of projects with subsidy agreements is 238,000 m<sup>2</sup> (2,065 apartments).

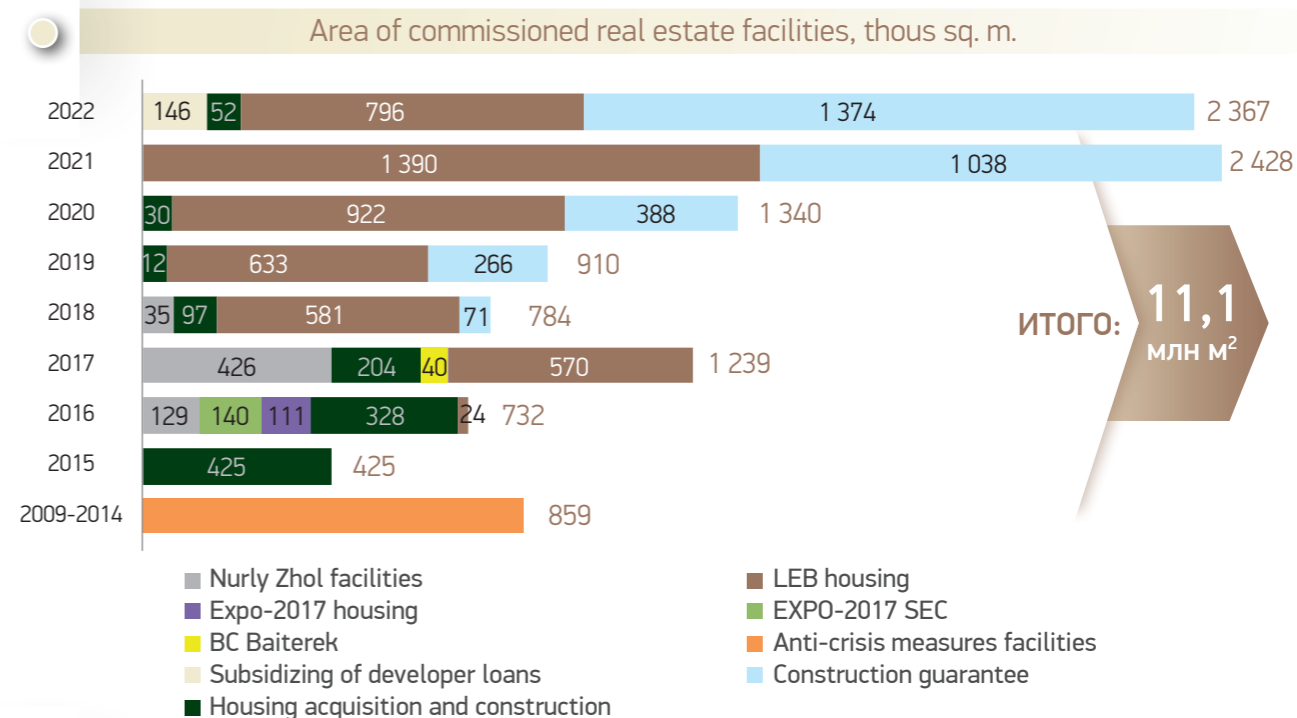
Amount of subsidized loans to private developers in 2022 by region, KZT bln



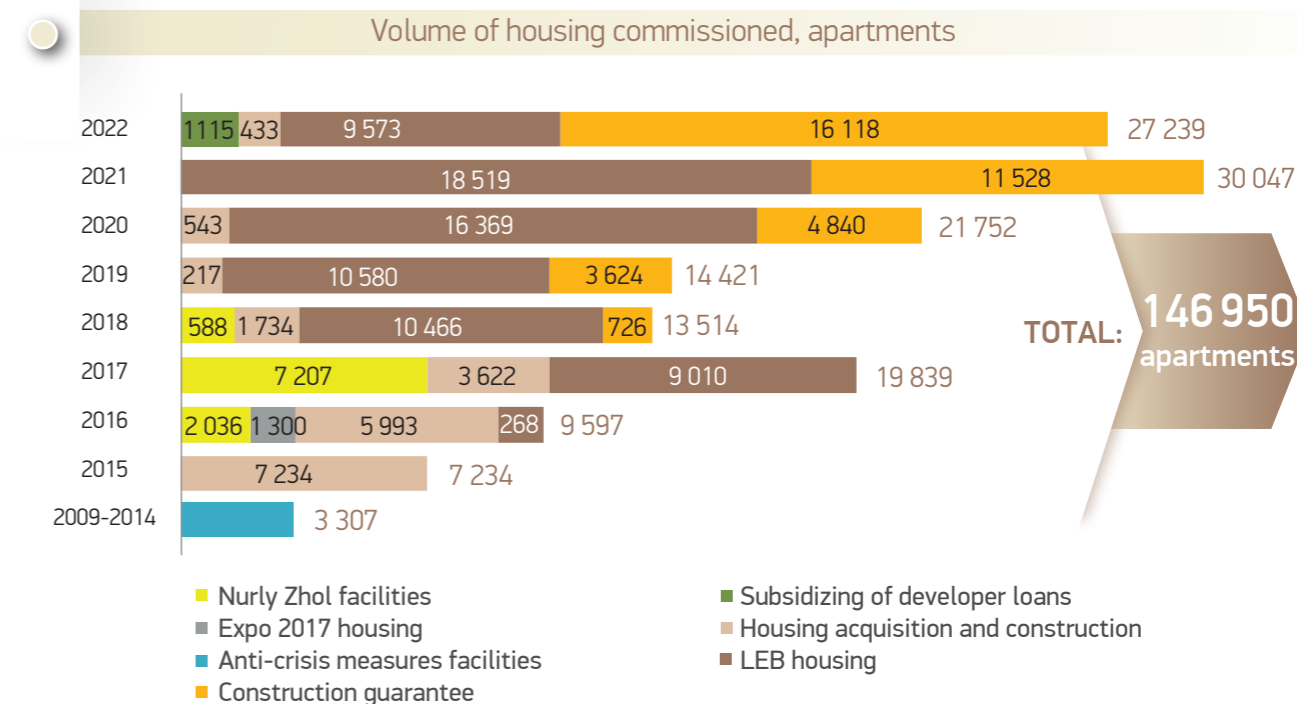
Source: KHC JSC

## Volume of housing commissioned with the Company's tools

With funding from 2009-2022, the Company has commissioned a total of 11.1 million m<sup>2</sup> of real estate, of which 10.9 million m<sup>2</sup> of housing (146,950 apartments).



Source: KHC JSC

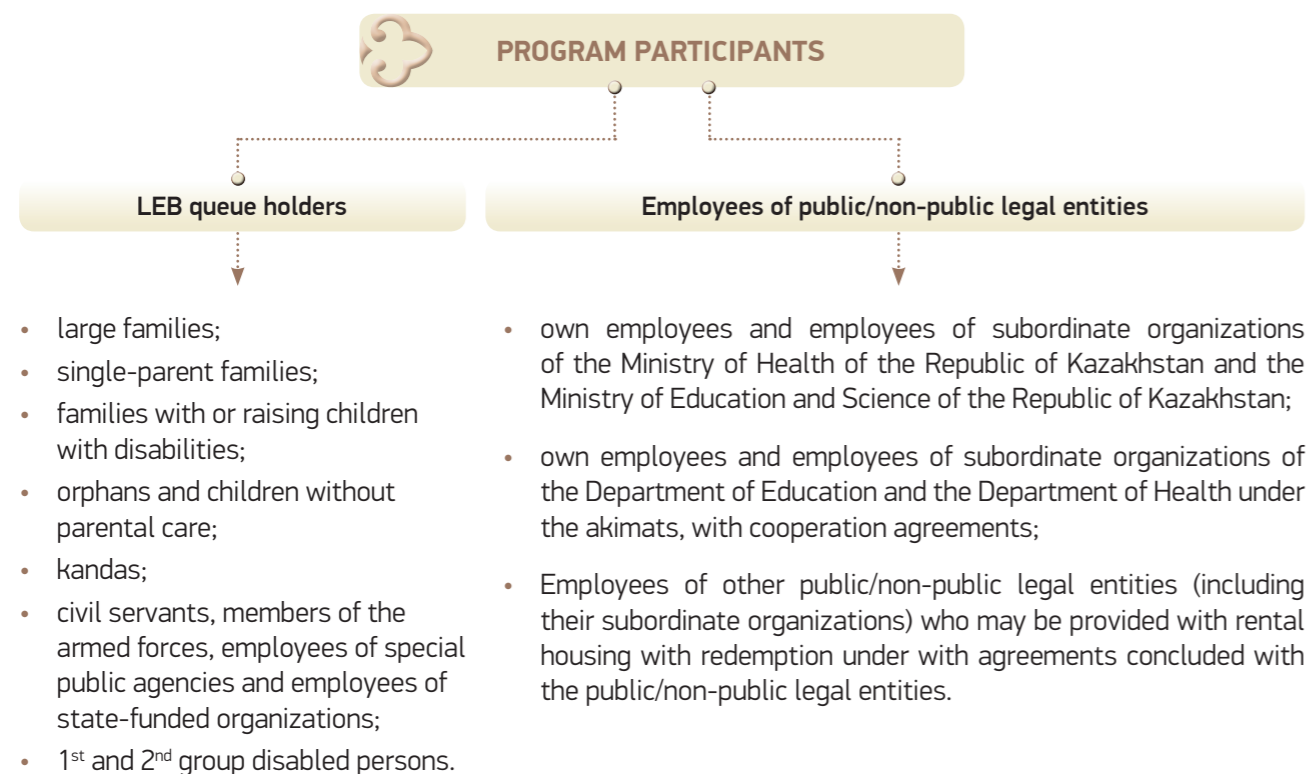


Source: KHC JSC

## SUPPORTING HOUSING DEMAND

### PROVIDING RENTAL HOUSING WITH REDEMPTION

The sale of rental housing is a socially important area of the Company's activities aimed at providing housing to waiting lists of local executive bodies and employees of public/non-public legal entities (including their subordinate organizations), in accordance with the agreements concluded. The rental housing with redemption is rented for up to 20 years. The Company's interest rate is 3.1%.



Financing  
**189.3** KZT bln



Between  
2015 and 2022,  
the Company  
entered into  
**22,723**  
AGREEMENTS  
agreements for the purchase  
of rental housing with  
redemption  
with a total value of  
KZT **263.5** bln,

including  
**331** CONTRACTS  
worth KZT **5.7** bln in 2022.

A total of KZT 189.3 bln was allocated for this project, including KZT 141 bln from the National Fund of the Republic of Kazakhstan and KZT 19.1 bln from the national budget, as well as KZT 29.2 bln from the Affordable Housing Program 2020 to increase the Company's authorized capital.

In 2019, the Company entered into agreements with the Ministry of Health and the Ministry of Education and Science of the Republic of Kazakhstan, also with the Akimats of Mangystau, Kostanay and Karaganda regions (sale of housing to employees of the Health Department and Education Department) to provide rental housing with redemption.

Agreements were also signed with the Akimats of Astana and Aktobe, the Ministry of Culture and Sports and the Ministry of Information and Community Development in 2020.

The program covers over 20 cities across the country, including Astana, Almaty, Shymkent, Aktobe, Kyzylorda, Aktau Uralsk, Kostanay, Petropavlovsk, Karaganda, Pavlodar, Semey, Ust-Kamenogorsk, Taraz and others.



The Company will continue to provide rental housing with redemption option as part of the Housing and Utilities Infrastructure Development Concept to employees of the education and health sectors, as well as other employees under memoranda concluded with LEB and public organizations in accordance with the Company's internal documents.

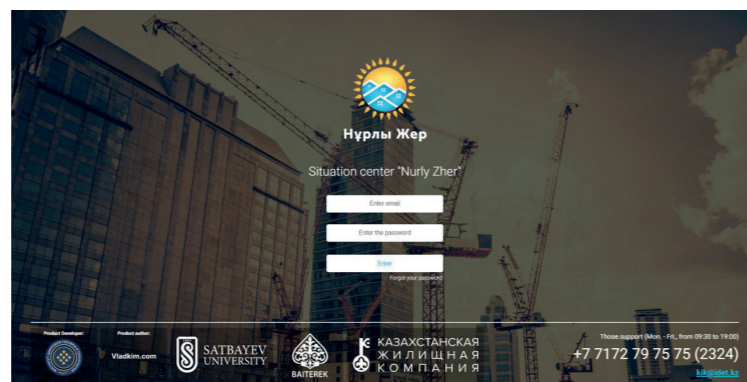
Financing will be provided by borrowing on the financial market and reinvesting the Company's incoming lease payments.



## DEVELOPMENT OF INFORMATION TECHNOLOGY AND ANALYTICS

### THE NURLY ZHER SITUATION CENTRE

In order to monitor the progress of real estate construction under the housing and utilities infrastructure development Concept until 2026 (formerly under the Nurly Zher Program) and the Employment Road Map 2020-2021, the Company has developed the Nurly Zher Situation centre and the LEB portal, as well as a mobile application for data completion.



These solutions enable the Company, as the financial operator for the purchase of LEB bonds:

- 1) intelligent construction monitoring using automatic video analysis;
- 2) forming a data repository for production indicators;
- 3) carrying out predictive data analysis using machine learning algorithms;
- 4) integrating with public databases;
- 5) conducting regular analytical studies.

Indicatively, the Situation centre development has reduced the report preparation time for one LEB employee from 16 to 6 hours per week, and the checking and processing time for one Company employee from 16 to 1 hour per week. The use of paper for reports, of which there were 68 per month, was also abolished.

As of the end of 2022, the Situation centre has data on 1,342 facilities under the housing and utilities infrastructure development Concept and 2,285 facilities under the Employment Road Map 2020-2021.

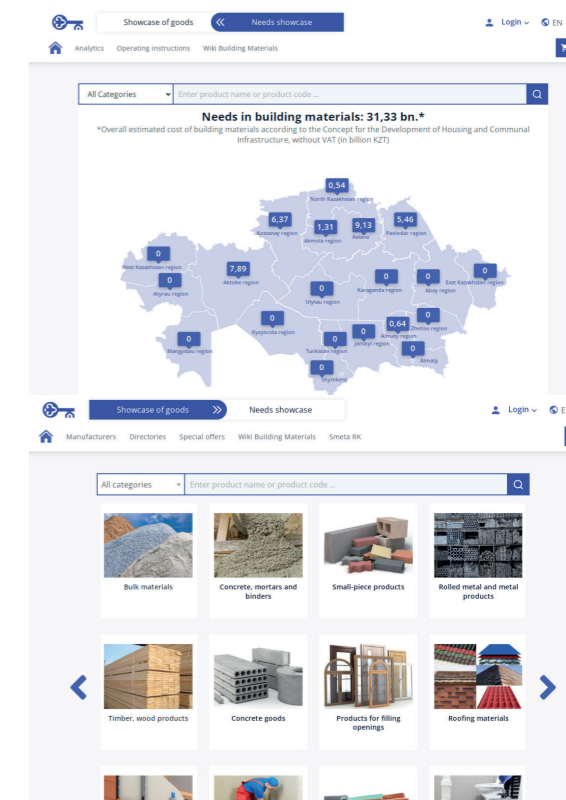
As part of the development of the Nurly Zher Situation centre, work was carried out in 2022 to improve the system functionality to ensure an efficient user experience.

### ONLINE BUILDING MATERIALS PLATFORM

In order to support Kazakh producers of construction materials and increase Kazakh content in housing construction, the Company created an online building materials platform [www.material.kz](http://www.material.kz) as part of the Nurly Zher Program.

Kazakh producers of building materials can learn about the needs of building materials within the housing and utilities infrastructure development Concept and, if necessary, send electronic quotations to construction companies after registration. Construction companies will be notified via SMS and e-mail of quotations received from material producers.

The platform also allows Kazakh producers of building materials to create their own building material showcase with prices for construction companies. In turn, construction companies have direct access to Kazakh building materials without the cost of searching for producers.



#### Online platform is created with the following goals:

- to increase transparency in the implementation of the Nurly Zher Program (housing and utilities infrastructure development Concept);
- to provide Kazakh producers with information on building material requirements under the Nurly Zher Program (within the housing and utilities infrastructure development Concept) and the possibility of sending e-quotations;
- to increase the share of Kazakh content in housing construction;
- to provide construction companies with the opportunity to receive favourable offers on building materials;
- to reduce the cost of housing construction by disintermediation between construction companies and building material producers;
- to switch to online estimate planning and analysis systems with dynamic prices from Kazakh producers.

The information system was launched on March 1, 2022.

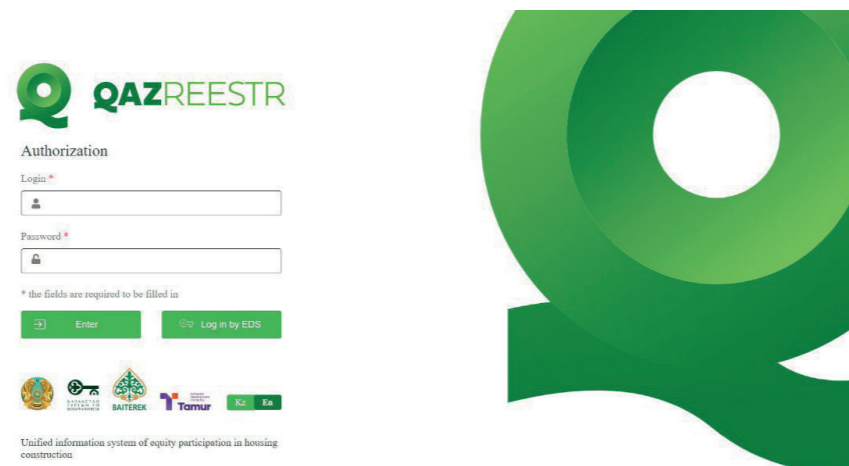
144 producers/suppliers of building materials were registered on the online platform

478 products were published

38 commercial offers were sent to construction companies

## QAZREESTR

**Qazreestr** is a unified information system for shared participation in housing construction, whose main purpose is to register agreements on shared participation in housing construction and to exclude “double” sales of housing on the shared construction market.



Under Agreement No2/26 dated June 16, 2021 on the transfer of state property, the Qazreestr was placed under the Company’s trust management.

As part of the Trust Deed, the Qazreestr Development Program 2021-2022 has been approved.

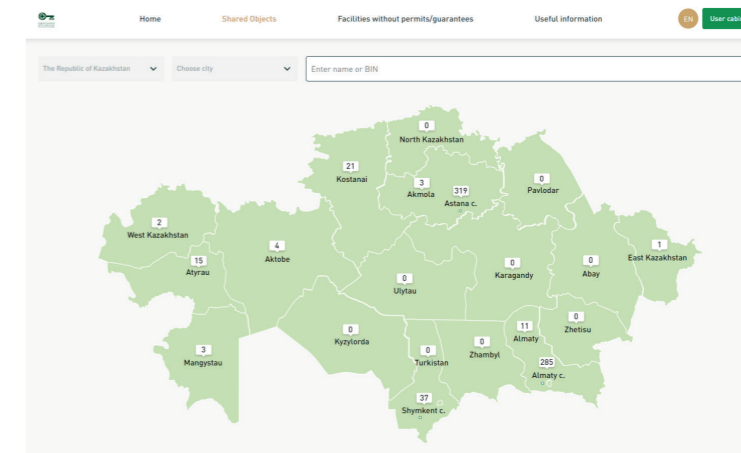
**The Company has implemented all the measures stipulated in the Development Plan 2021-2022, including:**

- integration with public databases and external information systems to ensure the data collection on shared construction projects;
- developed module to enable authorized companies to enter into electronic agreements on shared participation in housing construction with shareholders online;
- developed module for automatic verification and registration of the electronic agreements on shared participation in housing construction, eliminating the need for manual verification by local executive bodies;
- developed Builder’s Personal Account that consolidates all of the builder’s authorized companies;
- developed dashboards to provide analysis on the equity construction market.

## HOUSING PORTAL

In October 2022, the Company launched the Housing portal information system (homeportal.kz), designed for individuals and existing customers of the Company, providing information and online services on the following sections:

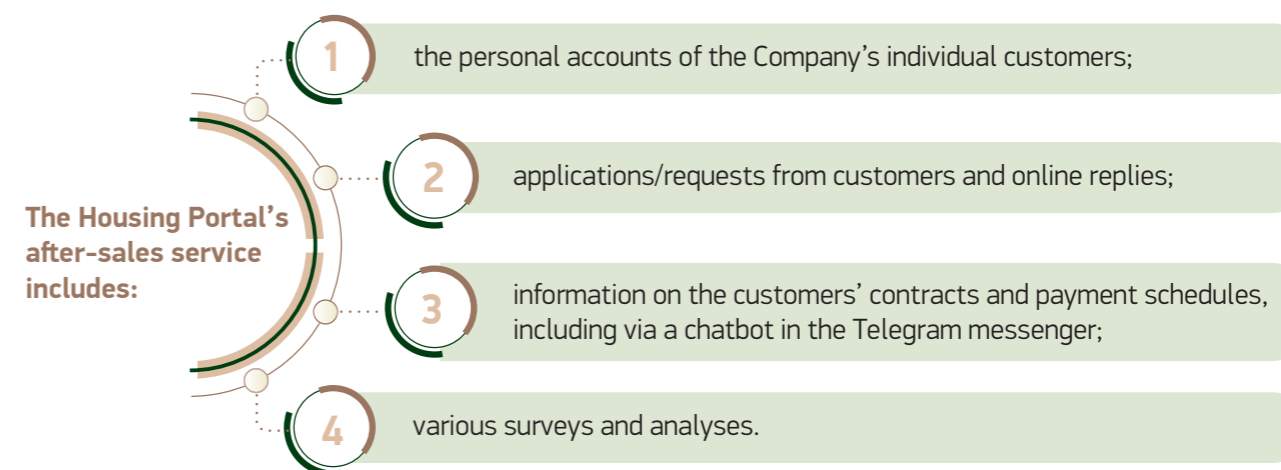
- shared construction facilities;
- after-sales service.



In the ‘Shared Construction Facilities’ section of the Housing portal, any user of RK can obtain information on all shared construction projects with the relevant permit or guarantee from the Company to raise funds from shareholders. The information on shared construction facilities comes from the Qazreestr.

Moreover, the Housing Portal publishes information on developers who raise funds from shareholders without the relevant LEB authorization or the Company’s guarantee (this information is provided by LEB).

Thus, the Housing Portal makes it possible to protect citizens from unscrupulous developers who illegally raise funds for the shared construction of housing.



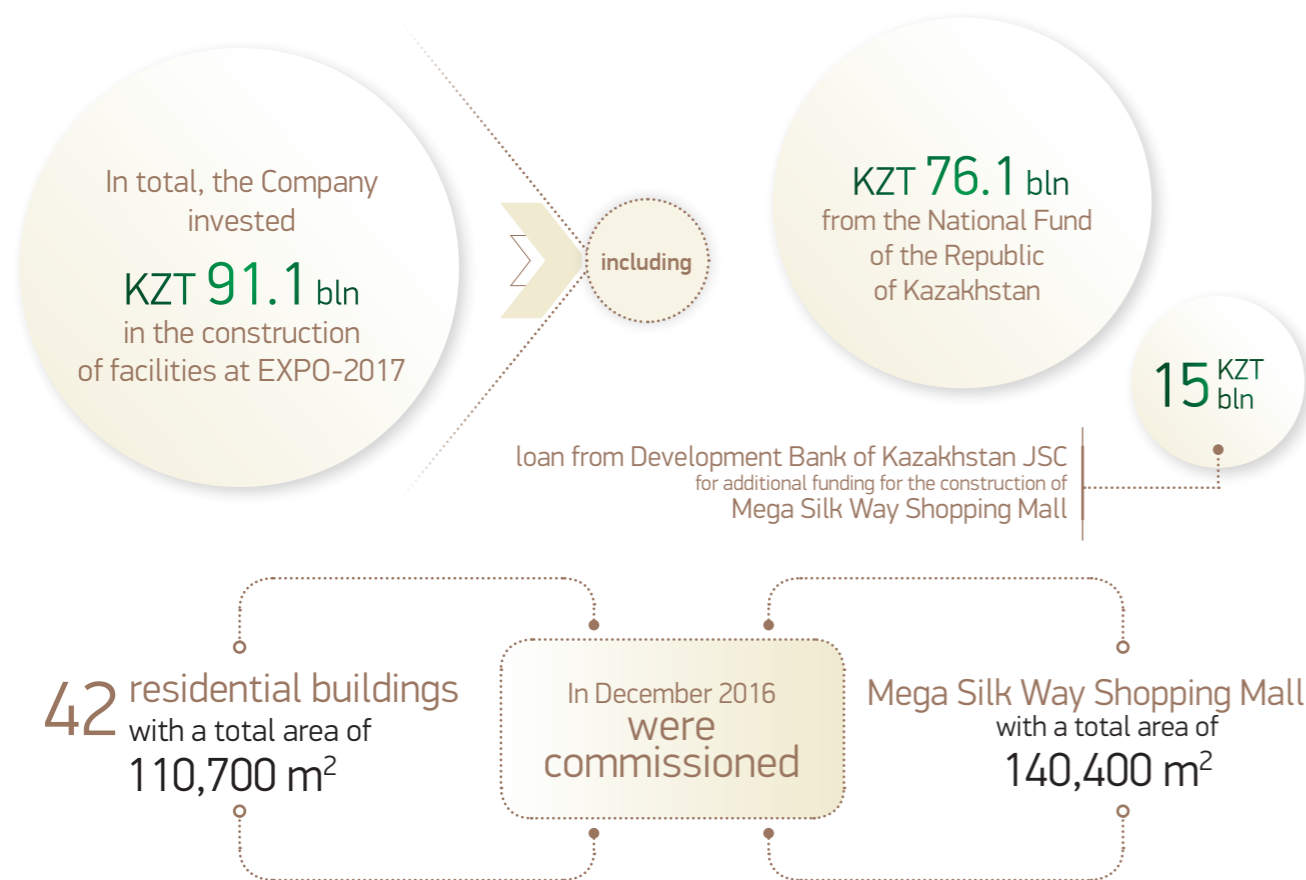
As part of the Housing portal development in 2022, a Shareholders’ Personal Account has been developed that will allow citizens to check whether their contract has been registered in the Qazreestr. The Personal Account of Shareholders is scheduled to be launched in 2023.

Also in the Housing Portal, the function of signing e-applications by the Company’s customers has been supplemented with the possibility of signing via QR code via the Egov Mobile app.

## SOCIALLY ORIENTED AND ANTI-CRISIS PROGRAMS

### RETURN OF FUNDS ALLOCATED TO EXPO-2017 PROJECTS AND OTHER PROPERTIES

In 2014-2016, the Company financed the construction of a multifamily residential complex (MRC) and a shopping and entertainment centre for the international specialized exhibition EXPO-2017 in Astana.



#### Amount of funding

No	Name of the facility	Name of the project Company	Total project cost, KZT bln	Company's investments KZT bln
1	Residential Buildings	Lux Real Estate Group LLP	23,3	19,9
		BI Group Corporation LLP	23,6	19,9
2	Mega Silk Way Shopping Center	Mega Plaza LLP	64,7	51,2
Total			111,6	91,1

Source: KHC JSC

In February 2017, the commissioned apartments in MRC were leased to NC Astana Expo 2017 JSC to accommodate participants of foreign delegations for the duration of the exhibition. From February to November **2017, 25,800 exhibitors** were provided with temporary accommodation.

In order to recover the funds allocated for construction, since June 2018, the Company has been marketing the properties in MRC, which consists of:

**1,300** apartments    **1,300** parking lots    **33** non-residential premises

As of December 31, 2022, the Company had sold, including in instalments:

**1,300** apartments    **1,036** parking lots    **22** non-residential premises

worth **KZT 40.2 bln.**

#### Real estate sales at EXPO-2017

Indicator	2018	2019	2020	2021	2022	Total
Apartments, pcs.	142	1,133	25	-	-	1,300
Parking lots, pcs.	102	680	130	49	75	1,036
Non-residential premises, pcs.	0	2	2	5	13	22
Sales amount, KZT bln	3.9	35.2	0.97	0.05	0.09	40.21

Source: KHC JSC

A total of KZT 36.2 bln was allocated from the National Fund of the Republic of Kazakhstan for the SEC construction. In addition, the Company received a loan of KZT 15.0 bln from Development Bank of Kazakhstan JSC. In 2018, the Company made full early repayment of the loan to Development Bank of Kazakhstan JSC with Mega Plaza LLP retaining its obligations to the Company in the amount of KZT 7 bln. As of June 22, 2020, the obligation of KZT 7 bln has been fully repaid.

Mega Plaza LLP carried out an early buyout of its share in Mega Silk Way shopping and entertainment centre in 2022 for a total amount of KZT 11.2 bln. In January 2023, Mega Plaza LLP also carried out a KZT 24.3 bln buyout of the remaining share. Thus, all obligations are settled before maturity.

#### Amount of refunds from the sale of shares in the SEC, KZT bln

Indicator	2018	2019	2020	2021	2022	Balance
Share-1 (NF RK funds)	0.05	0.2	0.2	0.3	11.2	24.3
Share-2 (Company funds)	1.65	2.6	2.75	0.0	0.0	0.0
Amount of refunds	1.7	2.8	2.95	0.3	11.2	24.3

Source: KHC JSC

### REFUNDS FROM DEVELOPMENT BANK OF KAZAKHSTAN JSC

The Company monitors the timely repayment of funds allocated in 2009-2010 by Development Bank of Kazakhstan JSC (KZT 20 bln, maturing in 2024) as part of anti-crisis measures to support businesses in the manufacturing industry. At the end of 2022, the amount repaid is KZT 2.1 bln.



## FINANCIAL REVIEW

As of December 31, 2022, the Company had assets of KZT 1,449 bln, liabilities of KZT 1,206 bln and shareholders' equity of KZT 243 bln.

The asset structure is dominated by: 58% by securities (including LEB bonds under the Housing and utilities infrastructure development Concept and the Employment Road Map Program) and 22% by cash and funds in financial institutions.

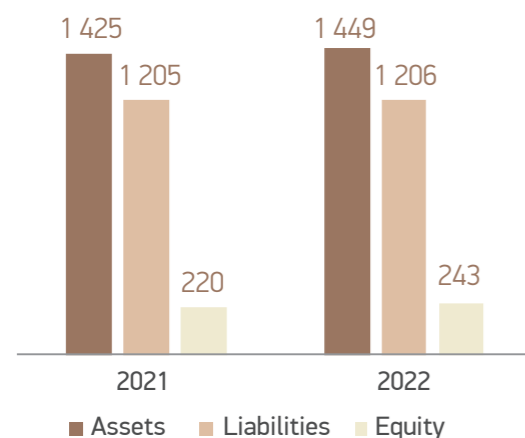
The major share in the structure of liabilities is represented by the Company's securities issued (65%) and loans received (20%).

The Company's assets and liabilities for 2023 are projected at KZT 1,527 bln and KZT 1,285 bln, respectively. Equity is projected at KZT 242 bln.

For 2022, the Company had revenue of KZT 175.2 bln, expenses of KZT 128.7 bln, and corporate income tax of KZT 1.8 bln.

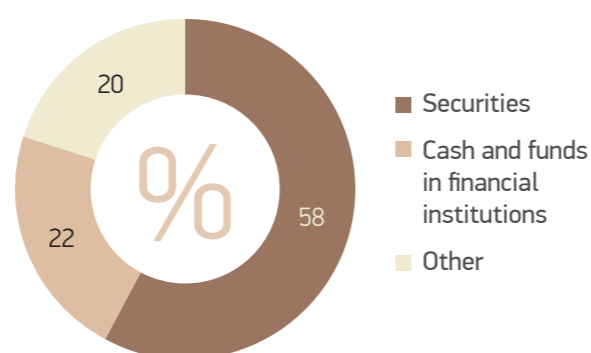
Net profit for 2022 was KZT 44.7 bln.

Balance sheet figures, KZT bln



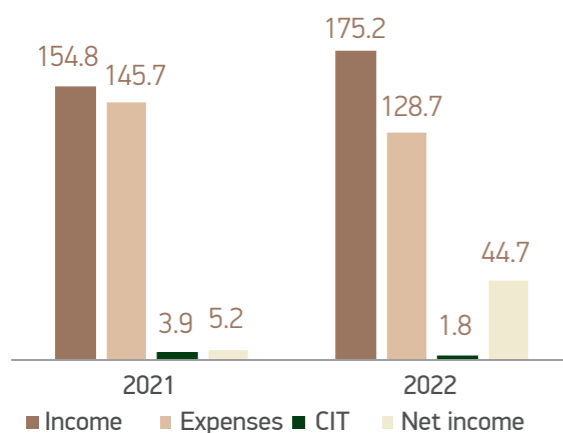
Source: KHC JSC

Asset structure as of December 31, 2022



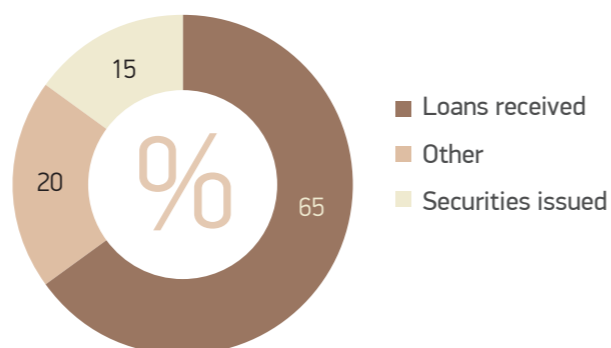
Source: KHC JSC

P&L statement figures, KZT bln



Source: KHC JSC

Structure of liabilities as of December 31, 2022



Source: KHC JSC

The bulk of revenues are from the Housing and Utilities Infrastructure Development Concept and the Employment Road Map Program (64%) and from the Treasury portfolio (18%). Financing costs (85%) and expenses for the recognition of provisions (6%) account for the largest share in the structure of expenditure.

Administrative and staff costs account for 3% of the Company's total expenditure.

According to the approved Development Plan of the Company, the revenue for 2023 is planned at KZT 172.7 bln, expenses at KZT 151.9 bln and corporate income tax of KZT 0.2 bln.

The Company's net profit in 2023 is expected to be KZT 22.6 bln.

Key financial indicators

Financial Indicators	Actual 2021	Actual 2022
ROA, %	0.4	3.1
ROE, %	2.5	19.3
Debt/Equity, %	5.5	5.0

Source: KHC JSC

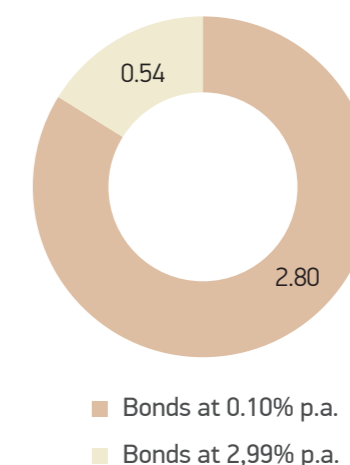
## FUND RAISING

In order to effectively implement the state programs to provide affordable housing and financial sustainability, the Company seeks to diversify its funding sources.

In 2022, the Company placed KZT 3.34 bln of its own bonds at par value, of which KZT 2.80 bln at 0.10% and KZT 0.54 bln at 2.99% per annum.

The bulk of the proceeds from its own bond placement were used to purchase bonds of local executive bodies under state programs.

Structure of borrowed funds in 2022, KZT bln



Source: KHC JSC

# SUSTAINABLE DEVELOPMENT ACTIVITIES



## SUSTAINABLE DEVELOPMENT ACTIVITIES

### SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM

The Company is focused on balanced sustainable development and creating value for a wide range of stakeholders over the long term. The Company strives to effectively manage the impact of its activities on the environment, the economy, and society, and makes decisions in a way that respects the interests of its stakeholders.

In addressing sustainability challenges, the Company relies on its mission, the provisions of the Company's Development Strategy, and the international norms of behaviour and principles enshrined in international sustainability standards.

The Company considers the use of international sustainability standards to be a prerequisite for ensuring that its activities comply with international best practice and meet its sustainability goals and objectives.

On January 18, 2022 a new version of the Sustainable Development Policy of Kazakhstan Housing Company JSC was approved, as well as the 2022 Action Plan for the implementation of sustainable development. The provisions of the Sustainable Development Policy shall be observed by all employees of the Company as it relates to interaction with stakeholders in planning and implementing their activities, drafting the internal documents, disseminating information and other types of communication.

As part of its long-term development, the Company has the following objectives:



THE COMPANY ENSURES THE ALIGNMENT OF ITS ECONOMIC, ENVIRONMENTAL AND SOCIAL OBJECTIVES FOR LONG-TERM SUSTAINABLE DEVELOPMENT.

## The Company's sustainability goals

## Economic component

- breakeven operations;
- safeguarding the interests of shareholders and investors;
- improving the efficiency of processes;
- increased investment in the creation and development of better technology;
- increased productivity.

## Environmental component

- minimizing impacts on biological and physical natural systems;
- optimal use of limited resources;
- application of environmentally friendly, energy- and material-saving technologies.

## Social component

- ensuring transparent competitive procedures and equal opportunities in recruitment;
- fair remuneration and observance of employees' rights;
- ensuring occupational safety and health of employees;
- training and professional development of employees;
- implementation of internal and external social programs.

The Company is guided in its operations by the sustainability principles set out in the Corporate Governance Code: openness, accountability, transparency, ethical behaviour, respect for stakeholder interests, legitimacy, respect for human rights, zero tolerance for corruption, zero tolerance of conflicts of interest.

The company is committed to the principles of the UN Global Compact in its operations:

in the area of human rights protection	ensures and respects the protection of internationally proclaimed human rights and ensures that human rights abuses are not committed.
in the area of labour relations	supports and recognizes the right to collective bargaining, and promotes the elimination of forced and child labour and discrimination in employment and occupation.
in the area of environmental protection	supports a precautionary approach to environmental issues, undertakes initiatives to increase environmental responsibility, and promotes the development and dissemination of environmentally sound technologies.
in the area of anti-corruption	declares zero tolerance for all forms of corruption and other unlawful acts, including extortion and bribery, and takes the necessary measures to prevent such acts.

## ORGANIZATIONAL STRUCTURE OF SUSTAINABLE DEVELOPMENT MANAGEMENT

The management of the Company's sustainable development is inextricably linked to its corporate governance system. One of the fundamental principles of the Company's Corporate Governance Code is the principle of sustainable development.

The Company periodically analyzes and evaluates management processes, adjusts processes as necessary and communicates the relevant information to all stakeholders.

The Company integrates sustainability principles into its Development Strategy and key Company processes, including planning, reporting, risk management, investment, operations and others, as well as into decision-making processes at all levels, from management bodies (the sole shareholder, Board of Directors, Management Board) to rank-and-file employees.

The Company's Board of Directors provides strategic guidance and oversight for the implementation of sustainable development. The Company's Management Board ensures that an appropriate sustainability management system is established and implemented, and that an appropriate sustainability action plan is approved.

The Company's structural divisions are responsible for complying with the provisions of the Sustainable Development Policy. The Company's structural divisions concerned, as determined by the Management Board, implement sustainability measures to ensure the achievement of strategic KPIs in this area.

The heads of the Company's structural divisions concerned are personally responsible for the implementation of measures and the achievement of KPIs in the area of sustainable development within their respective competences.

The Company's structural divisions inform of the results of the sustainable development measures, including data to be included in the Company's annual report at the request of structural division concerned for the area of the Company's sustainable development activities, and, if necessary, make proposals to improve the Company's activities in this area.

The structural division supervising the Company's sustainability activities, as determined by the Management Board, shall perform the following functions:

- 1 planning of activities in the field of sustainable development;
- 2 coordinating the Company's structural divisions aimed at achieving the goals and objectives of the Sustainable Development Policy;
- 3 drafting a report on the implementation of the action plan and KPIs in the field of sustainable development;
- 4 drafting an annual report of the Company, including a sustainable development section;
- 5 conducting training seminars for the Company's employees in the area of sustainable development, either by engaging external trainers or independently;
- 6 interacting with international organizations, institutions, agencies on sustainable development issues.

In order to identify sustainability risks, the Company analyzes both internal and external impacts. Sustainability risks are included in the Company's Risk Register to take measures to minimize them.



## THE COMPANY'S CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS

In 2015, at the UN Summit, Heads of State and Government adopted the 2030 Agenda for Sustainable Development, which includes 17 Sustainable Development Goals (SDGs) aimed at eradicating poverty, tackling inequality and injustice, and addressing climate change.



As part of its activities, the Company also aims to contribute to the SDGs achievement. In 2020, work was carried out to integrate sustainability goals into the Company's Development Strategy.

Within the Company's Development Strategy approved for 2021-2023, 12 KPIs are planned, of which 4 KPIs are relevant to the SDGs.

### KPI implementation for 2022 and Plans for 2023 for achieving the SDGs

KPI	Relevant SDGs	Plan 2022	Actual 2022	% of execution	Plan 2023
KPI No2 "Number of Housing Permits Commissioned, with the Company's Tools" to ensure sufficient economically affordable housing space	10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES	2,145 thous sq. m.	2,367 thous sq. m. (27,239 apartments)	111%	1,930 thous. sq. m.
KPI No11: "Selling rental housing with redemption apartments" to ensure housing affordability	10 REDUCED INEQUALITIES	KZT 3.2 bln	KZT 5.7 bln (331 rental apartments with redemption are provided)	178%	KZT 4.5 bln
KPI No12: "Creating Marketplace for Building Materials" to reduce the cost of housing construction and support Kazakh producers of building materials	9 INDUSTRY INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Launching the online platform	Launched on March 1, 2022	100%	-
KPI No13: "Purchase of LEB Securities" to finance infrastructure projects and provide job creation	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES	KZT 700 bln in 2020-2021	KZT 751.7 bln in 2020-2021 6,743 projects implemented, around 250,000 jobs created	107%	-

### IMPLEMENTATION OF THE COMPANY'S 2022 SUSTAINABILITY ACTION PLAN

The Company's Management Board approved the 2022 Sustainability Action Plan. Pursuant to the Sustainability Action Plan, the following measures were implemented in 2022:

<p>1 Qazreestr IS has been finalized to reduce the EPAs registration time</p>	<p>2 business processes for selecting engineering companies have been automated</p>
<p>3 business processes for monitoring shared construction projects that received the Company's guarantee have been automated</p>	<p>4 sustainability information has been disclosed in the 2021 Annual Report in accordance with GRI standards</p>
<p>5 a co-working area has been set up – a location for work and meetings/negotiations. The area is equipped with upholstered sofas, laptop desks</p>	
<p>6 a box has been set up to collect items to help the socially disadvantaged</p>	<p>7 The Company participated in the "Baiterek – Open Hearts" charity fair, with all funds raised going towards New Year's celebrations and buying gifts for children with disabilities</p> 
<p>8 separate waste collection and subsequent recycling have been organized</p> 	

The Company also approved the SD Action Plan for 2023, which includes the following activities

<p>1 installation of plastic boxes</p>	<p>2 installation of a battery collection box</p>	<p>3 installation of a box to collect food for stray animals</p>
<p>4 development of informational picture posters on energy saving, water saving, paper towel</p>	<p>5 holding a Green Office workshop (explaining how to sort waste, save paper, water, electricity, etc.)</p>	<p>6 holding an eco-clean-up day</p>
<p>7 landscaping of the surrounding area of the business centre</p>	<p>8 analyzing the methodology for calculating greenhouse gas emissions from the Company's operations</p>	<p>9 analyzing the principles of green bond issuance</p>
<p>10 the Company's membership in the National ESG Club at the Green Finance Centre of AIFC</p>	<p>11 sustainability disclosure in the Company's Annual Report 2022</p>	<p>12 introducing green criteria into the procurement process (purchase of A4 office eco paper)</p>

## STAKEHOLDER ENGAGEMENT

In order to implement a successful and effective sustainability policy, the Company pays due attention to stakeholder engagement.

In order to determine the list of stakeholders, the extent of their influence and spheres of influence on the Company's interests, the Management Board developed and approved the Company's Stakeholder Map, which complies with international standards for identification and interaction with stakeholders.

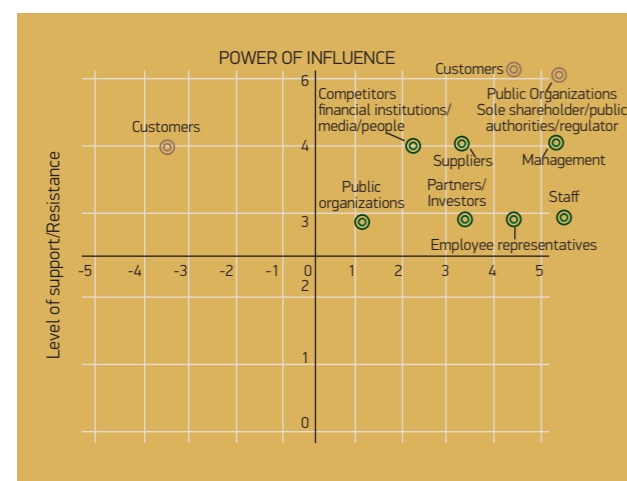
The company identifies three groups of stakeholders according to the area of influence: area of authority and responsibility, area of direct influence, area of indirect influence.

### Key stakeholder groups

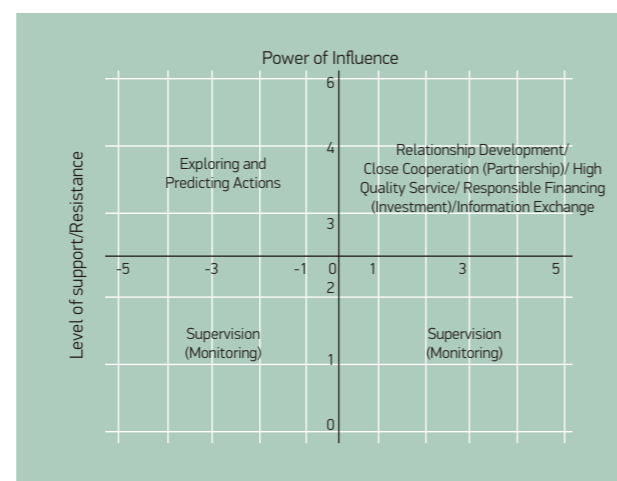
Area of authority/ responsibility	Area of direct impact	Area of indirect impact
<ul style="list-style-type: none"> <li>the sole shareholder;</li> <li>governing body;</li> <li>management;</li> <li>personnel.</li> </ul>	<ul style="list-style-type: none"> <li>public authorities;</li> <li>investors;</li> <li>financial institutions;</li> <li>suppliers;</li> <li>partners;</li> <li>customers, consumers;</li> <li>auditors;</li> <li>consulting organizations.</li> </ul>	<ul style="list-style-type: none"> <li>population;</li> <li>public organizations;</li> <li>media;</li> <li>competitors.</li> </ul>

In assessing the significance of stakeholders, the Company ranks stakeholders according to two factors: the degree of stakeholder support/opposition and the strength of stakeholder influence over the Company. Based on the resulting assessment of the significance of stakeholders, the Company's structural divisions determine the areas of stakeholder engagement depending on the specifics of their activities.

Stakeholder Map



Engagement strategy



The key forms of interaction with stakeholders are joint programs and projects, memoranda of cooperation, joint working groups, activity reporting, meetings, sessions, publications, interviews and other forms of interaction.

The Company engages with stakeholders on issues such as strategic planning, finance, project management, delivery of goods, works and services, legislation, operations and media relations.

The Company's stakeholder engagement process is based on the principle of engagement, which implies that stakeholders' interests are considered at all stages of the Company's management process and that stakeholders are involved in discussions of significant topics and important issues, potential risks and boundaries of responsibility.

In turn, engagement is achieved when the following three principles are observed:

materiality	completeness	response
The company clearly identifies its stakeholders and understands which stakeholder interests are material	In the course of its activities, the Company pays attention to the concerns of its stakeholders, namely understanding their views, needs and expected performance, as well as their opinions on significant issues	The company responds consistently to all material stakeholder questions

In order to organize the management of stakeholder relations, the Company focuses on the following basic principles:

1. respect for and consideration of interests of all stakeholders;
2. seeks to actively inform its target audiences about its activities;
3. ensures objectivity, credibility, independence and a high level of information transparency in the implementation of public programs, certain internal procedures (procurement, external recruitment competitions, financial and non-financial services) and in the use of funds;
4. ensures open and productive cooperation with all stakeholders;
5. fulfils the commitments it has made to its stakeholders;
6. receives feedback from stakeholders on a regular basis.



## Approaches to stakeholder engagement

Stakeholders	Company
sole shareholder and public authorities	<ul style="list-style-type: none"> <li>provides reliable information on the results of financial and economic activities as required by the laws of the Republic of Kazakhstan, the Charter and internal documents of the Company;</li> <li>ensures that the sole shareholder's rights are exercised within corporate governance principles aimed at effective adoption of key decisions;</li> <li>provides additional information on plans, achievements, performance issues and research by other organizations on the Company's activities, except for the confidential information received from other organizations under non-disclosure and/or confidentiality agreements and/or contracts;</li> <li>participates in international credit ratings.</li> </ul>
Investors and Counterparties	<ul style="list-style-type: none"> <li>sufficiently discloses up-to-date information about the Company's financial position, dividend policy and credit history, as well as its future prospects;</li> <li>the Company's financial and management accounts are prepared and submitted on time in accordance with statutory and regulatory requirements, and the financial statements are audited by independent auditors;</li> <li>Information on the influence of the sole shareholder and other interested parties (republican, local authorities), as well as on the control and approval of interested-party transactions is known, transparent and accessible;</li> <li>communicates proactively when making investment and strategic decisions;</li> <li>fulfils its contractual obligations to business partners in good faith;</li> <li>ensures information transparency, openness, equality, fairness, non-discrimination and no unreasonable restrictions on competition in strict compliance with the laws of the Republic of Kazakhstan;</li> <li>complies with principles in corporate governance and the improvement of the corporate governance system in line with the leading international practice.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>the Company's services are accessible to consumers;</li> <li>ensures the security of consumer data and commercial information in order to protect against its leakage and misuse;</li> <li>provides services of the same quality and level of service without discrimination to all consumer groups;</li> <li>promotes the quality of service and customer care, which translates into improved customer service standards;</li> <li>communicates new tools and operating principles to customers on a regular basis;</li> <li>promotes financial literacy among consumers and its customers to the best of its ability and in accessible forms.</li> </ul>

Stakeholders	Company
Employees	<ul style="list-style-type: none"> <li>ensures an open, transparent personnel policy aimed at developing a qualified and motivated workforce;</li> <li>ensures that all employees have equal opportunities to realize their potential in the course of their work and that their performance is assessed fairly and impartially;</li> <li>recruitment and career development in the Company is based solely on professional abilities, knowledge and skills;</li> <li>effective communication and interaction between employees is ensured by organizing internal corporate sources of regular employee information and communication channels, including through an internal portal (intranet), regular surveys of employee opinions and suggestions, and the organization of working groups.</li> </ul>
Public	<ul style="list-style-type: none"> <li>communicates effectively and promptly with the public (including by organizing regular meetings (roundtables, briefings, conferences);</li> <li>is actively involved in the implementation of socially significant projects;</li> <li>timely and full responses to requests from individuals and legal entities sent to the Company;</li> <li>in its sponsorship and charitable activities, the Company provides assistance to vulnerable groups and disadvantaged citizens to revive national values and support culture, science and education.</li> </ul>

## RELATIONS WITH COUNTERPARTIES

As part of effective value chain management, the Company aligns its work with its counterparties with the principles of sustainable development.

### The Company expects its counterparties to:

1

Apply an environmental risk management system to identify, assess actual and potential environmental and social impacts; define and implement appropriate management measures; and monitor the level of environmental risks.

2

Apply a human resources management system and ensure (maintain) the health of workers, which should be based on respect for their rights, including the freedom to associate and the right to collective-bargaining agreement. The system must ensure that workers are treated fairly, have a safe and healthy working environment, and that adverse health effects are prevented and avoided.

3

Apply a system of good corporate governance based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence. Good corporate governance respects the rights and interests of all stakeholders and contributes to an organization's success, including increasing its market value, financial stability and profitability.

## ECONOMIC IMPACT MANAGEMENT

Conscious of its mission the Company has a significant impact on the sustainable economic development of the Republic of Kazakhstan and fulfils important social and economic functions.

### Distribution of economic value

KZT thous

Indicator	2021	2022
<b>Economic value created (income)</b>	142,853,616	158,363,968
Operating income	138,803,928	154,242,417
Commission income	102,919	42,062
Net realized income from transactions with investment securities measured at fair value through profit or loss for the period	430,531	1,474,558
Net insurance premiums earned	2,132,353	2,604,931
Other income	1,383,885	-
<b>Distribution of economic value</b>	(137,679,005)	(113,684,270)
Operating expenses (payments to capital providers)	(98,091,584)	(103,279,571)
Commission expenses	(570,704)	(648,702)
Payroll costs	(2,589,867)	(2,563,538)
Expenses on taxes and fees to the state budget	(4,061,067)	(1,915,696)
Gains/(losses) on impairment of debt financial instruments	934,369	11,891,503
General and administrative expenses	(1,796,489)	(1,744,667)
Training	(8,636)	(21,592)
Reserves for issued guarantees	(3,982,815)	(6,307,198)
Other operating (loss)/income	-	(6,669,046)
Loss on initial recognition of loans issued to customers measured at fair value through profit or loss	(27,512,212)	-
Net loss on foreign exchange transactions	-	(2,425,763)
<b>Economic value to be distributed (net profit)</b>	5,174,611	44,679,698

Source: KHC JSC

## FINANCIAL SUPPORT

In order to accomplish our mission, the Company financed an urban investment project, G4 City, in Almaty Region in 2021 for KZT 31.1 bln. No new investment projects were financed in 2022.

In forming its project portfolio, the Company gives preference to projects that are in line with sustainable development goals and have a significant impact on the sustainable social and economic development of the Republic of Kazakhstan, including projects that contribute to:

- openness, safety, resilience and environmental sustainability of cities and settlements;
- diversification of the economy of the Republic of Kazakhstan.

The Company seeks to apply international best practice in the environmental and social impact of funded projects and other activities.

As part of its housing projects, the Company is guided by the construction standards and regulations of the Republic of Kazakhstan.

The Company intends to consistently expand its participation in international sustainability initiatives, including by joining initiatives relating to the application of responsible investment practices.

## ANTI-CORRUPTION MEASURES

The Company has a zero-tolerance policy towards corruption in all its manifestations in its interactions with all stakeholders and the concealment of corruption offences. In its day-to-day operations, the Company complies with anti-corruption law and takes maximum organizational and practical steps to counteract corruption in all its forms and manifestations in an uncompromising manner.

Efforts are under way to implement the requirements of the ISO 37001:2016 Anti-Corruption Management System standard in the Company's operations.

In order to counteract corruption and prevent corruption risks, the Company takes comprehensive measures to improve business processes and analyze the factors contributing to corruption offences.

The Management Board approved the Anti-Corruption and Fraud Prevention Policy, which defines the main provisions for combating corruption in the Company, as well as the managerial and organizational framework for the prevention of corruption offences.

As part of fostering an anti-corruption culture, the Company pays great attention to preventive work aimed at reducing corruption risks. For example, training and testing on compliance with the Anti-Corruption Law is conducted on an annual basis in order to promote intolerance to corrupt practices among employees. Training is provided for all the Company's employees.

By decision of the Board of Directors, the Company annually approves a compliance program for the reporting year, containing measures to combat corruption and fraud, monitor compliance with legal requirements and internal documents, and foster an anti-corruption culture.

In order to strengthen anti-corruption and anti-fraud activities, internal corruption risk analyses are carried out, which result in recommendations aimed at reducing corruption risks.

The telephone hotline channels +7 (727) 344-12-00 and e-mail skk@khc.kz are continuously available. All stakeholders of the Company are given the opportunity to raise concerns about actual or suspected violations of laws, regulatory requirements and internal policies and procedures on corruption and ethics. Privacy and anonymity are guaranteed, as well as 100% consideration.

In 2022, there were no reports of corruption or fraud to the Company's management and Compliance Controls via email or hotline.

## SOCIAL INVESTMENTS

The key socially significant projects undertaken by the Company are the financing of preferential housing through the redemption of LEB bonds, the provision of rental housing with redemption apartments for LEB queue holders, and the guaranteed completion of shared ownership construction.

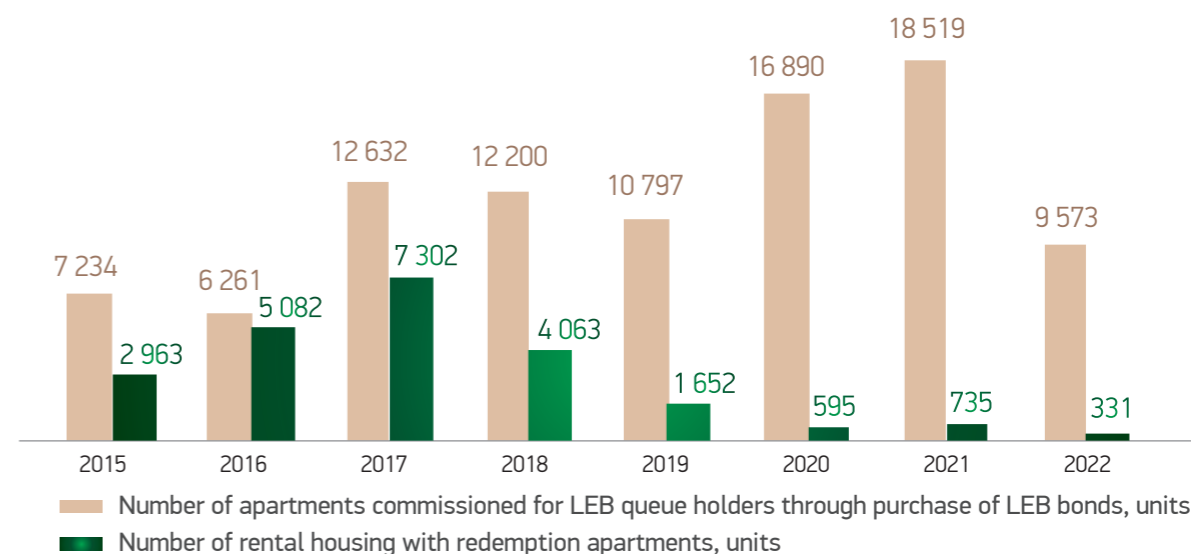
### The Company in 2022:

purchased LEB bonds to finance the construction of affordable housing in the regions for a total of  
**KZT 176.4 bln;**  
**9,573 apartments** were commissioned through purchase of LEB bonds

issued guarantees totalling  
**KZT 211.8 bln.** With the Company's guarantees, **16,118 apartments** were commissioned in 2022

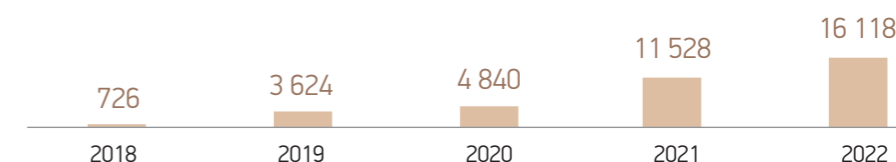
provided **331 rental housing with redemption apartments** valued at **KZT 5.7 bln**

Number of commissioned apartments



Source: KHC JSC

Number of apartments commissioned through the Company's guarantee, units



Source: KHC JSC



## PROCUREMENT MANAGEMENT

The Company selects suppliers of goods, works and services on a transparent basis as required by the laws of the Republic of Kazakhstan on procurement and internal documents and is based on the preference for the best price, quality and terms of supply of goods, works and services, as well as on the good business reputation of the counterparty.

Procurement shall be based on the following principles:

- optimum and efficient use of money used for procurement;
- openness and transparency of the procurement process while respecting the rights and/or legitimate interests of suppliers for commercial confidentiality (until the tender results are announced);
- fair competition among potential suppliers, avoiding collusion between the participants in procurement;
- responsibility of participants in procurement;
- avoidance of corrupt practices;
- support for domestic producers of goods and domestic suppliers of works and services to the extent that it does not contradict international treaties ratified by the Republic of Kazakhstan;
- purchase of innovative and high-tech goods, works and services;
- equal opportunity for potential suppliers to participate in the procurement procedure, except as provided for in the Republic of Kazakhstan Law on Procurement by Certain Quasi-Public Sector Entities;
- compliance with intellectual property rights in the goods procured.

Mitwork LLP has been identified by the authorized body as one of the operators of the procurement information system, which holds the intellectual property rights to the Eurasian e-procurement portal through which Baiterek NMH JSC and its subsidiaries conduct e-procurement.

In 2022, 314 contracts worth KZT 2.1 bln, inc. VAT, have been signed/renewed under the 439 lots of the Procurement Plan.

The average share of intra-country value in the procurement of works and services in 2022 was 84.5%.

## MANAGING OWN ENVIRONMENTAL IMPACT

Due to the nature of its business, the Company has no direct significant adverse impact on the natural environment but it strives to use resources sparingly in its operations.

The major resources consumed by the Company are electricity, heat and water. The company applies the resource management principles and practices that best ensure the prevention of adverse environmental impacts. It introduces the energy-efficient technologies, work is underway to reduce water consumption, and paper consumption for office purposes is being reduced through the introduction of electronic document management and double-sided printing.

The Company has approved a 2023 Action Plan to implement its Sustainable Development Policy, including the introduction of the Green Office concept, an important component of which is an information campaign aimed at raising environmental awareness among employees.

In 2022, specialized collection points for paper, plastic and glass waste will be set up for recycling.

In 2022, no fines or other sanctions were imposed on the Company for non-compliance with the environmental law of the Republic of Kazakhstan.

### Resource consumption

	2021	2022
Electricity, thous kW*h	1,934	1,869
Heat Energy, Gcal	2,170	851
Cold Water, m3	4,137	6,852
Hot Water, Gcal	304	696

Source: KHC JSC

## SOCIAL COMPONENT

The Company's Human Resources Policy is aimed at creating and developing a cohesive team of professionals capable of solving assigned tasks efficiently and promptly. The Company has established unified personnel standards, requirements for recruitment, training and appraisal processes, remuneration and social support.

The Company's labour relations with its employees are based on the principle of legality and respect for the generally recognized labour rights of employees.

The Company operates on the principle of equal opportunity and does not discriminate against its employees in recruitment, remuneration, access to training, promotion or dismissal on grounds such as sex, race, language, religion, political or other beliefs, nationality, national or social origin, disability.

The Human Resources Management Department uses a wide range of search and recruitment channels to attract the most qualified candidates. When selecting candidates for vacant positions, candidates from both the Presidential Youth Talent Pool and the Holding Group's Unified Talent Pool are considered.

Employee performance levels are improved through fair and systematic appraisal of their performance in the application of KPIs, staff appraisals and motivational measures.

In order to ensure fair and competitive remuneration, the Company has introduced a grading system and regularly reviews salaries in the market and comparable industry.

The Company takes measures to ensure that employees are properly organized in their workplaces and strives to create a safe working environment meeting the legal requirements of the Republic of Kazakhstan in this area. The Company documents and investigates all health and safety incidents and problems in order to minimize or eliminate them. The necessary occupational health and safety training, including training and further training, is provided to employees.

## STRUCTURE AND NUMBER OF STAFF

In 2022, the Company's organizational structure was optimized to reflect the strategic directions, goals and objectives of the Company.

Due to changes in the Company's strategic directions for 2021-2023, the Company's organizational structure has been optimized within the current headcount of 210 employees. At the end of 2022, the Company's actual headcount was 187, eight of which were based in Almaty.

As a result of the organizational structure optimization, the Company's Management Board was reduced from seven to four members of the Management Board and the total number of structural divisions of the Company was reduced from twenty-seven to twenty-one.

Of the Company's total workforce as of December 31, 2022 (187), 52% are women and 48% are men.

The proportion of women in senior positions is 33%. The majority of staff (50%) are between 31 and 40 years of age.

The average age of its employees is 38.

Gender of the Employees, %



Staff structure as of December 31, 2022, persons

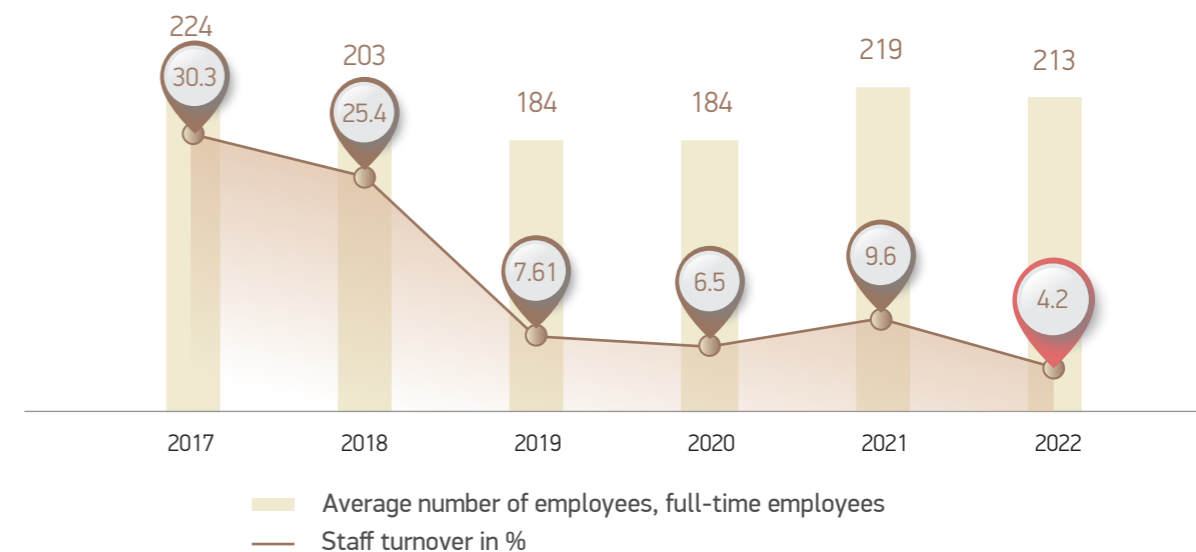
Indicator		Total	The Management Board	Middle managers
Total		187	4	24
Gender groups	Men	89	4	16
	Women	98	0	8
Age groups	Up to 30 years old	34	0	0
	31 – 40 years old	94	3	16
	41 – 50 years old	50	1	6
	Over the age of 51	9	0	2

Source: KHC JSC

The Company also enters into a Contract for Personnel Services. Such a contract involves personnel from the outstaffing sector. Thus, the Company outsources the execution of supporting and/or technical business processes to an outstaffing employee sent to the Company by a legal entity engaged in the personnel services to perform a work function for, under the direction and control of the Company.

The major purpose of outstaffing is to optimize the cost of work related to design, consultancy work over a period of time. The procedure and conditions for outstaffing employees are stipulated in the labour law of the Republic of Kazakhstan. At the end of 2022, there were 76 employees in the outstaffing sector.

Voluntary personnel turnover in 2022 was 4.2% (men 59%, women 41% of total dismissals).



Source: KHC JSC

## RECRUITING AND ONBOARDING PERSONNEL

Recruitment is carried out by the Company based on the need for new employees and determined by the duly approved headcount and staffing table, as well as the availability of vacancies and requests from heads of structural divisions.

### Information on how to post the Company's vacancies

In accordance with the Company's Recruitment Rules, the search for candidates shall consist of the following steps in sequence:



Internal recruitment is the selection of internal candidates, which entitles employees of the Company to propose candidates for a vacant position.

The divisions concerned shall post the information on the internal portal, <https://khc.kz/>, the electronic document management system or other internal communication channels.

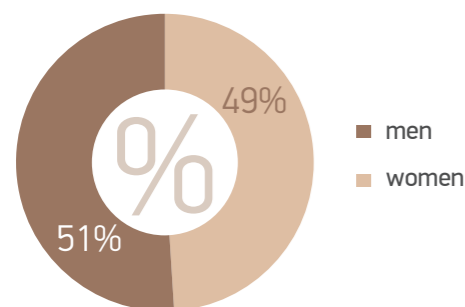
If an internal candidate is selected, no further search and recruitment activities are carried out and recruitment for the vacant position is carried out in accordance with the labour law of the Republic of Kazakhstan and the Company's internal documents.

External recruitment is carried out in the absence of internal candidates by:

- placing a candidate search advertisement on the Company's corporate Internet resource <https://khc.kz/ru/> and/or job search websites;
- posting on an electronic labour exchange;
- other methods and techniques that do not contradict the laws of the Republic of Kazakhstan and internal documents of the Company.

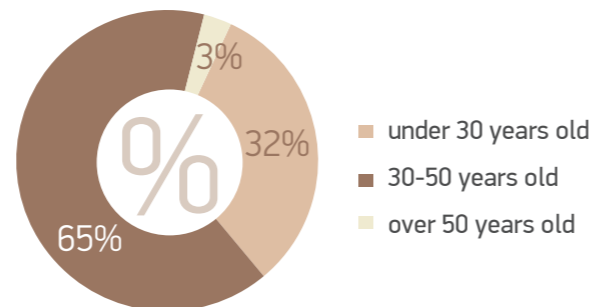
In 2022, the Company hired 63 persons, including 33 women. The proportion of new recruits to the total headcount was 30%.

Gender of hired employees



Source: KHC JSC

Age of hired employees



Source: KHC JSC

The recruitment procedure shall be carried out under the Recruitment Rules for Vacant Positions and the Internal Labour Rules.

#### The basic principles of recruitment:

- an objective and unbiased attitude to the assessment of suitability for the relevant position;
- open and fair recruitment;
- lack of conflicts of interest or their resolution in such a way that they do not adversely affect the Company's business;
- avoiding and preventing bias (personal gain, advocacy, over-familiarity, threats, etc.).

In order to ensure effective employee onboarding, to create a positive image of the Company and to reduce discomfort during the first days of employment, newly hired employees are adapted according to the Instruction on Adaptation of New Employees.

The first stage of adaptation involves developing a general understanding of the Company. HR employees regularly hold communication meetings with newly hired employees, where they talk about the main activities of the Company, organizational features, the specifics of the relationship between the Company and the employee (hiring and dismissal procedures, wages, social support), working conditions, etc.

The individual adaptation program includes a detailed introduction to the activities of the structural division, the job specifics and the acquisition of specific skills.

## REMUNERATION

The major purpose of the Company's remuneration policy is to provide employees with competitive wages and to apply a transparent system of performance evaluation and staff bonuses that promotes efficiency and financial incentives for employees to achieve high performance.

The Company has introduced a graded remuneration system. The grading system enables an employee to recognize his/her position in the existing job hierarchy and to assess its role for the Company. It is an opportunity to receive fair remuneration for work – depending on the level of difficulty, responsibility for the work performed, to assess his/her professional and career prospects, to consistently acquire new professional knowledge and skills needed to work effectively in a higher position.

Employee performance is assessed on the basis of KPI scorecards given the achievement of the Company's strategic objectives and individual performance indicators. This approach establishes a vertically-integrated KPI structure, which enables responsibility for achieving strategic goals to be allocated to each responsible employee.

#### Ratio of average salary of women to average salary of men by category:

top management – 0,93

middle managers – 1

chief specialists and professionals – 0,95

#### Remuneration policy

Remuneration levels are governed by pay ranges based on grades. Grades are formed by assessing and grouping positions of equal value according to their contribution to the achievement of the Company's Development Strategy given the following evaluation factors: (1) knowledge and skills; (2) problem solving; and (3) responsibility.

KPIs are developed by directly cascading or decomposing the Company's strategic KPIs based on the area of responsibility assigned to the executive and the functions and business objectives of each position. Performance-based remuneration for the reporting period is paid to executives depending on their performance, achievements and improvements in performance.

In addition to financial rewards, there are non-financial rewards in the form of moral incentives (certificates of merit, letters of appreciation).

In 2022, as part of the celebrations of National Currency Day, Independence Day and Republic Day, 23 employees of the Company were awarded certificates and letters of appreciation.

#### Remuneration determination process

The Company's management positions are assessed by engaging external experts properly certified.

The Board of Directors determines the remuneration and terms of remuneration of management with prior review by the Human Resources, Remuneration and Social Affairs Committee under the Company's Board of Directors.



### Ratio of annual total remuneration

In 2022, the ratio of the total annual remuneration of the organization's highest-paid employee to the median annual total remuneration of all employees (excluding the highest-paid employee) was 3.9, compared to 4.8 in 2021 (down 25%).

### System of personnel evaluation

Personnel evaluation is carried out to determine the suitability of an employee for the position held or work performed and to determine the extent to which the Company's employees meet the requirements for the positions held under the Company's Regulations on Appraisal of Employees. Scheduled appraisals of the Company's employees shall take place no more than once every 3 years.

The Company's employees were appraised in July 2022. The total number of employees appraised was 110.

### Personnel training

The Company has a system of continuous training and development of its personnel in order to build and maintain the necessary level of skills, as well as to meet the requirements and prospects of the Company's strategic development.

An annual training plan is drawn up on an annual basis as per the requests of the heads of the Company's structural divisions specifying the name of the training activity and the number of employees to be trained.

The training and professional development of the Company's employees is based on the following principles:

the topic and content of training activities are in line with the needs defined in the employee's job description and the goals and objectives set for the employee;

the focus of training activities on specific tasks to improve the efficiency of the Company's operations, learning from best corporate practices and standards;

the systematic, applied, planned nature of training and professional development;

cover as many of the Company's employees as possible with training and professional development programs.

In order to provide employees with theoretical and practical knowledge and skills, participation in seminars, training sessions, meetings, conferences, forums, roundtables, on-the-job training, etc. is envisaged.

Upon completion of the training, the employee applies the knowledge and skills acquired on the job, which is analyzed by the supervisor, who assesses the training success. In a recent survey the average evaluation score for the training effectiveness provided in 2022 was 4.7.

The total number of employees trained in 2022 – 161, or 86% of the Company's actual workforce.

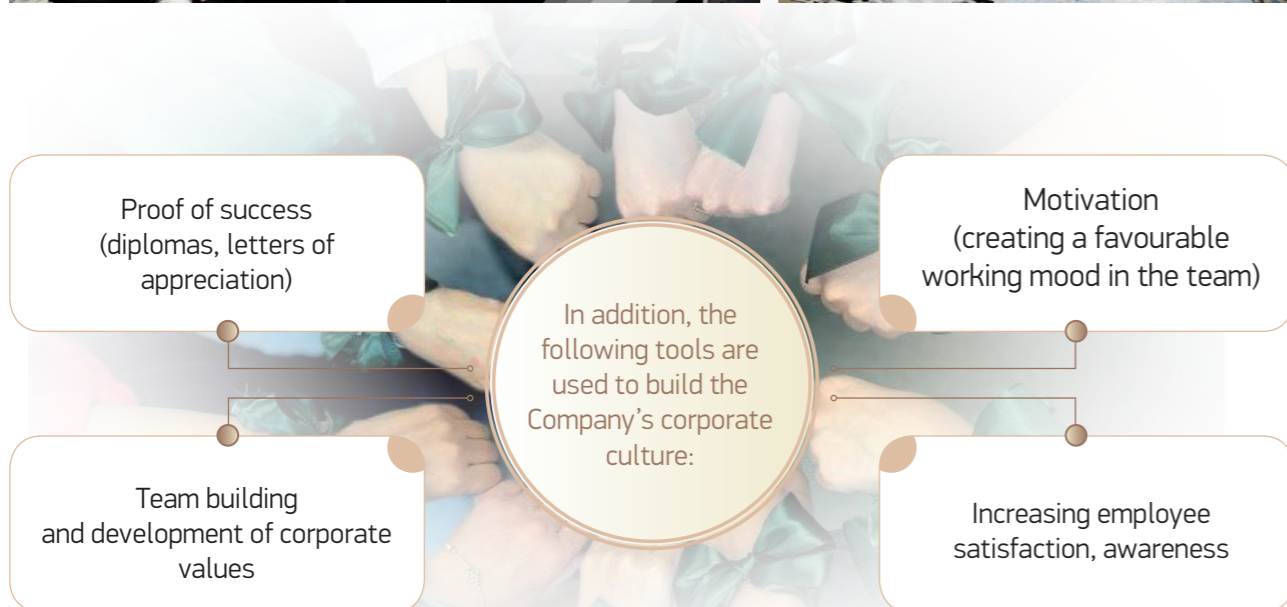
The main training programs in 2022 **focused on professional development** in the following areas:

- TSA-01-Administration of the SimBase System and Basics of Setting Up Business Processes. TSA-02 – Automation of Business Processes in the SimBase System;
- Basics of business process formalization, analysis and optimization;
- Internal audit of business processes: modern approaches from assessing the effectiveness of the design of control procedures to the use of AGILE methodologies during audits;
- ICO 27001:2013 Information Security Management System;
- CFA Level 1 (Financial Analyst);
- DiplFR (International Financial Reporting);
- Business Performance Management (PM);
- other areas requiring annual training (IT risk management, military registration, conciliation commission, professional accountant training in areas related to changes in accounting, changes in IFRS, changes in civil law, and training on changes in labour law, technical supervision, estimates, health and safety, etc.).

### Corporate culture development

Various corporate events are held in order to build the Company's corporate culture. During the reporting period, festive events, away corporate team building, team games with subsidiaries of the Holding and the Company participated in the "Baiterek – Open Hearts" charity fair were held.





### Occupational Health and Safety

There is an ongoing process of maintaining a safe working environment in the Company: induction training in occupational health and safety for newly hired employees and annually for all employees, annual practical and theoretical civil protection activities in the Company (civil defence and emergency situations), as well as fire safety briefings for all employees in the Company. Systematic inspection and testing of warning devices, interaction of electronic systems in case of fire in case of evacuation, testing of fire extinguishers, gas fire extinguishing system, pumping stations and fire hydrant for water extraction is carried out.

In order to ensure compliance with fire safety requirements in the Company, a team has been formed within the Company's civil defence formations, and responsible employees have been appointed to ensure compliance with fire safety standards in the Company.

The Company's department concerned periodically notifies (reminds) employees of the need to observe fire safety measures on the eve of weekends and public holidays.

In 2022, a fire safety training session was held as planned. The exercises included the Company's employees evacuation from the building at the alarm with participation of the Department of Emergency Situations, a demonstration of using the OU-5 fire extinguisher on a specially deployed fire, and training in the use of the GP-5 gas mask.

In 2022, there were no recorded cases of injuries.

### Social policy

The Company provides social support to employees under the Rules on Social Support for the Company's Employees. Voluntary medical insurance for employees and their family members is provided on an annual basis, as well as financial aid for recuperation during holidays, financial aid for childbirth and other cases stipulated by the Company's internal regulations.

In 2022, for example, 21 employees received financial aid for childbirth and four employees – on the death of an immediate relative.

The aim of the Company's social activities is to consistently improve the quality of life of its employees through additional benefits, services and social payments.

The employee's rights as regards the social component, including the issue of notices, are respected under the labour law regulations.

A Collective-Bargaining Agreement has been in place since 2008. A conciliation commission has been set up to protect the labour rights of employees or the Employer on a parity basis.

### Introducing a human rights commitment

The Board of Directors has appointed an Ombudsman whose role is to advise and assist the Company's employees in resolving labour disputes, conflicts, social and labour issues, and to ensure that the Company's employees observe the principles of business ethics.

The Company's Ombudsman submits its performance report on annual basis to the Human Resources, Remuneration and Social Affairs Committee and the Audit and Risk Management Committee under the Company's Board of Directors.

The Company's Ombudsman is Dina Viktorovna Akrachkova, Chief of Staff to the Chairman of the Management Board.

In addition, the Company conducts annual tests on employees' knowledge of the Code of Business Conduct.

### Management of conflict of interest

Members of the Board of Directors shall act for the benefit of the Company and its sole shareholder in good faith, reasonably and fairly, observing the legislative requirements of the Republic of Kazakhstan, the moral principles of the Company, as well as the standards of business conduct established by the Company's internal documents.

In order to manage conflicts of interest, direct or potential conflicts of interest shall be considered when selecting candidates for the Board of Directors.

Members of the Board of Directors must immediately inform the Chairman of the Board of Directors of any personal commercial or other interest (direct or indirect, real or possible) in transactions, contracts, projects related to the Company, as required by the internal documents of the Company, as well as the occurrence of affiliations and other circumstances.

Members of the Board of Directors shall refrain from actions that may lead to a conflict of interest and from taking decisions on matters where there is a conflict of interest.

Members of the Board of Directors are prohibited from receiving gifts, favours or any advantages from natural or legal persons that constitute or may be considered as remuneration for decisions or actions taken or performed as a member of the Board of Directors of the Company.

Members of the Board of Directors are prohibited from disclosing confidential, internal information of the Company and other information that became known to the Director while performing its duties as a member of the Board of Directors (except for publicly available information) to persons not employed by the



Company, who are not authorized representatives of the sole shareholder and who have no access to such information, and from using it in their own interests or the interests of third parties, both while serving as a member of the Board of Directors and within 5 years upon completion of the term of office, as well as within the period specified in the documents (information) that have become known.

Members of the Board of Directors are required to provide information on their affiliates on a regular basis.

No conflicts of interest were recorded in 2022.

### Opportunities for employees to submit complaints and reports of misconduct and unethical behaviour, feedback

The Company has a telephone hotline: **+7 (727) 344-12-00** and e-mail: **skk@khc.kz**. All stakeholders of the Company are given the opportunity to raise concerns about actual or suspected violations of laws, regulatory requirements and internal policies and procedures on corruption and ethics. Authors of a report are guaranteed confidentiality and anonymity, as well as a 100% consideration.

### Personnel satisfaction and engagement survey

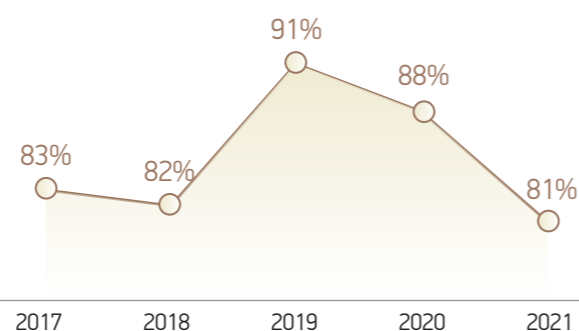
An annual employee engagement and satisfaction survey of

Baiterek NMH JSC and all of its subsidiaries is conducted with the involvement of independent consultants from Ernst & Young Kazakhstan LLP.

The survey is conducted by means of an electronic questionnaire. The level of personnel satisfaction and engagement in 2021 was 81% (above average).

No employee engagement and satisfaction survey was conducted by Baiterek NMH JSC in 2022.

Staff engagement and satisfaction index



Source: KHC JSC

### Information policy and outreach

Information on the services provided by the Company is posted on the corporate website <https://www.khc.kz>, where information on guarantees issued, engineering company reports and information on events involving the Company is constantly updated.

In 2022, 1,476 publications with information on the Company's activities were published in the media, as well as 25 press releases on the Company's events and activities. There are 198 publications on social media on the following topics: rental housing, subsidies, guarantees, instructions on how to use a personal account, how not to become a cheated shareholder, new service launches, the new Housing and Utilities Infrastructure Development Concept until 2026, etc.

Feedback to customers was provided on an ongoing basis over social media Facebook <https://www.facebook.com/khc.kz>; Instagram: <https://www.instagram.com/khc.kz>. (Responses to comments and private messages).

The Company's Public Relations Department keeps the Chairman's Blog on the Open Dialogue platform <https://dialog.egov.kz/blogs/5373952/welcome>, where the country's residents can leave their enquiries about our activities.

In 2022, an online service was launched on the Digital Baiterek portal at <https://digital.baiterek.gov.kz/services/guranteeing001> to accept applications for guarantees of completion of shared housing construction.

An e-application service has been launched on the Housing Portal platform (<https://homeportal.kz/>). The Company's customers now have the option of submitting an electronic appeal online in their Account.

In addition, the following activities were carried out by the Company in 2022:

- special project "Digitalization of Kazakhstan Housing Company JSC" on Kapital.kz;
- meeting on: Legislative changes in shared construction and POA;
- speech at a forum on the digitalization of the construction industry in the CIS, where Altay Kuzdibaev, acting Chairman of the Management Board, shared the Company's experience;
- interview of Olzhas Salykov, Deputy Chairman of the Management Board in the Forbes.kz business magazine;
- briefing on "Digitalization of the Construction Industry" with the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan;
- the Forum of Urbanists of Kazakhstan in Atyrau urbathon.kz together with the Atyrau Akimat and the Association of Urbanists Q88;
- visual sources – roll-ups on the following topics: housing guarantees and subsidizing the interest rate on loans issued by second-tier banks to private businesses for housing construction;
- infographics, videographics, animations and image clips prepared in three languages, aimed at raising public awareness of the Company's activities. According to the Company, 22,810 calls were handled through the call centre line in 2022.

In 2022 the Company received

15,919 appeals from individuals and 5,011 from legal entities

The Company timely responded to 100% of the enquiries.

Overall, following the results of the December 2022 public trust survey, it is determined that the Company's reputation is stable, there are no problems with the target audiences, and it has been established without any negative factors that could be expressed in the media or by consumers and other stakeholders.

Degree of the Company's Recognition and Awareness

89.6% 2021 ▲ 88.5%

Awareness of the Company's Products and Programs

80.7% 2021 ▲ 79.6%

Level of Awareness of the Company's Activities Among Target Groups

83.5% 2021 ▼ 83.6%

Level of Confidence of Target Groups in the Company's Activities

84.1% 2021 ▼ 87.4%



# CORPORATE GOVERNANCE



## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE SYSTEM

The Company is guided in its activities by the corporate governance principles defined in the Corporate Governance Code of Kazakhstan Housing Company JSC.

The corporate governance is understood to be the set of processes that manage and control the Company's activities and include the relationships between shareholders, the Board of Directors, the Management Board, other bodies of the Company and stakeholders in the interests of shareholders.

1 The sole shareholder is the supreme body. The sole shareholder is authorized to decide on matters determined by the laws of the Republic of Kazakhstan, the provisions of the Company's Charter and its internal documents. Baiterek National Managing Holding JSC is the sole shareholder of Kazakhstan Housing Company JSC.

2 The Board of Directors is responsible for the general management of the Company's activities and for supervising the executive body's activities, except for matters within the exclusive competence of the sole shareholder;

3 The Management Board is the executive body that manages the Company's day-to-day operations;

4 The Internal Audit Service monitors financial and business operations, assesses internal control, risk management, execution of corporate governance documents and provides advice to improve the Company's operations. The Internal Audit Service reports directly to the Board of Directors.

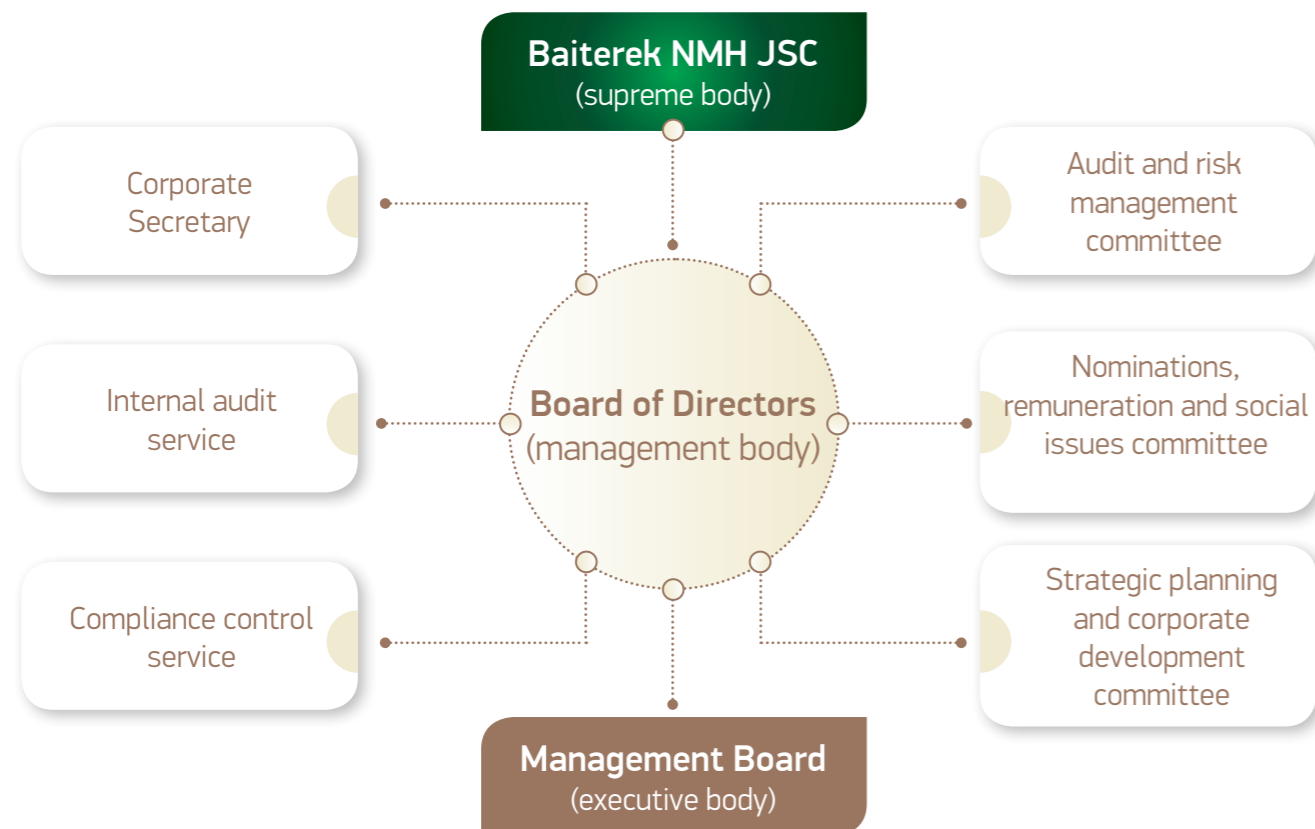
The Company views corporate governance as a means of improving the Company's performance, strengthening its reputation and reducing the cost of raising capital.

Corporate governance is built on the foundations of fairness, honesty, responsibility, transparency, professionalism and competence.

The principles of corporate governance aim to build trust in relations arising in connection with the management of the Company and are the basis for all rules and guidelines. The fundamental principles of corporate governance are:

- delineation of powers;
- protection of the rights and interests of the sole shareholder;
- effective management of the Board of Directors and the Management Board;
- sustainable development;
- risk management, internal control and internal audit;
- regulation of corporate conflicts and conflicts of interest;
- transparency and objectivity in the disclosure of information on the Company's activities.

## CORPORATE GOVERNANCE STRUCTURE OF THE COMPANY



### THE SOLE SHAREHOLDER

Baiterek National Managing Joint-Stock Company is the sole shareholder of the Company, which holds 100% of the Company's voting shares as of December 31, 2022.

## BOARD OF DIRECTORS

### COMPOSITION OF THE BOARD OF DIRECTORS

As of December 31, 2022, the Board of Directors consisted of 5 persons.

**Kanat SHARLAPAEV**  
Chairman of the Board of Directors  
of Kazakhstan Housing Company JSC (since 25.02.2022)

Date of Birth:  
1981  
Citizenship:  
Republic of Kazakhstan



#### Education:

Saratov Socio-Economic University, majoring in Accounting and Audit (Russian Federation).

Cranfield School of Management, MSc, Finance and Management (UK).

#### Employment history:

Since 2022, Chairman of the Management Board and member of the Board of Directors of Baiterek National Managing Holding JSC.

In 2020-2022 – Regional Director for Strategy, Planning and Analysis for Emerging Markets in Africa, Middle East and Eastern Europe at City Investment Bank (UAE).

In 2017-2020 – Chief Financial Officer for Russia, Ukraine and Kazakhstan at City Investment Bank.

Over 16 years' experience in various positions in the finance, management and analytical sectors at City Investment Bank.

#### Other positions held:

Chairman of the Board of Directors in Development Bank of Kazakhstan JSC, Industrial Development Fund JSC, Housing Construction Savings Bank Otbasylar Bank JSC, Bereke Bank JSC.

*Has no shares (ownership interests) in Kazakhstan Housing Company Joint-Stock Company, affiliated companies, and holds no shares of suppliers and competitors of Kazakhstan Housing Company Joint-Stock Company.*



### Vyacheslav SON

member of the Board of Directors – representative of the sole shareholder of Kazakhstan Housing Company JSC (since 16.02.2022).

Date of Birth:  
1982

Citizenship:  
Republic of Kazakhstan

#### Education:

Kazakh Humanitarian Law University, majoring in Jurisprudence (Republic of Kazakhstan).

Modern Humanities University, majoring in Linguistics (Russian Federation).

University of International Business, MBA, majoring in Finance and Credit (Republic of Kazakhstan).

University of London, Master of Laws (LLM), Commercial and Corporate Law (UK).

#### Employment history:

Since January 2017 – Managing Director of Baiterek National Managing Holding JSC.

In 2013-2016 – Director of Audit and Control Department of Baiterek National Managing Holding JSC.

In 2012-2013 – Chief of Staff, Deputy General Director of RSE Kazspetsexport of the Ministry of Defence of the Republic of Kazakhstan.

In 2011-2012 – Managing Director of National Mining Company Tau-Ken Samruk JSC.

Over 22 years' experience in various positions, including finance.

#### Other positions held:

Member of the Board of Directors of Qazaqstan Investment Corporation JSC, Agrarian Credit Corporation JSC.

*Has no shares (ownership interests) in Kazakhstan Housing Company Joint-Stock Company, affiliated companies, and holds no shares of suppliers and competitors of Kazakhstan Housing Company Joint-Stock Company.*



### Aliya MURZAGALIYEVA

member of the Board of Directors – representative of the sole shareholder of Kazakhstan Housing Company JSC (since 19.10.2022).

Date of Birth:  
1980

Citizenship:  
Republic of Kazakhstan

#### Education:

Institute of Management and Law, Lawyer of the Highest Qualification (Republic of Kazakhstan).

#### Employment history:

Since 2019 – Director of the Asset Management Department of Baiterek National Managing Holding JSC.

In 2018-2019 – Director of the Project Management Department of the Ministry of National Economy of the Republic of Kazakhstan.

In 2017-2018 – Director of Strategic Planning Department of DBK-Leasing JSC.

In 2012 to 2017 – Deputy Director of the Department of Industries Development of the Ministry of National Economy of the Republic of Kazakhstan.

Over 22 years' experience in various positions, including public service.

*Has no shares (ownership interests) in Kazakhstan Housing Company Joint-Stock Company, affiliated companies, and holds no shares of suppliers and competitors of Kazakhstan Housing Company Joint-Stock Company.*





### Kuat KOZHAKHMETOV

member of the Board of Directors – Independent Director of Kazakhstan Housing Company JSC (since 19.10.2022).

Date of Birth:  
1973

Citizenship:  
Republic of Kazakhstan

#### Education:

Kazakh State Academy of Management, majoring in Business and Management (Republic of Kazakhstan).

The University of Chicago Booth School of Business, Master of Business Administration (MBA) (USA).

#### Employment history:

Since 2020 – Chief Adviser to the AIFC Governor.

In 2020 – Co-Manager of Public Procurement of Samruk-Kazyna JSC.

In 2018-2020 – General Director of Samruk-Kazyna Contract LLP.

In 2015-2018 – Chairman of the Board of Directors of Optima Bank OJSC (Kyrgyz Republic).

In 2014-2015 – Deputy Chairman of the National Bank of the Republic of Kazakhstan.

In 2011-2014 – Chairman of the Committee for Control and Supervision of the Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan.

In 2008 – 2011 – Deputy Chairman of the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations.

#### Other positions held:

Member of the Board of Directors of AIFC Administration JSC, member of the Board of Directors of NC Kazakhstan Engineering JSC, Independent Director, member of the Board of Directors of Standard Life Insurance Company JSC, Independent Director, member of the Board of Directors of Bank CenterCredit JSC.

*Has no shares (ownership interests) in Kazakhstan Housing Company Joint-Stock Company, affiliated companies, and holds no shares of suppliers and competitors of Kazakhstan Housing Company Joint-Stock Company.*



### Aset ABDUALIYEV

member of the Board of Directors – Independent Director of Kazakhstan Housing Company JSC (since 19.10.2022).

Date of Birth:  
1984

Citizenship:  
Republic of Kazakhstan

#### Education:

Gumilev Eurasian National University, majoring in International Law (Republic of Kazakhstan).

University of Dundee, Master of Laws (LLM) (Scotland).

Harvard University, Master of Public Administration (MPA) (USA).

Stanford University, Graduate School of Business (USA).

#### Employment history:

Since 2021 – Head for Strategy and Development, TaskRabbit, Inc. in San Francisco, USA.

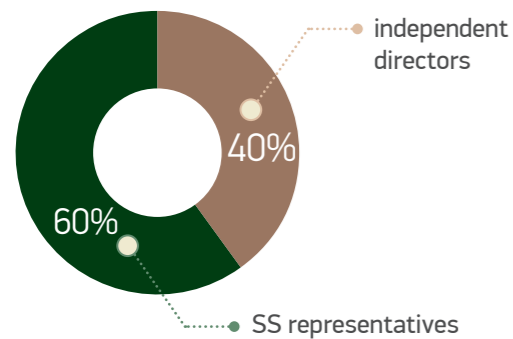
In 2019-2021 – Senior Consultant, McKinsey & Company.

In 2016-2017 – Deputy Chairman of the Management Board of Almaty Development Centre JSC.

In 2015-2016 – Director of the Directorate for Preparation and Holding of the 28th World Winter Universiade 2017 in Almaty.

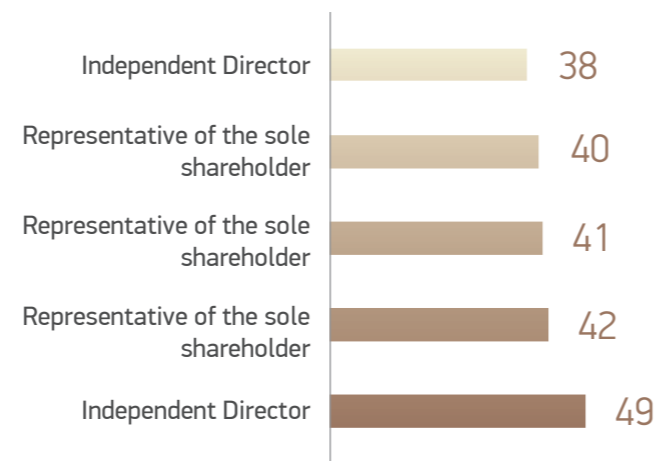
*Has no shares (ownership interests) in Kazakhstan Housing Company Joint-Stock Company, affiliated companies, and holds no shares of suppliers and competitors of Kazakhstan Housing Company Joint-Stock Company.*

## Structure of the Board of Directors



Source: KHC JSC

## Age of members of the Board of Directors, years



Source: KHC JSC

## Competencies of the members of the Board of Directors

Members of the Board of Directors	K. Sharlapaev	V. Son	A. Murzagaliyeva	K. Kozhakhmetov	A. Abdualiyeu
Key competencies					
Knowledge of the Company's industry	●	●	●	●	●
Specific skills and experience					
Finance	●	●	●	●	●
Risk management and audit	●	●		●	●
Strategy development and implementation	●	●	●	●	●
Sustainable development	●	●	●	●	●
Experience in management and law					
Corporate governance	●	●	●	●	●
Experience in politics and regulatory work	●	●		●	●

There were no training sessions for the Board of Directors members in 2022.

## DETERMINING THE COMPOSITION OF THE BOARD OF DIRECTORS

The sole shareholder shall elect members of the Board of Directors as prescribed by laws of the Republic of Kazakhstan, the Charter and internal documents of the Company, taking into account the competencies, skills, achievements, business reputation and professional experience of the candidates.

The following changes in the composition of the Board of Directors of the Company were made by the sole shareholder in 2022:

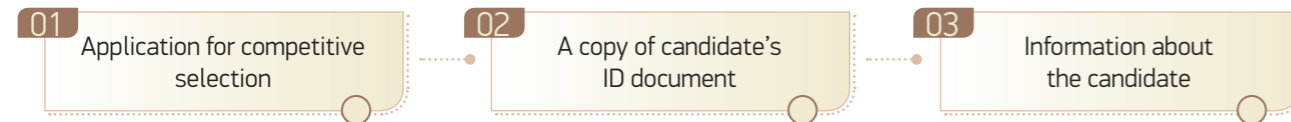
- 1 • early termination of powers of Aydar Arifkhanov, a member of the Board of Directors with resolution of the Management Board of Baiterek NMH JSC dated February 09, 2022 (protocol No08/22). Kanat Sharlapaev was elected as a member of the Board of Directors as a representative of the sole shareholder of the Company instead of him;
- 2 • Kanat Sharlapaev, a representative of the sole shareholder, was elected Chairman of the Board of Directors of the Company with resolution of the Board of Directors of the Company dated February 25, 2022 (protocol No2);
- 3 • early termination of powers of Anuar Omarkhojayev, a member of the Board of Directors of the Company and election of Vyacheslav Son as a member of the Board of Directors of the Company as a representative of the sole shareholder of the Company with resolution of Baiterek NMH JSC dated February 16, 2022 (protocol No09/22);
- 4 • early termination of powers of Rustam Issayev, a member of the Board of Directors of the Company, with resolution of the Management Board of Baiterek NMN JSC dated May 12, 2022 (protocol No21/22);
- 5 • early termination of powers of Timur Zhanke, a member of the Board of Directors of the Company, election of Arman Shamshin to the Board of Directors as a representative of the sole shareholder of the Company, the number of members – seven (7) persons with resolution of the Management Board of Baiterek NMH JSC dated May 20, 2022 (protocol No22/22);
- 6 • in accordance with the notice of Arman Shamshin dated July 01, 2022 u/n and pursuant to Article 55.4 of the Law of the Republic of Kazakhstan “On Joint-Stock Companies”, the powers of Arman Shamshin as a member of the Board of Directors of the Company were prematurely terminated;
- 7 • in accordance with resolution of Baiterek NMH JSC dated October 19, 2022 (protocol No45/22) the number of members – five (5) persons, term of office of the Board of Directors of the Company – three (3) years and the members of the Board of Directors of the Company were elected with the term of office aligned with the term of office of the Board of Directors of the Company:
  - ✓ as representatives of the sole shareholder of the Company: Kanat Sharlapaev, Vyacheslav Son, Aliya Murzagaliyeva;
  - ✓ as Independent Directors: Kuat Kozhakhmetov, Aset Abdualiyeu;
- 8 • Kanat Sharlapaev a representative of the sole shareholder was elected Chairman of the Board of Directors of the Company with resolution of the Board of Directors of the Company dated February 02, 2022 (protocol No10).

## PROCEDURE FOR NOMINATING CANDIDATES TO THE BOARD OF DIRECTORS

The search for candidates shall be initiated by the structural division of the sole shareholder ensuring the efficiency of the Board of Directors of the Company 60 calendar days prior to the expiration of the approved term of office or within 15 calendar days once the need arises to select Independent Director, by posting information on the search and selection of candidates for the post of Independent Director on the website of the Holding and/or Company with the requirements of the job.

Qualification requirements for candidates to the Board of Directors are stipulated by laws of the Republic of Kazakhstan and Company's Charter.

Applicants for the post of Independent Director shall submit the following documents:



Structural division of the sole shareholder ensuring effective operation of the Company's Board of Directors shall comply the list of candidates meeting the requirements once received the documents from nominees for the post of Independent Director, and duly submits the item of electing Independent Director to the Management Board of the Holding for consideration, having previously agreed with the structural division of the sole shareholder, responsible for human resource management.

Other ways and methods not contrary to the laws of the Republic of Kazakhstan and internal documents of the Holding, including the engagement of organizations for searching and selecting staff may be used to search for candidates.

The Company's Board of Directors is composed of persons recommended for election to the Board of Directors.

The sole shareholder shall elect members of the Board of Directors of the Company, as prescribed by laws of the Republic of Kazakhstan, the Charter and internal documents of the Company, taking into account the competencies, skills, achievements, business reputation and professional experience of the candidates.

In re-electing individual members of the Board of Directors or the entire Board of Directors for a new term, the results of performance evaluation of the members of the Board of Directors of the Company shall be considered.

The following shall be taken into account in the selection of candidates for the Board of Directors:

1. professional experience in senior positions;
2. professional experience as a member of the Board of Directors in joint-stock companies;
3. employment history;
4. education, major, including international certificates;
5. at least 2 years' competence/leadership experience in the relevant fields and sectors;
6. business reputation;
7. direct or potential conflict of interest;
8. availability of professional director certification "Certified Director" (for Independent Directors).

No person shall participate in passing resolutions related to its own appointment, election or re-election.

In order to ensure diversity in terms of gender balance in the case of equal assessments of the eligibility of candidates for the Company's Board of Directors, the Company seeks to give preference to female candidates.

## REQUIREMENTS FOR INDEPENDENT DIRECTORS

Requirements for Independent Directors shall be established under the laws of the Republic of Kazakhstan, the Charter and internal documents of the Company.

According to the Law of the Republic of Kazakhstan on Joint-Stock Companies, Independent Directors meet the following criteria:

- are not affiliated and have not been affiliated to the Company in the 3 years prior to their election to the Board of Directors, and are not affiliated to any of the Company's affiliates;
- are not bound by subordination to officers of the Company or entities affiliated to the Company and have not been bounded by subordination to such persons in the 3 years prior to their election to the Board of Directors;
- are not public servants;
- are not representatives of the sole shareholder at meetings of the Company's bodies and have not been such for 3 years prior to their election to the Board of Directors;
- do not participate in audits of the Company as auditors employed by the audit firm and have not participated in such audits in the 3 years prior to their election to the Board of Directors.

According to the Regulations on the Board of Directors of Kazakhstan Housing Company Joint-Stock Company, candidates for Independent Directors should be free from any material interests or relations with the Company, its management or its property that could jeopardise the exercise of objective judgement, have sufficient professionalism and independence to make independent and objective decisions free from the influence of the sole shareholder, the Executive Body and other stakeholders.

## COMMITTEES UNDER THE BOARD OF DIRECTORS

There are three committees under the Board of Directors:



The Strategic Planning and Corporate Development Committee is a standing advisory and consultative body under the Board of Directors to prepare recommendations on priority areas of activity (development), strategic goals (development strategy), and corporate development issues, including issues on the development of measures that contribute to the Company's efficiency in the medium and long term, its profitable operations and sustainable development.

Composition of the Strategic Planning and Corporate Development Committee as of December 31, 2022:

### The Committee Chairman

Aset Abdualiyev

### Committee members:

- Kuat Kozhakhmetov
- Aliya Murzagaliyeva



○ **The Audit and Risk Management Committee** is a standing advisory and consultative body under the Board of Directors. The Committee's activities are aimed at improving the efficiency and quality of the Board of Directors's work by preparing recommendations on establishing an effective control system over the Company's financial and business activities (including the completeness and accuracy of financial statements), monitoring the reliability and efficiency of internal controls and risk management, control over the independence of external and internal audits and the Compliance Control Service, compliance with laws of the Republic of Kazakhstan, internal documents, as well as preparing recommendations to the Board of Directors of the Company on the issues of development priorities, and operation of an adequate risk management system in the Company, improving and strengthening the risk management system.

Composition of the Audit and Risk Management Committee as of December 31, 2022:

The Committee Chairman	Committee members:
Kuat Kozhakhmetov	– Aset Abdualiyev – Vyacheslav Son

○ **The Human Resources, Remuneration and Social Affairs Committee** is a standing advisory and consultative body under the Board of Directors, was created in order to improve the efficiency and quality of the Board of Directors' work through in-depth study and monitoring of issues related to the competence of the Board of Directors in the field of personnel policy, the system of appointments and remuneration, as well as performance assessment in general, and members of the Board of Directors of the Company, members of the Management Board of the Company, succession planning for the Chairman and members of the Management Board and evaluation of the Corporate Secretary's performance.

Composition of the Human Resources, Remuneration and Social Affairs Committee as of December 31, 2022:

The Committee Chairman	Committee members:
Aset Abdualiyev	– Kuat Kozhakhmetov – Vyacheslav Son

## ACTIVITIES OF THE BOARD OF DIRECTORS

### Procedure for submitting proposals to the agenda of meetings of the Board of Directors

The Board of Directors drafts its work plan annually with a schedule of meetings for the previous year. Meetings of the Board of Directors should be held regularly, but at least six times a year.

If necessary, the Board of Directors may consider items not included in the Activity Plan.

A request to convene a meeting of the Board of Directors shall be submitted to the Chairman of the Board of Directors by sending a corresponding written notice with the proposed agenda for the meeting. In this case, the draft agenda shall be agreed upon with the supervising structural division of the sole shareholder no later than five (5) working days prior to the date of sending the notification on convening the meeting of the Board of Directors to the members of the Board of Directors.

The Corporate Secretary shall finalize materials for meetings of the Board of Directors. Materials, other than the meeting agenda, shall be submitted by the concerned departments of the Company to the Corporate Secretary at least 15 working days before the proposed date of the meeting. If the necessary materials are not submitted within the specified period and/or in improper form, the item shall not be included in the meeting agenda.

During any meeting of the Board of Directors attended by 2/3 (two-thirds) of the total number of members of the Board of Directors, the agenda may include and consider additional items provided that all members of the Board of Directors present vote in favor of their inclusion on the agenda.

In 2022, 14 meetings of the Board of Directors were held (6 in-person and 8 in absentia) and 115 items were considered.

### Key issues considered by the Board of Directors in 2022

- 1** In the area of investment:

  - approved amendments and additions to the Company's Investment and Borrowing Policy;
  - approved an amendment to the Company's Rules of Issuance, Servicing and Redemption of Bonds.
- 2** In the area of risk management:

  - approved Risk Register, Risk Management Plan and Risk Map of the Company for 2022 and for 2023;
  - approved the Company's Business Process, Risk and Control Matrix for 2022 and for 2023;
  - approved the Company's key risk indicators for 2022 and for 2023;
  - approved the Company's target levels and limits for the risk appetite components for 2022 and for 2023;
  - approved amendments to the methodology for setting limits on active transactions with the Company's counterparties;
  - approved the Company's quarterly risk reports;
  - approved amendments and additions to the Company's Compliance Risk Management Policy;
  - approved quarterly reports on compliance risk management in the Company;
  - approved an amendment to the Company's Risk Management Policy;
  - approved the Company's compliance risk map and register.
- 3** In the area of internal control:

  - approved quarterly reports on the IAS activities;
  - approved amendments to the methodology for auditing the Company's information systems;
  - approved the report on the results of independent assessment of the Internal Audit Service's activities.
- 4** In the area of planning and reporting:

  - provisionally approved the Company's annual financial statements for 2021, the net income distribution procedure for the reporting financial year, payment of dividends on ordinary shares and determination of the dividend amount per ordinary share for 2021;
  - approved a report on the implementation of the Company's Development Strategy for 2021-2023 following the results of 2021;
  - provisionally approved the Company's Annual Report for 2021.

5

## Other key issues:

- approved the Company's Sustainable Development Policy;
- approved the Rules on the Protection of Information Constituting a Commercial, Official Secret of the Company or Other Secrets Protected by the Laws of the Republic of Kazakhstan;
- approved the Company's Information Security Policy;
- approved additions and amendments to the Regulations on the Internal Control System of the Company;
- approved and submitted to the sole shareholder of the Company to approve changes and additions to the Regulations on the Board of Directors of the Company;
- appointed the Company's Ombudsman;
- approved amendments and additions to the Company's Development Strategy for 2021-2023;
- approved and submitted to the Company's sole shareholder for consideration the issue of approving an amendment to the Company's Corporate Governance Code;
- determined number of members of the Company's Management Board;
- approved standard terms and conditions for related-party transactions of the Company;
- approved the Rules for the Development, Coordination, Approval, Adjustment, Execution and Monitoring of the Company's Development Plan, as amended.

## Attendance at the Board of Directors meetings

Member of the Board of Directors	Period of office as a member of the BoD	Number of the BoD meetings held	Number of the BoD meetings attended	Final attendance rate
A. Arifkhanov	from January 01, 2022 to February 09, 2022	14	1	100%
A. Omarkhojayev	from January 01, 2022 to February 16, 2022	14	1	
T. Zhanke	from January 01, 2022 to May 12, 2022	14	3	
A. Elemessov	from January 01, 2022 to September 08, 2022	14	9	
Yap Chin Beng	from January 01, 2022 to September 08, 2022	14	9	
E. Aukenov	from January 01, 2022 to September 08, 2022	14	9	
D. Suentayev	from January 01, 2022 to September 08, 2022	14	9	
K. Sharlapaev	from February 09, 2022 to December 31, 2022	14	13	
V. Son	from February 16, 2022 to December 31, 2022	14	12	
R. Issayev	from January 01, 2022 to May 12, 2022	14	4	
A. Shamshin	from May 20, 2022 to July 01, 2022	14	2	
A. Murzagaliyeva	from October 19, 2022 to December 31, 2022	14	5	
K. Kozhakhmetov	from October 19, 2022 to December 31, 2022	14	5	
A. Abdualiyev	from October 19, 2022 to December 31, 2022	14	5	

## Activities of committees under the Board of Directors

18 meetings of the Committees under the Board of Directors (6 meetings of the strategic planning and corporate development committee, 7 meetings of the audit and risk management committee and 5 meetings of the human resources, remuneration and social affairs committee) were held. A total of 97 issues were considered.

## Attendance at the committees meetings

Member of the committee under the Board of Directors	Period of office as a member of the BoD committee	Number of the BoD committees meetings held	Number of the BoD committees meetings attended	Final attendance rate
A. Elemessov	from January 01, 2022 to September 08, 2022	18	14	100%
Yap Chin Beng	from January 01, 2022 to September 08, 2022	18	14	
E. Aukenov	from January 01, 2022 to September 08, 2022	18	14	
D. Suentayev	from January 01, 2022 to September 08, 2022	18	14	
A. Omarkhojayev	from January 01, 2022 to February 16, 2022	18	-	
T. Arifkhanov	from January 01, 2022 to May 12, 2022	18	3	
V. Son	from February 25, 2022 to December 31, 2022	18	7	
A. Shamshin	from June 09, 2022 to July 01, 2022	18	-	
A. Khamitov	from November 02, 2022 to December 31, 2022	18	1	
K. Kozhakhmetov	from November 02, 2022 to December 31, 2022	18	4	
A. Abdualiyev	from November 02, 2022 to December 31, 2022	18	4	

## EVALUATION OF THE BOARD OF DIRECTORS

The procedure for evaluating the Board of Directors and its committees is set out in the Regulations on the Board of Directors of the Company, approved with decision of the Management Board of Baiterek NMH JSC dated December 12, 2018 (protocol No55/18). Pursuant to these Regulations, the performance of the Board of Directors, its members, and committees under the Board of Directors is evaluated internally on the basis of questionnaires to evaluate their performance or with the involvement of independent consultants, professional associations, and organizations that assign corporate governance ratings.

Pursuant to clause 2 of the decision of the Board of Directors of the Company dated January 18, 2022 (protocol No1), it was necessary to evaluate the performance of the Board of Directors and its Committees for 2021 by June 01, 2022, subject to the following conditions:

1) types of evaluation:

– self-evaluation;

– evaluation of the performance of members of the Board of Directors and its Committees.

2) evaluation method: in-house as required by the laws of the Republic of Kazakhstan and internal documents of the Company.

No evaluation of the Board of Directors and its committees was carried out at the end of 2022.

## REMUNERATION STRUCTURE AOR MEMBERS OF THE BOARD OF DIRECTORS

The current policy of Baiterek NMH JSC and the Company does not provide for the remuneration to members of the Board of Directors who are representatives of the sole shareholder and the Management Board.

Remuneration to the independent members of the Board of Directors shall be in the following form:

– annual fixed remuneration;

– additional remuneration for attending meetings of the BoD committees.

The remuneration of Independent Directors for 2022 was KZT 34.2 mln (before taxes and other mandatory deductions).

Independent directors are also reimbursed for expenses related to travel to meetings of the Board of Directors held outside the place of permanent residence of Independent Directors (travel and accommodation).

## INFORMATION ON THE CORPORATE SECRETARY'S ACTIVITIES

In 2022, the Corporate Secretary's activities mainly consisted of preparing and submitting materials on agenda items for preliminary consideration of the Committees and subsequent consideration (approval) by the Board of Directors.

The overall work of the Company's Corporate Secretary in 2022 was carried out in full – in accordance with the functions set out in the Company's internal documents, aimed at fully ensuring the work and qualitative interaction of the Committees, the Board of Directors, members of the Board of Directors, the sole shareholder, the Management Board and structural divisions of the Company.

## INDEPENDENT ASSESSMENT OF THE COMPANY'S CORPORATE GOVERNANCE AND FURTHER DEVELOPMENT OF THE CORPORATE GOVERNANCE SYSTEM

No corporate governance assessment was carried out in 2022. An assessment of the corporate governance by external appraisers is scheduled for 2023.



## THE MANAGEMENT BOARD

The Management Board is the Company's executive body.

The Management Board reports to the Board of Directors, as well as to the sole shareholder and manages the Company's operational activities and is responsible for the implementation of the Development Strategy, the Development Plan and the decisions made by the Board of Directors and the sole shareholder.

The Management Board is entitled to pass resolutions on any items of the Company's activities not referred by the laws of the Republic of Kazakhstan and the Company's Charter to the competence of other bodies and officials of the Company.

Meetings of the Management Board shall be held regularly and decisions shall be taken by absentee vote of the members of the Management Board as necessary. In considering each item, the risks associated with the resolutions and their impact on the Company's activity shall be discussed separately. Items submitted to the Board of Directors and the sole shareholder are subject to prior review and approval by the Management Board under the Company's Charter.

In 2022, 136 meetings of the Management Board were held in presentia and 0 meetings in absentia, at which 630 items were considered, of which 4 were related-party transactions:

### Interested-Party Transactions

- 1 On approval and submission for consideration of the Board of Directors of Kazakhstan Housing Company Joint-Stock Company of an interested-party transaction by entering into a data transfer agreement between Kazakhstan Housing Company Joint-Stock Company, Otbasy Bank Housing Construction Savings Bank Joint-Stock Company and Digital Technology Institute Joint-Stock Company (decision of the Management Board No22 dated March 17, 2022). The transaction was subsequently concluded by decision of the Board of Directors dated May 12-13, 2022 (protocol No5).
- 2 On approval and submission for consideration of the Board of Directors of Kazakhstan Housing Company Joint-Stock Company of an interested-party transaction by entering into an agreement on cooperation between Kazakhstan Housing Company Joint-Stock Company and Bereke Bank Joint-Stock Company (decision of the Management Board No117 dated November 15, 2022). The transaction was subsequently concluded by decision of the Board of Directors dated December 08, 2022 (protocol No13).
- 3 On approval and submission for consideration of the Board of Directors of Kazakhstan Housing Company Joint-Stock Company of an item on amending certain decisions of the Board of Directors of Baiterek Development Joint-Stock Company (now – Kazakhstan Housing Company Joint-Stock Company) on entering into interested-party transactions (decision of the Management Board dated December 27, 2022, No134 DSP). The transaction was subsequently concluded by decision of the Board of Directors dated December 29, 2022, protocol No1.
- 4 On approval and submission for consideration of the Assets and Liabilities Committee of Baiterek National Managing Holding Joint-Stock Company and the Board of Directors of Kazakhstan Housing Company Joint-Stock Company of entering into interested-party transactions between Development Bank of Kazakhstan Joint-Stock Company and Kazakhstan Housing Company Joint Stock Company (decision of the Management Board dated December 27, 2022, No134 DSP).

The transaction was subsequently concluded by decision of the Board of Directors dated December 29, 2022, protocol No1.

## COMPOSITION OF THE MANAGEMENT BOARD

As of December 31, 2022, the Management Board of the Company consisted of four members.

### Altay KUZDIBAYEV

Acting Chairman of the Management Board of Kazakhstan Housing Company JSC (since 12.05.2022)

Date of Birth: 1985

Citizenship: Republic of Kazakhstan

#### Education:

M.V. Lomonosov Moscow State University, majoring in International Economics (Russian Federation).

M.V. Lomonosov Moscow State University, Master of Management (Russian Federation).

#### Employment history:

Since May 2022, Acting Chairman of the Management Board of Kazakhstan Housing Company JSC.

Since August 2020 – Deputy Chairman of the Management Board of Kazakhstan Housing Company JSC.

Since January 2015 – Deputy Chairman of the Management Board of Baiterek Development JSC.

In 2013, he was appointed Managing Director, Member of the Management Board of Baiterek Development JSC.

In 2012 – 2013 – Deputy Chairman of the Management Board of State Credit Bureau JSC.

In 2009 – 2012 – Head of Financial Planning and Service Development of First Credit Bureau LLP.

In 2008 – 2009 – Chief Specialist of the International Subsidiaries Development Department of Halyk Bank of Kazakhstan JSC.

#### Other positions held:

None.

*Has no shares (ownership interests) in Kazakhstan Housing Company Joint-Stock Company, affiliated companies, and holds no shares of suppliers and competitors of Kazakhstan Housing Company Joint-Stock Company.*



*Provides overall management of the Company, coordinating the Analysis and Strategy Department, Financial Planning and Treasury Department, Information and Communication Technology Department, Business Processes and Digital Development Department.*



### Rustam ISSAYEV

Deputy Chairman of the Management Board of Kazakhstan Housing Company JSC (since 16.05.2022)

Date of Birth: 1975  
Citizenship: Republic of Kazakhstan

#### Education:

Dokuz Eylul University, majoring in Public Finance (Turkey)

#### Employment history:

Since May 2022 – Deputy Chairman of the Management Board of Kazakhstan Housing Company JSC.

In June 2021 – May 2022 – Chairman of the Management Board of Kazakhstan Housing Company JSC.

Between September 2016 and June 2021, held senior positions in KazAvtoZhol JSC.

Held various positions in KazMunayGas JSC, as Executive Director in subsidiary KazTransGas-Almaty JSC.

Over 20 years' experience in the financial sector. Has professional experience in the private sector.

#### Other positions held:

None.

*Coordinates the Risk Management Department, the Real Estate Management Department, and the Department of Individuals Affairs.*

*Has no shares (ownership interests) in Kazakhstan Housing Company Joint-Stock Company, affiliated companies, and holds no shares of suppliers and competitors of Kazakhstan Housing Company Joint-Stock Company.*



### Olzhas SALYKOV

Deputy Chairman of the Management Board of Kazakhstan Housing Company JSC (since 20.10.2022)

Date of Birth: 1990  
Citizenship: Republic of Kazakhstan

#### Education:

L.N. Gumilev Eurasian National University, Faculty of International Relations (Republic of Kazakhstan).

L.N. Gumilev Eurasian National University, Master of Finance (Republic of Kazakhstan).

M.V. Lomonosov Moscow State University, Master of Business Administration (MBA) (Russian Federation).

#### Employment history:

Since October 2021 – Deputy Chairman of the Management Board of Kazakhstan Housing Company JSC.

Between 2019 and October 2021 – Member of the Board of Directors of Kazakhstan Housing Company JSC.

Between 2016 and October 2021 – Director of the Department of Housing and Construction Assets Management of Baiterek National Managing Holding JSC.

He held various positions at different times, including senior positions in Baiterek NMH JSC, was an employee of the Project Analysis and Monitoring Centre of the National Agency for Technological Development JSC and the Department of Interparliamentary Relations and International Cooperation of the Senate Office of the Parliament of the Republic of Kazakhstan.

#### Other positions held:

Member of the Board of Directors (Independent Director) of Financial Academy JSC.

*Has no shares (ownership interests) in Kazakhstan Housing Company Joint-Stock Company, affiliated companies, and holds no shares of suppliers and competitors of Kazakhstan Housing Company Joint-Stock Company.*





### Olzhas ZHOLDASBAYEV

Deputy Chairman of the Management Board of Kazakhstan Housing Company JSC (since 01.03.2022)

Date of Birth: 1984

Citizenship: Republic of Kazakhstan

#### Education:

Eurasian National University, Bachelor of Finance and Credit (Republic of Kazakhstan).

Korea Development Institute (KDI), Master of Finance and Public Policy (South Korea).

London School of Economics (LSE), Master of Public Management (Fellow of the International President Bolashak Program) (UK).

#### Employment history:

Since March 2022 – Deputy Chairman of the Management Board of Kazakhstan Housing Company JSC.

Between 2019 and 2022 – Advisor to the First Deputy Prime Minister of the Republic of Kazakhstan.

Coordinates the Department of Legal Support, the Department of Operations Support, the Department of Technical Expertise and Monitoring and the Department of Human Resources Management

Between 2018 and 2019 – Chief Consultant of the Industrial and Innovative Development Division of the Office of the Prime Minister of the Republic of Kazakhstan.

Between 2016 and 2017 – Participated in a research project of the Directorate of Public Administration and Territorial Development of the Organization for Economic Co-operation and Development (France).

Between 2014 and 2018 – Inspector of the Protocol Service of the President of the Republic of Kazakhstan.

Between 2012 and 2014 – Deputy Chairman of the Committee for Entrepreneurship Development of the Ministry of Economic Development and Trade of the Republic of Kazakhstan.

Between 2004 and 2007, held various positions, including senior positions in the Ministry of Economy and Budget Planning of the Republic of Kazakhstan and the Presidential Administration of the Republic of Kazakhstan.

#### Other positions held:

None.

Has no shares (ownership interests) in Kazakhstan Housing Company Joint-Stock Company, affiliated companies, and holds no shares of suppliers and competitors of Kazakhstan Housing Company Joint-Stock Company.

## CHANGES TO THE MANAGEMENT BOARD IN 2022

In 2022, the authorities of the following members of the Management Board were terminated – Bella Don-Irovna Sagimkulova, Almas Tynysbayevich Shabdarbayev, Dulat Almasovich Zharlykapov, Maksat Bakhytovich Mendybayev.

## REMUNERATION POLICY FOR THE MANAGEMENT BOARD MEMBERS

Remuneration for members of the Management Board consists of the following parts:

official salary

public holiday bonus

performance-based remuneration in the reporting period

The remuneration of the Management Board members for 2022 was KZT 214.3 mln (before taxes and other mandatory deductions).

## INTERNAL AUDIT

The Internal Audit Service (IAS) monitors financial and business operations, provides independent, reasonable assurance and advice aimed at improving the Company's operations and management, including its risk management, internal control and corporate governance systems.

The IAS Head and employees are appointed and dismissed by the Board of Directors on the recommendation of the Audit and Risk Management Committee. The IAS carries out its activities in accordance with the Annual Audit Plan, as approved by decision of the Board of Directors.

During 2022, the IAS carried out audit engagements in accordance with the approved Annual Audit Plan. All recommendations were evaluated for their relevance, the necessary measures for their implementation are proposed and the persons responsible for their implementation are appointed.

The following objects (business processes, systems, procedures, etc.) were audited in 2022:

- the process of complying with limits on certain types of administrative costs;
- the process of drafting the Company's Annual Report in accordance with the principles of transparency and objective disclosure of the Company's activities;
- the process of preparing an overview of the mortgage lending market;
- the process of implementing and monitoring the Company's Development Strategy;
- the reliability of the Management Board's actual KPI values;
- the loan servicing process for rent and mortgage loans;
- the process of direct lending (Orda);
- the process of accepting and processing payments across all of the Company's mortgage areas;
- the treasury and accounting procedures management process for transactions in securities and other financial instruments;
- the procedure for acquiring claims on the STB mortgage loans;
- the process of preventing or minimizing financial risks;
- the process of monitoring investment projects;
- the process of preventing and minimizing compliance risks;

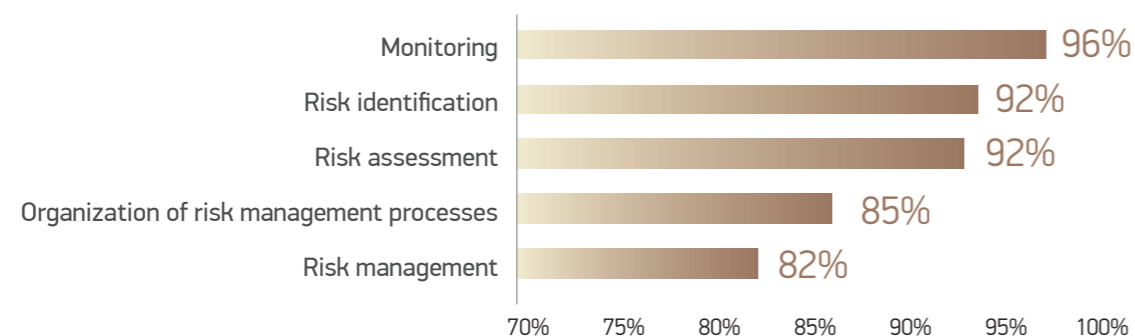


- evaluation of the anti-fraud and anti-corruption system performance
- The process of subsidizing loans made by partner banks to private businesses;
- inventory, PPE and IA procurement process and accounting procedures;
- the process of financing investment projects.

In addition, in accordance with the Company's internal regulations and the Annual Audit Plan 2022, the IAS has assessed the risk management system performance and the internal controls efficiency, applying generally accepted standards for internal audit activities and in accordance with methodologies approved by the Board of Directors.

Following the assessment, the combined performance of all components of the risk management system (hereinafter – RMS) to best practice is 89%.

#### Assessment of the risk management system performance

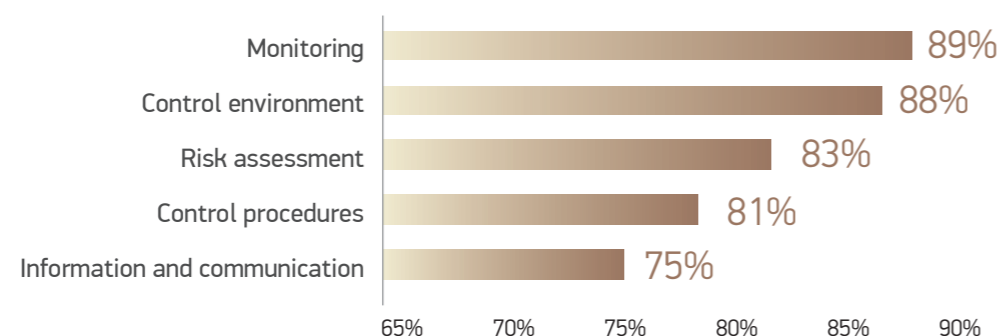


Source: KHC JSC

Based on the RMS Performance Assessment Methodology, the overall RMS performance score (<90%) classifies the level of effectiveness of the Company's risk management system as "Mature" – the main elements of the RMS correspond to "best practice" and the RMS is sufficiently effective. There is a formalized risk management system in place, with procedures in place that exceed legal/internal requirements. There is limited coordination of the risk management process.

Following the assessment, the combined performance of all components of the internal control system (hereinafter – ICS) to best practice is 83%. The ICS performance was assessed on the existence of control procedures set out in internal regulations and their actual implementation in practice, and the ICS assessment results under audits carried out by the IAS in 2022 were used.

#### Assessment of the internal control system performance



Source: KHC JSC

Based on the ICS Performance Assessment Methodology, the overall ICS performance score (<90%) classifies the level of effectiveness (maturity) of the Company's internal controls as "Mature" – Key ICS elements meet "best practice". There is a formalized system of internal control and a mechanism of the employees' responsibility for control procedures. Automated controls are used, but not in all processes.

Following the audit engagements conducted by Internal Audit in 2022, 117 discoveries were made and 189 relevant recommendations were issued, of which 32 were category 'A', 88 were category 'B' and 69 were category 'C'. Corrective and Preventive Action Plans have been drawn up for all recommendations made and approved by the Company's Management Board/Board of Directors (for individual audit engagements). As of December 31, 2022, 77 activities are due to be implemented in 2023.

The IAS follows up the internal and external audit recommendations on a quarterly basis and submits the results to the Management Board and the Board of Directors.

According to the Company's internal regulations, an external evaluation of the IAS should be carried out at least once every five years. In this respect, an external evaluation of the IAS was carried out in 2022. Following the results of IAS activity evaluation, in accordance with the Quality Assessment Manual methodology of the Institute of Internal Auditors (IIA) the IAS activity was analyzed by four segments: internal audit compliance – 92%, internal audit staff compliance – 96%, internal audit management compliance – 94% and internal audit process compliance – 94%.

The compliance of the IAS's activities with the Internal Audit Definition and the Code of IIA Ethics, as well as with the requirements of the Standards was 94% (96 criteria met, 7 partially met, 3 not met, 2 not applicable).

The final result of compliance with IIA international standards and best practices in 2016 was 65% (58 criteria met, 13 partially met, 32 not met). Improved compliance with international IIA standards and best practice compared to 2016 was 29%.

Following the IAS assessment, a plan was drafted, including all recommendations made by KPMG Audit LLP, to improve the Company's IAS performance in the future.

## EXTERNAL AUDIT

The Company entered into a Long Term Procurement Agreement for the audit of financial statements for 2015, 2019 and

2021 with KPMG Audit LLP for 2015-2018, a Long Term Procurement Agreement for the audit of financial statements (audit of financial statements) for 2019-2021 and a Procurement Agreement for 2022-2023 following the procurement procedures.

In accordance with the Company's External Audit Engagement Policy, the Company is prohibited from auditing in the following cases:

1. the external auditor or its employees conducting the audit are the Company's creditors;
2. the external auditor has provided services to the Company in the last three years in relation to its core business of restoring and maintaining accounting records and preparing financial statements;
3. the contractors of the external auditor are in labour relations or are close relatives or associates of officers of the Company and of the sole shareholder;
4. the contractors of the external auditor have a personal property interest in the Company;
5. the external auditor has a pecuniary obligation to the Company or the Company to it, other than an audit obligation;
6. there is a conflict of interest between the Company and the external auditor or there is a threat of such a conflict, except for obligations arising from public contracts entered into;
7. the external auditor entered into a public liability insurance contract for the last three years.

In addition, when receiving audit services for the financial statements, the Company should consider whether there are any threats to the independence of the external auditor as a consequence:

- the nature of services previously received from the external auditor;
- the financial or business relations with the external auditor during or after the period covered by the financial statements.

If the Company fails or is unable to take steps to eliminate the threat of self-monitoring by the external auditor or to reduce it to an acceptable level, the Company may not receive audit services in respect of the financial statements from such external auditor.

The following types of services received from the external auditor conducting the audit of the financial statements may give rise to a conflict of interest affecting its independence:

- 1) accounting and financial reporting services. It is not permitted for the Company to purchase and/or obtain accounting and financial reporting services from an external auditor due to a breach of such external auditor's independence of judgement;
- 2) internal audit services;
- 3) taxation services;
- 4) information services;
- 5) legal services.

If a person who is engaged in the statutory audit of the Company as an employee of the external auditor or has participated in the statutory audit of the Company as an employee of the external auditor during the two years preceding the date of appointment (election) to the Company is to be appointed (elected) to a position on

the Management Board, in senior positions or positions with a significant influence on the financial statements of the Company, it is required to obtain a preliminary opinion of the auditor in order to avoid conflict of interest.

In accordance with the Company's Policy on Engagement of the External Auditor, rotation of partners, senior personnel and auditors responsible for auditing the Company's financial statements shall take place at least once every five years.

**Remuneration to the auditor for 2022** under the contract with KHC JSC amounted to **KZT 79.2 mln**

## CODE OF BUSINESS CONDUCT

The Company has a Code of Business Conduct, which was developed under the laws of the Republic of Kazakhstan, the Company's Charter and internal documents, including the Holding's Code of Business Conduct, as well as recognized international standards of business conduct and corporate governance.

The provisions of the Code of Business Conduct are designed to reflect the Company's mission and values.

The Code is a set of rules setting out the fundamental values and principles of corporate (business) ethics guiding the Company's officers and employees. It is binding for all employees of the Company, irrespective of their position, to acquaint themselves with it and to comply with it.

**In accordance with the Code of Business Conduct, in carrying out its activities, the Company shall:**

- comply with the laws of the Republic of Kazakhstan, decisions of the sole shareholder, as well as the requirements of other documents related to the Company's activities;
- ensure respect for and observance of human and civil rights, honour and dignity regardless of origin, social, official or property status, gender, race, nationality, language, attitude towards religion, beliefs, place of residence or any other circumstances;
- seek to ensure that all of its relations with stakeholders are mutually beneficial;
- create equal conditions for the professional development of employees seeking self-education and professional development, in accordance with training and professional development programs;
- provide remuneration to employees depending on the level of qualification, complexity and quality of work performed, and the results of meeting key performance indicators;
- take all measures to ensure the health and safety of employees under the law, and create a safe working environment for employees;
- ensure non-disclosure of confidential information within the limits established by the laws of the Republic of Kazakhstan and internal documents of the Company;
- create an environment for open and trusted dialogue between officers and employees of the Company;
- evaluate and encourage employees' initiative ideas and suggestions, whose implementation has a beneficial effect on the Company;
- not grant any privileges or benefits to individual officers and employees of the Company other than on a lawful basis while maintaining equal opportunities for all;
- be liable for making decisions free from conflicts of interest at any stage of the process, from the officer to any employee making decisions.

The Company has introduced the Institution of Ombudsman to check compliance with the Code of Business Conduct. The Ombudsman is a person appointed by the Company's Board of Directors whose role is to advise and assist the Company's employees in resolving labour disputes, conflicts, social and labour issues, and to ensure that the Company's employees observe the principles of business conduct.

## MANAGING CONFLICTS OF INTEREST AND CORPORATE CONFLICTS

Avoiding conflicts of interest is essential to ensure that the interests of the sole shareholder, the Company, its officers and employees are protected.

All officers and employees of the Company are responsible for making transparent, timely and appropriate decisions, free from conflicts of interest.

### To prevent conflicts of interest the officers and employees of the Company shall:

- avoid any action or relations that could potentially cause a conflict of interest or the appearance of a conflict of interest;
- refrain from giving advantages to legal entities that are managed or owned by close relatives;
- promptly disclose any commercial or other interest (direct or indirect) in transactions, contracts, projects related to the Company or in connection with other matters as prescribed by the Company's internal documents;
- give timely notice of work and/or position(s) in other organizations, changes in permanent (principal) place of work (service, entrepreneurial activity, etc.);
- prior to giving their consent to work or take a position with a third party organization outside the Holding Group, obtain the relevant permission under the established procedure from the Board of Directors / Management Board / Chairman of the Management Board;
- not participate in discussions and voting on matters in which they are interested;
- not use the Company's resources, intellectual property, equipment and communications (including corporate email and computer programs) for personal gain;
- in the event that the employee is unsure of the correct decision, consult with line management.

In the event of a conflict of interest, the Company's officers and employees must notify their line manager or the Company management in writing as soon as they become aware of the conflict of interest or the possibility of its occurrence.

In the event of corporate conflicts, participants shall seek ways to resolve them through negotiation to ensure effective protection of both the rights of the sole shareholder and the business reputation of the Company. The main objective of the Company's bodies in resolving a corporate conflict is to find a solution that is legal and reasonable and in the best interests of the Company.

## DIVIDEND POLICY

A decision on the amount of dividends on ordinary shares and the procedure for their payment to the Company's shareholders is taken by the sole shareholder given the recommendations of the Board of Directors.



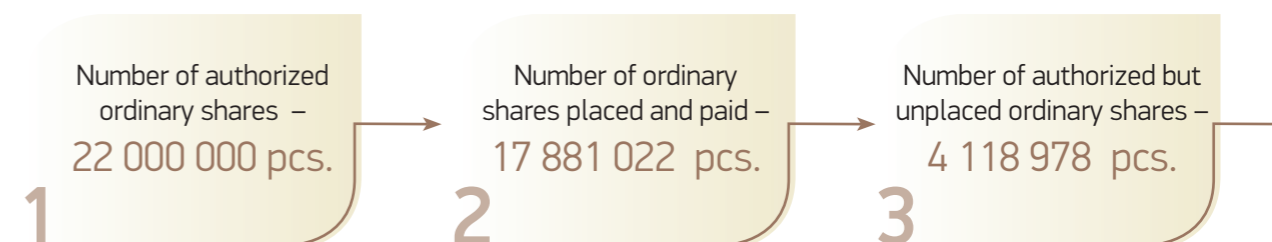
According to the Procedure for determining the amount of dividends paid by subsidiaries of Baiterek NMH JSC, the target amount of dividends payable for the period should be at least 70% of net profit for the period. In this regard, the amount of dividends planned to be paid to the sole shareholder is KZT 31,275,846 thous (70% of net profit for 2022). The remaining KZT 13,403,852 thous is planned to be retained by the Company. The dividend per one ordinary share of the Company will amount to KZT 1,773.91.

In 2022, the Company declared and paid dividends of

**KZT 3,622,293** thous  
or **KZT 205.45**  
per common share for 2021.

## AUTHORIZED CAPITAL

As of December 31, 2022 the Company's authorized capital amounted to KZT 190,847,154,313:





# RISK MANAGEMENT



## RISK MANAGEMENT SYSTEM

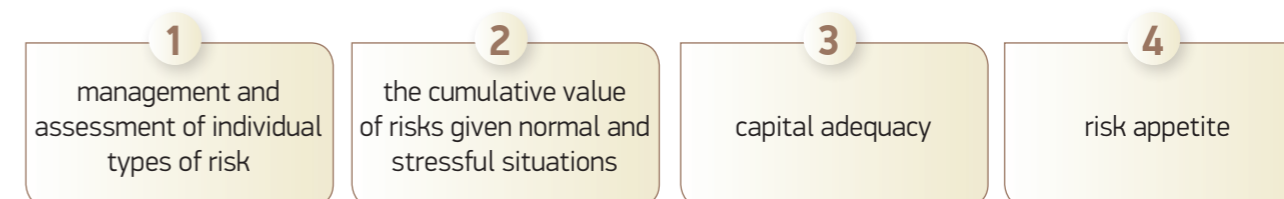
In accordance with the Risk Management Policy, the organizational structure of the Company involved in the risk management process is represented by the Board of Directors, the Management Board, the structural division responsible for risk management, the Internal Audit Service and other structural divisions.

The Company follows the same standard as the Holding in assessing and identifying risks as part of the centralized risk management system model. The model includes an assessment of individual risk types (operational, foreign exchange, interest rate, credit, liquidity, business and real estate risks) and their aggregation and estimates of the adequacy of available financial resources (AFR) to cover the aggregate amount of risks calculated under normal stress conditions.

The Risk Management Department assesses the Company's internal capital and AFR and then enters it into the management reporting system.

In 2022, due to changes in the Company's structure and the functional responsibilities of the structural divisions and activities undertaken to minimize risks, the business process matrix, register and risk and control map were updated in line with the Company's strategic objectives and focus on key business processes.

The centralized risk management system consists of 4 units:



The centralized risk management system is based on a process of internal capital adequacy assessment due to the need to assess all of the Company's risks, which are initially fragmented. Each of the Company's risks is quantified for the purpose of further aggregation to calculate internal capital and compare it with the Company's available financial resources, designed to cover all of the Company's risks. Each type of risk is assessed in accordance with the Company's internal documents.

Internal capital considers the following types of risks calculated under normal and stressful conditions: credit risk, foreign exchange and interest rate risk, operational risk, business risk and real estate risk. All of these risks are identified and assessed in accordance with the Company's internal documents. Some of the inherent risks are reflected in the Company's Risk Map.

Drawing up (updating) the Risk Register and risk management action plan of the Company given the business processes and activities is a mandatory requirement for the risk management system operation.

Risk owners define Key Risk Indicators (KRIs) as a risk management tool by which, by applying limitations to the expertly selected causes of risk, the structural division alerts the risk owner so that the latter can take action to minimize the risk in the future. The KRI tool is also used to monitor the causes of risk exposures and to predict them.

The components for determining risk appetite are:



The Board of Directors reviews and approves the risk appetite annually to ensure it is aligned with the Company's strategy, the business environment and stakeholder requirements.

## KEY RISK MANAGEMENT

### LIQUIDITY RISK

Liquidity risk arises when the maturities of assets and liabilities do not match, thus affecting the Company's ability to provide sufficient liquidity at an acceptable price to meet its balance sheet and off-balance sheet obligations on a timely basis. The matching and/or controlled mismatching of maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions. Due to the diversity of transactions and the associated uncertainty, full matching of the maturities of assets and liabilities is not common practice for financial institutions, which provides an opportunity to increase profitability, but increases the risk of cash gaps.

The Company manages liquidity in order to ensure the constant availability of funds necessary to fulfill all obligations as they fall due.

The Company manages its liquidity risk as part of the Company's Risk Management Policy, the Company's Investment and Borrowing Policy and the Methodology for Market Risk and Liquidity Risk Assessment approved by the Board of Directors and the Management Board. The documents define the main processes and procedures for managing liquidity risk, and establish the functions and authorities of the Company's structural divisions involved in this process in order to effectively manage liquidity risk and ensure that the Company has sufficient funds to cover all liabilities.

Within the above documents, liquidity risk is measured and monitored using the following tools/analytical reports: regulatory and contractual liquidity ratios; analysis of current liquidity balances, planned liquidity inflows/outflows; internal liquidity ratios, including those recommended by the Basel Committee on Banking Supervision LCR and NSFR; liquidity gaps (gap analysis). The Company's Asset, Liability and Risk Management Committee monitors the Company's liquidity raising and use activities to avoid any surplus or deficit of liquidity.

The Company's Asset, Liability and Risk Management Committee monitors liquidity risk by conducting a cumulative gap analysis in order to take measures to mitigate the Company's liquidity risk.

The Company's liquidity management procedures consist of:

- projecting cash flows by major currencies and calculating the level of liquid assets necessary in relation to those cash flows;
- maintaining a diversified structure of funding sources;
- managing concentration and structure of borrowed funds;
- drafting plans for debt financing;
- servicing a portfolio of highly liquid assets, which can be freely sold as a protective measure in the event of a gap in cash liquidity;
- drafting contingency plans to maintain liquidity and a given level of funding;
- monitoring the compliance of the Company's balance sheet liquidity ratios with statutory ratios.

Consolidated information on the Company's liquidity risk is provided on a monthly basis to the Risk Management Department of the Holding and the Management Board, as well as to the Board of Directors, as part of the quarterly risk report.

### MARKET RISKS

The Company is exposed to market risk arising from open positions in currency, interest rate and equity instruments which are subject to general and specific market movements. The Company sets limits on the level of risk taken and monitors compliance on a periodic basis.

The market risk management process includes the following sequential steps:

- **management planning** – identifying the relevant approaches to implement effective management of market and liquidity risk exposures;
- **identification** – determination and documentation of the exposure types to market risks that could have a negative impact on the Company's financial performance;
- **qualitative assessment** – a qualitative analysis of market and liquidity risks, identifying the causes of these risks in order to assess their impact on the Company's financial performance;
- **quantitative assessment** – quantitative analysis of the probability and impact of the consequences of the realization of market risks;
- **response planning** – defining procedures and methods to mitigate the negative consequences of the realization of market risks;
- **exposure monitoring and control** – monitoring market risks and implementing procedures to manage them in a timely manner, assessing the effectiveness of the actions taken to minimize market risk exposures.

The objective of market risk exposure management systems is to maintain the aggregate risk assumed by the Company at a level determined by the Company in line with its own strategic objectives. The priority is to maximize the safeguarding of the Company's assets and equity by minimizing exposure to market risks, which could lead to unexpected financial losses and impair the Company's ability to meet its previous obligations in full and on time.

Market risk assessment methods include:

#### 1. FX risk.

Monitoring of the foreign exchange position, which includes the application of:

- sensitivity analysis to changes in exchange rates and the impact on the financial performance;
- stress scenarios. The magnitude of change in the currency position depends on the type of stress scenario applied.
- calculation of monthly, annual VaR according to the historical method using a covariance-variance matrix.

#### 2. Interest risk.

Monitoring of the securities portfolio for:

- duration and amount, including changes in yield to maturity and impact on the financial performance;
- amount of change in the yield to maturity, which depends on the type of stress scenario applied;
- gaps in interest rate sensitive assets and liabilities, including interest rate changes and the effect on the financial performance.

A summary of the Company's market risks is provided on a monthly basis to the Risk Management Department of the Holding and the Management Board, as well as to the Board of Directors, as part of the quarterly risk report.

## OPERATIONAL RISK

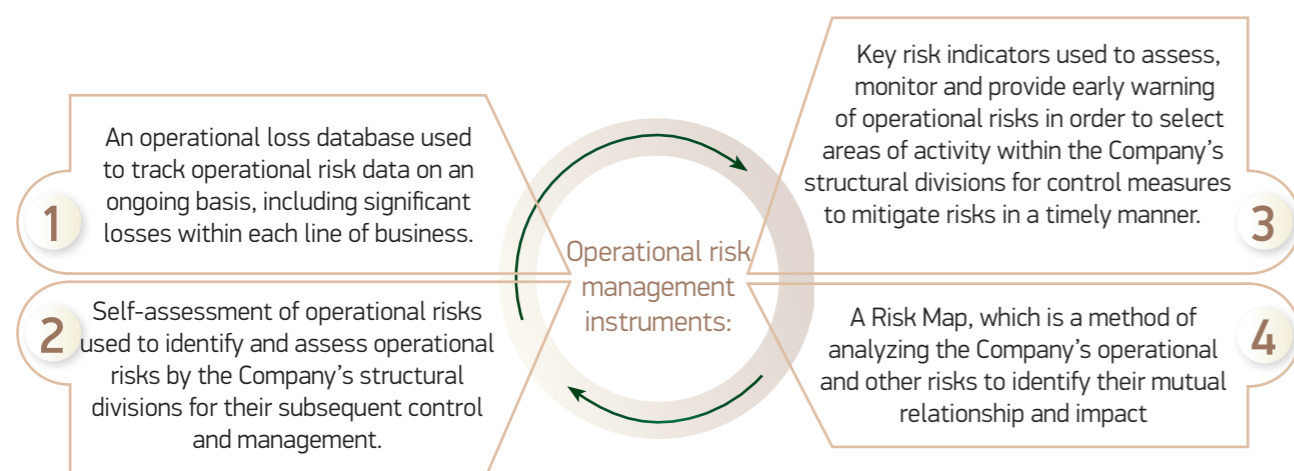
In carrying out its activities, the Company is exposed to operational risk.

Operational risk is the risk of loss resulting from inadequate or faulty internal processes, personnel actions, system operation, as well as losses resulting from the realization of external events.

The objective of operational risk management is to optimize the Company's operational efficiency by reducing operational losses, rationalizing costs, and improving the time and adequacy of the Company's response to events beyond its control.

The main objectives of operational risk management are:

- to improve the procedures and mechanisms for managing the operational risks to which the Company is exposed;
- the business continuity management system;
- to prevent the Company from taking any other action that would result in a significant change in the level of operational risk assumed by the Company;
- to limit losses in the Company's operations due to the realization of operational risks.



To ensure holistic and comprehensive operational risk management, operational risk management tools are used in an integrated and interrelated manner.

The Company monitors operational risks by matching the losses incurred against the established operational risk capital limit (calculated using the basic and standardized methods, according to the calculation approaches recommended by the Basel Committee on Banking Supervision) and using information populated by the Company's divisions through the electronic operational loss database, key risk indicators, the Risk Map and business process self-assessment.

Operational risks are categorized by event and causation as recommended by the Basel Committee on Banking Supervision.

Categories of operational risk events:

- personnel risk (risk of loss arising from the actions of personnel, agents and intermediaries or from the Company's dealings with customers, regulators or third parties);
- system-related risk (risk related to the failure and disruption of telecommunications and IT infrastructure);
- process risk (risk of losses due to errors in transaction execution (erroneous transactions), customer account management and other business processes);

- external factor-related risk (risk of loss due to the actions of third parties, including external fraud, damage to fixed assets or changes in laws that could interfere with the continued operation/business activities of the Company).

A summary of operational risks is presented on a quarterly basis to the Asset, Liability and Risk Management Committee, the Management Board and the Board of Directors as part of the quarterly risk report.

## CREDIT RISK

The Company is exposed to credit risk, which is the risk that a counterparty to a financial instrument will fail to discharge an obligation.

The main objectives of the Company's credit risk management system are to minimize and prevent credit risk and to reduce the likelihood of financial losses due to the failure of borrowers to fulfil their financial obligations.

The credit risk management process involves the following successive steps:

- **identification** – determination and documentation of credit risk factors that could have a negative impact on the Company's financial performance;
- **qualitative assessment** – a qualitative analysis of credit risk, identifying the causes of their occurrence in order to assess their impact on the Company's financial performance;
- **quantitative assessment** – a quantitative analysis of the probability of occurrence and impact of the effects of credit risk on the Company's financial performance;
- **response** – defining procedures and methods to mitigate the negative consequences of credit risk realization;
- **exposure monitoring and control** – monitoring credit risk, implementing procedures to manage it in a timely manner, and assessing the effectiveness of actions taken to minimize credit risk exposure.

The Company determines the level of credit risk by setting maximum limits per borrower and/or group of related borrowers. In setting the limits, counterparty credit ratings assigned by international rating agencies are used and the financial position is assessed on the basis of available financial statement data. These risks are regularly monitored and reviewed on a consolidated basis by the Asset and Liability Committee of the Holding. The limits are reviewed at least once a month.

The company uses the credit risk-weighted assets method (RWA) to assess credit risk.

For credit risk stress testing, the Company uses a basic approach that uses the following monthly data with a period depth of at least 3 years such that the number of observations  $n$  exceeds 30:

- the amount of assets weighted by the Company's credit risk;
- USD/KZT exchange rate;
- Brent crude oil price;
- inflation rate (consumer price index).

Stress testing divides stress scenarios into a baseline scenario (reflecting less critical stress events) and a crisis scenario (reflecting the most critical stress events with extremely high losses).

The stress test results are used in the identification process:

- the level of allowance for assumed risks;
- the amount of internal capital.



## BUSINESS RISK

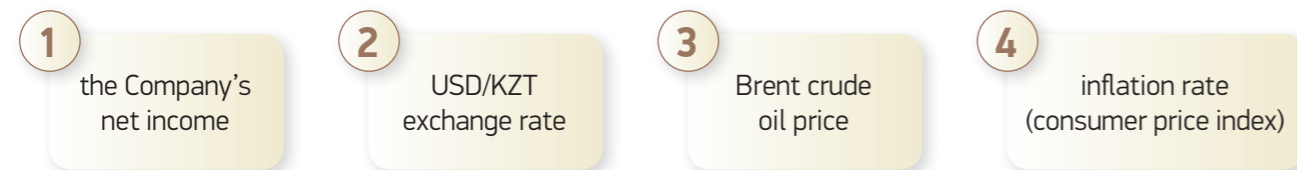
The Company is subject to various types of risk in the conduct of its business processes. Business risk is one of the important factors affecting the Company's sustainability and financial performance.

Business risk is defined as an unfavourable, unforeseeable change in the scope of the Company's business that could result in a significant loss of profit. The main business risk factors are a significant deterioration in market conditions, changes in the competitive environment, changes in the cost structure, etc.

Business risk is regularly assessed by calculating earnings at risk (EaR), which is replaced by VaR and interpreted as the maximum amount of probable loss that will not be exceeded for a given confidence interval (99%) and time horizon under normal market conditions.

Stress testing uses the method of historical and hypothetical scenarios to simulate a business risk stress scenario.

The following quarterly data with a period depth of 3 years or more (so that the number of observations n exceeds 30) are used to calculate the stress test:



As stated above, the results of stress test are used in the process of determining the level of the risk allowance and the amount of internal capital

## REAL ESTATE RISK

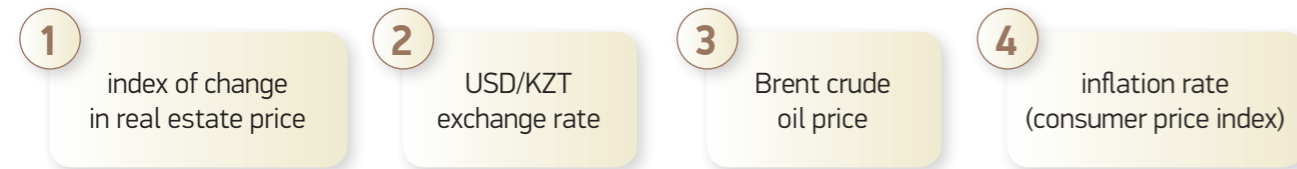
Real estate risk is the potential loss arising from changes in the market value of the real estate items on the organization's balance sheet.

In carrying out its activities, the Company is exposed to real estate risk as the Company's activities are directly connected with financing construction and generating income from renting out areas of real estate.

A real estate risk assessment using a VaR calculation is an integral part of the Company's centralized risk management model.

A historical and hypothetical scenario method is used to simulate a stress scenario on real estate risk.

The following monthly data with a period depth of 3 years or more (so that the number of observations n is greater than 30) are used to calculate the stress test:



The results of stress test are used in the process of determining the level of the risk allowance and the amount of internal capital.

## KEY RISKS AND MEASURES TO OPTIMIZE THEM

All of the Company's identified risks are reflected in the Risk Register and Risk Map, which are approved by the Board of Directors. The Company's Risk Map divides the Company's risks based on the likelihood and consequences of their realization into three zones: red, yellow and green.

According to the Company's Risk Register, 62 risks were projected for 2022 (approved by BoD Decision No1 dated January 18, 2022).

The Company's Risk Map and Risk Register form an integral part of the quarterly risk report submitted for review by the Company's Board of Directors. The Company may therefore add/exclude relevant risks in the course of the year. Thus, as of 31 December 2022, the Risk Register contains 72 risks.

Risk Map of Kazakhstan Housing Company JSC

as of December 31, 2022

Consequences	Probability	Risk Matrix									
		1	2	3	4	5	6	7	8	9	10
Very High	10										
	9										
High	8										
	7	11	27, 50	4	7	2, 3, 19, 20, 40, 55, 66	59, 18				
Medium	6		35	6, 54	21, 34, 63	22, 28, 31, 65, 70	5, 17, 51, 58	64			
	5		1, 33	12, 15, 26, 29, 56, 57, 61, 72	14	9, 36, 46	24, 45, 48	8, 62			
Low	4		30, 73	53, 60, 67	13, 47, 69	25, 32, 37, 39, 43	23				
	3		42	10, 38, 71, 74	68	41					
Very Low	2		52								
	1				16						
		1	2	3	4	5	6	7	8	9	10
		Very Low	Low	Medium	High	Very High					

3 risks in the red zone;  
40 risks in the yellow zone;  
29 risks in the green zone.

## Risk Register as of December 31, 2022

No	Risk
1	Corporate governance risk
2	Reputational risk
3	Risk of failure to implement the Company's Development Strategy
4	Ineffective or inappropriate use of funds received from the state budget or the National Fund
5	Stagnation of the mortgage market in the Republic of Kazakhstan
6	Risks of increased competition
7	Credit risk in terms of deterioration of the financial condition of the issuers of counterparty banks, against which the Company has claims
8	Failure of the partner bank to repurchase the rights of claim on loans, or to replace the loan
9	Failure by the lessee (guarantor)/borrower (co-borrower) to fulfil and/or improperly fulfil their obligations under the leases and bank loan agreements
10	Declaring a mortgage loan agreement and/or mortgage deed null and void
11	Real estate prices collapse by more than 50%
12	Risk of incorrect valuation of loan collateral/balance sheet real estate
13	Risk of incorrect collateral encumbrances on loan collateral. Risk of future collateral loss
14	Risk of non-compliance with Company's requirements in assessing the solvency of the borrower/tenant
15	Risk of borrower non-compliance with existing restructuring/refinancing programs
16	Significant volatility in the refinancing rate (base rate) of the National Bank of the Republic of Kazakhstan
17	Lack of liquidity for operations and lack of access to capital markets to raise funds
18	FX risk
19	Interest risk
20	Failure to meet the regulator's prudential standards
21	Violation and misapplication of the law/Increase of financial and other liabilities in the Company's claims and litigation work
22	Adverse legislative changes
23	Violation/non-compliance by the Company with the anti-money laundering and counter-terrorist financing laws of the Republic of Kazakhstan
24	Violation/non-compliance by the Company with credit bureau law of RK
25	Violations of legal requirements for transactions with related parties/affiliates
26	Non-compliance of internal documents with RK/Holding laws

No	Risk
27	Contingency risks (external impacts resulting in the Company's inability to operate)
28	Disruption of ongoing activities as a result of information systems failure and/or service unavailability by IT
29	Lack of backups of key information systems / key information
30	Incorrect planning/adjustment in drafting the Company's Development Plan/Annual Budget
31	Manifestation of fraud and/or corruption by employees and third parties
32	Information security risks and non-compliance with information security requirements by the Department of Information and Communication Technology in the process of implementing the Information Bank System Object by the Financial Technology Centre
33	Audit risks Risks of non-detection Risks of inaccurate recommendations Generation of poor Annual Audit Plan (AAP) Non-implementation or poor implementation of IAS recommendations by auditees
34	Risks of inadequate internal controls
35	Incorrect accounting and tax accounting
36	Incorrect accounting of loans (mortgages, corporate loans), financial leasing, housing guarantees, receivables
37	Personnel risks related to personnel selection and development
38	Risks of the procurement system
39	Errors and irregularities in the execution of business processes or in the performance of official duties
40	Failure to submit reports/information to the Holding/ NB RK/ FMA RK/other public authorities in a timely/ poor quality manner
41	Late address of complaints/appeals to the Company
42	Risks of document and records management
43	Delayed distribution of rental housing
45	Violation of deadlines for delivery of finished housing by suppliers
46	Risks associated with the operation of rental housing
47	Delayed termination of a Lease agreement for Land Plots on which residential properties are built or registration with the registration authority
48	Risk of impact of the COVID-19 pandemic and its consequences on the Company's operations
50	Risk of misuse of funds by STB counterparties for conditional deposits of the Company under the Housing and Utilities Infrastructure Development Concept
51	Risk of not achieving the indicators of the Housing and Utilities Infrastructure Development Concept on the redemption of bonds from local executive bodies (LEBs)



No	Risk
52	Risk of ineffective execution of RGRK No1553 in terms of recovery of allocated funds
53	Risk of late sale of vacant premises in Baiterek Business Centre
54	Risk of inefficient execution of RGRK No753 (Expo 2017 projects) in terms of refunds of allocated funds.
55	Risk of non-repayment or delayed repayment of local public securities under the Housing and Utilities Infrastructure Development Concept
56	The risk of reflecting incomplete and incorrect information on construction projects in the information system under the Housing and Utilities Infrastructure Development Concept through the Redemption of Bonds from Local Executive Bodies (LEBs)
57	Risk of engineering equipment failure in Baiterek Business Centre
58	Risk of not achieving Employment Roadmap targets for Local Executive Bodies' Bonds (LEB)
59	Risks associated with guaranteeing housing projects (stable projects)
60	Risks associated with guaranteeing housing mortgage loans from STB
61	Risks associated with subsidized interest rates on loans from second-tier banks to private businesses for housing construction
62	Risk of non-repayment or delayed repayment of loans by construction companies to finance urban investment projects
63	Reputational and social risk on housing facilities where the Company has participated in its activities and completed its commitments (given the possibility of incurring actual costs)
64	Political and geopolitical risks
65	Risk of inaccurate information being provided by the structural division concerned
66	Risk of ineffective implementation of the Digital Development Project
67	Incorrect and delayed reporting of the development plan/annual budget/ and management accounts
68	Failure to meet the approved indicators of the Company's Development Plan/Annual Budget
69	Procurement plans exceeding the Company's Development Plan/Annual Budget
70	Risk of not securitizing the mortgage portfolio
71	Risk of incorrect entry/absence of data on revaluation of loan collateral in the Information Bank System Object Financial Technology Centre
72	Risk of lack of title to collateral
73	Risk of penalties being imposed by the external authority due to inadequate and incomplete loan files
74	Risk of non-repayment or delayed repayment of loans by borrowers/co-borrowers under authorized company financing prior to the declaration of a guarantee case

### The Company's key risks and mitigation measures

No	Name	Activities
4	Ineffective or inappropriate use of funds received from the state budget or the RK National Fund	<ol style="list-style-type: none"> <li>1. Monitor and control the disbursement or use of funds received from the state budget or the RK National Fund.</li> <li>2. Monitor the implementation of corrective plans, preventive actions to address identified non-compliances by reviewing reports on the Plan implementation at meetings of the Company's authorized bodies.</li> <li>3. Timely and quality reporting on the disbursement of funds from the National Fund of the Republic of Kazakhstan.</li> <li>4. Audit of the targeted use of funds received from the state budget or the National Fund.</li> <li>5. Monitor the implementation of the Action Plan to eliminate the non-conformities identified.</li> </ol>
7	Credit risk in terms of deterioration of the financial condition of the issuers of counterparty banks, against which the Company has claims	<ol style="list-style-type: none"> <li>1. Establish and monitor compliance with the Company's limits on counterparty banks.</li> <li>2. Quarterly monitoring of the financial condition of counterparty banks/issuers.</li> <li>3. Applying evaluative early response measures in the analysis of partner banks.</li> <li>4. Allocation of TFFs according to the basic principles of liquidity management described in the Company's IRD, which prioritizes the following: <ul style="list-style-type: none"> <li>• safety (preservation of capital) – this implies, among other things, that the Company follows the Holding's IRDs and the Company's IRDs in managing the risks related to the funds management process;</li> <li>• liquidity (the ability to convert assets into cash at short notice);</li> <li>• yield (the highest return that can be obtained, subject to safety and liquidity principles).</li> </ul> </li> <li>5. Monitoring and controlling the funds placed.</li> </ol>
31	Manifestation of fraud and/or corruption by employees and third parties	<ol style="list-style-type: none"> <li>1. Strict compliance with anti-corruption and anti-fraud policies.</li> <li>2. Proper accounting, distribution, use and storage of PPE and inventory in accordance with regulations.</li> <li>3. Informing the Security and Regime Department/Compliance Control Service of suspicions or information received about possible fraudulent or corrupt practices on the part of the Company's employees.</li> <li>4. Ensuring that Company employees and third parties may report known or suspected fraud or corruption in confidence in any way that is not contrary to the RK laws.</li> <li>5. Ensuring that officers/CCS/SRD have adequate controls in place to manage the risks of fraud and corruption in line with the Company's IRDs.</li> <li>6. Provide regular training to the Company's employees on RLAs and IRDs on anti-corruption and anti-fraud.</li> </ol>



No	Name	Activities
51	Risk of not achieving the indicators of the Housing and Utilities Infrastructure Development Concept on the redemption of bonds from local executive bodies (LEBs)	<ol style="list-style-type: none"> <li>1. Monitoring the volume of LEB loan housing sales to depositors of Otbasy Bank and under the STB's mortgage programs.</li> <li>2. Drafting the proposals to the authorized body in the area of urban planning, architecture and construction activities for early withdrawal of funds from LEB.</li> <li>3. Monitoring the rent returns from rental housing under the program.</li> <li>4. Outreach work in conjunction with LEB, as well as in the Company's office.</li> <li>5. Monitoring the contracts performance by counterparties, tenants.</li> <li>6. Monitoring the timely return of LEB funds.</li> </ol>
55	Risk of non-repayment or delayed repayment of LEB PS under the Housing and Utilities Infrastructure Development Concept	<ol style="list-style-type: none"> <li>1. Monitoring the bonds and coupon payments maturities.</li> <li>2. Sending letters to LEB regarding overdue bond issues and coupon payments.</li> <li>3. Sending letters to Authorized Bodies regarding overdue bond issues and LEB coupon payments.</li> </ol>
58	Risk of not achieving the 2020-2021 Employment Roadmap targets for Local Executive Bonds (LEBs)	<ol style="list-style-type: none"> <li>1. Outreach to LEBs.</li> <li>2. Monitoring the disbursement of the funds allocated.</li> <li>3. Monitoring the timely repayment of local executive bodies' funds.</li> </ol>

## COMMUNICATING CRITICAL ISSUES

In order to determine how to respond to crisis situations in the Company, the Business Continuity Plan was approved by Management Board with Decision No54 dated June 18, 2019. The main objectives of this Plan during a crisis situation are as follows:

- 1 ensuring the life/safety of the Company's employees in the event of a crisis situation;
- 2 ensuring the protection of the Company's resources and assets in times of crisis;
- 3 organizing the process of restoring business continuity to the Company;
- 4 organizing timely notification and informing the Company's employees about the occurrence of a crisis situation;
- 5 Optimizing the cost of back-up infrastructure, striking a balance between the investment required to support operations and the level of acceptable risk;
- 6 organizing the timely relocation of staff from the main office to an alternative location.

Under this Plan, an emergency or crisis event that has serious consequences and affects the Company or its resources is reported to an active Warning Centre, which in turn provides regular updates to management on the status of the emerging situation.

In 2022, one operational risk has been recorded in terms of emergencies and/or crisis events affecting the Company's operations, as shown below.

Risk or Threat	Facts of Risk	Risk Realization Reasons	Effect/Loss of Realizing The Risk
Political Risks in the Republic of Kazakhstan	<p>Protests in the country began on January 2, 2022, following a sharp increase in the price of liquefied natural gas on January 1, 2022, due to the transition to a market-based pricing mechanism. Protesters have shifted from economic to political demands.</p> <p>On January 4-5, protests in Almaty escalated into riots, including arson attacks on public buildings and looting, and the authorities lost control of the city.</p> <p>In most other cities, including the capital, the authorities remained in control.</p> <p>A state of emergency has been declared throughout Kazakhstan. For several days, there have been internet blackouts, leading to disruptions in the cashless payment system. LPG prices were frozen, which did not reduce protests.</p> <p>On January 7, 2022, the restoration of order in the country was announced. Consequences: detentions, criminal cases, damage assessment.</p>	A change in the political situation (strike, military action)	Restricted freedom of movement and communication (internet), resulting in disruption to the Company's activities.

In this connection, the Company has suspended the accrual of penalties as well as fines for late repayment of scheduled payments under bank loan agreements, hire-purchase agreements, real estate sale

## DEVELOPING RISKS THAT MAY ENTER THE COMPANY'S RISK MAP IN THE FUTURE

Based on the Global Risks Report 2023<sup>1</sup>, worsening environmental risks are of particular importance in a ten-year perspective. More specifically, climate and nature-related risks lead the top 10 risks in terms of severity expected to manifest over the next decade.

For the first time in the Global Risk Perception Study (GRPS), failure to mitigate climate change and failure to adapt to climate change lead the rankings as the most serious risks on a global scale, followed by natural disasters and extreme weather events, and "Biodiversity loss and ecosystem destruction".

A perception of areas of growing, declining and persistent concern, as perceived by GRPS respondents that are considered most serious in both the short and long term. These are persistent areas of global concern and perhaps worthy of attention. Environmental risks have worsening estimates over a 10-year time horizon, indicating respondents' concerns about the increasing severity of these risks in the longer term. "Large-scale forced migration rises in the rankings over a 10-year period, while the erosion of social cohesion and the polarisation of society are perceived as somewhat more serious in the long term.

<sup>1</sup> <https://www.weforum.org/reports/global-risks-report-2023>



and purchase agreements with installment payment from 05.01.2022 to 19.01.2022 due to the imposition of emergency rule.

To ensure the protection of the Company's electronic information resources, information systems and information and communication infrastructure from external and internal threats, the Company's Information Security Incident Management Rules approved by the Company's Management Board with Decision No13 dated February 5, 2021, apply. In accordance with the Rules, the Company defines the level of criticality of information security incidents from zero to catastrophic. The procedure for reporting an information security incident to the Company's management and divisions is defined in the Instructions on Procedures for Users to Respond to Information Security Incidents in the Company.

No information security incidents have been reported in the Company in 2022.

## LIST OF ABBREVIATIONS

<b>EaR</b>	– Earnings-at-risk
<b>ESG</b>	– ESG Principles (environmental, social and corporate governance)
<b>GRI</b>	– Global Reporting Initiative
<b>IT</b>	– Information and Communication Technology
<b>KASE</b>	– Kazakhstan Stock Exchange JSC
<b>ROA</b>	– Return on Assets
<b>ROE</b>	– Return on Equity
<b>RWA</b>	– Risk-Weighted Assets
<b>VaR</b>	– Value at Risk
<b>ARDFM RK</b>	– The Agency for Regulation and Development of Financial Market of the Republic of Kazakhstan
<b>ADB</b>	– Asian Development Bank
<b>JSC</b>	– Joint-Stock Company
<b>DBK JSC</b>	– Development Bank of Kazakhstan Joint-Stock Company
<b>Kazakhstan Mortgage Company MO JSC, KMC MO JSC</b>	– Kazakhstan Mortgage Company MO JSC, KMC MO JSC, Kazakhstan Mortgage Company Mortgage Organization Joint-Stock Company
<b>KHC JSC</b>	– Kazakhstan Housing Company Joint-Stock Company
<b>Baiterek NMH JSC, Holding, the sole shareholder</b>	– Baiterek National Managing Holding Joint-Stock Company
<b>DAMU EDF JSC</b>	– Entrepreneurship Development Fund Joint-Stock Company
<b>RTO</b>	– Rent-to-own
<b>FMA RK</b>	– Financial Monitoring Agency of the Republic of Kazakhstan
<b>STB</b>	– Second-Tier Bank
<b>BNS ASP&amp;R RK</b>	– Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan
<b>GDP</b>	– Gross Domestic Product
<b>ID</b>	– Internal Document
<b>IRD</b>	– Internal Regulatory Document
<b>GS</b>	– Government securities
<b>EPA</b>	– Equity Participation Agreement
<b>AFR</b>	– Available Financial Resources
<b>EDB</b>	– Eurasian Development Bank
<b>E&amp;CI</b>	– Engineering and Communication Infrastructure
<b>IS</b>	– Information System
<b>REIT</b>	– Real Estate Investment Trust
<b>Qazreestr, Qazreestr IS, UIS SPHC (Qazreestr)</b>	– Unified Information System of Shared Participation in Housing Construction (Qazreestr)
<b>KRI</b>	– Key Risk Indicators
<b>KPI</b>	– Key Performance Indicator

<b>IMF</b>	– International Monetary Fund
<b>MRC</b>	– Multifamily Residential Complex
<b>LEB</b>	– Local Executive Body
<b>IFRS</b>	– International Financial Reporting Standards
<b>NPJSC</b>	– Non-Profit Joint-Stock Company
<b>NBRK</b>	– National Bank of the Republic of Kazakhstan
<b>NC</b>	– National Company
<b>RLA</b>	– Regulatory Legal Act
<b>NF RK</b>	– National Fund of the Republic of Kazakhstan
<b>UN</b>	– United Nations
<b>POA</b>	– Property Owners Association
<b>ALE</b>	– Association of Legal Entities
<b>RGRK</b>	– Resolution of the Government of the Republic of Kazakhstan
<b>Nurly Zher Program</b>	– Nurly Zher State Housing and Utility Development Program for 2020-2025
<b>DED</b>	– Design and Estimate Documentation
<b>RD</b>	– Regional Directorate
<b>IDR</b>	– Issuer Default Ratings
<b>RK</b>	– the Republic of Kazakhstan
<b>IAS</b>	– Internal Audit Service
<b>BoD</b>	– Board of Directors
<b>CW</b>	– Civil Works
<b>CIS</b>	– Commonwealth of Independent States
<b>EDMS</b>	– Electronic Document Management System
<b>LLP</b>	– Limited Liability Partnership
<b>SEC</b>	– Shopping and Entertainment Center
<b>SDG</b>	– Sustainable Development Goals
<b>EDS</b>	– Electronic Digital Signature
<b>c</b>	– city
<b>u.</b>	– units
<b>q-ty</b>	– quantity
<b>sq. m., m<sup>2</sup></b>	– square meters
<b>mln</b>	– million
<b>bln</b>	– billion
<b>thous</b>	– thousand
<b>pcs</b>	– pieces

## ANNEX 1. ABOUT THE REPORT

The Company is committed to openness and strives for effective disclosure of information in all areas of the Company's activities both in terms of operational and financial results, as well as in the field of sustainable development and corporate governance.

Every year, the Company discloses its sustainability performance to stakeholders in the relevant section of the corporate website, as well as in its annual reports.

The Company's 2022 Annual Report has been prepared in accordance with the Global Reporting Initiative (GRI Standards), the provisions of the Corporate Governance Code and the Rules for Disclosure of Information by Securities Initiators of Kazakhstan Stock Exchange JSC.

This annual report includes financial and non-financial information about the Company's operations for the period from January 1 to December 31, 2022, as well as certain information from previous periods, plans and forecasts of the Company.

This 2022 Annual Report has not been externally assured.

The 2021 Annual Report, which also includes information on sustainable development, was published in July 2022.



According to PriceWaterhouseCoopers' "Top 50 Best Companies for ESG Disclosure" report, the Company's 2020 and 2021 Annual Report ranked 13th out of 50 in the ranking and was among the top 4 financial companies for ESG disclosure. The Company's 2021 Annual Report was also recognized as the best annual report in the financial sector by Kazakhstan Stock Exchange JSC.

When preparing the annual report, the Company followed the principles for defining report content set out in the GRI Standards:

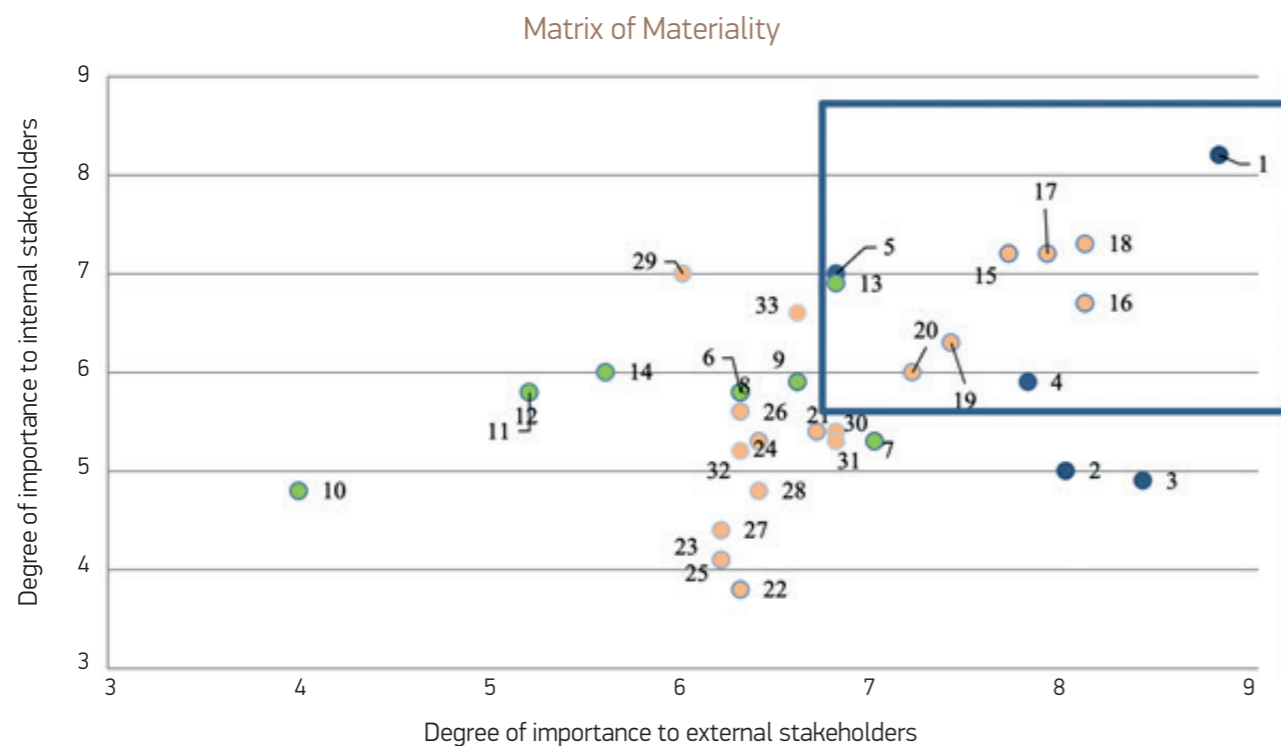
- **stakeholder engagement** – stakeholder interests identified through stakeholder engagement were taken into account in the disclosure of information. The information that is most important to stakeholders has been disclosed;
- **sustainability context** – the Company's work in this annual report is presented within a broad socio-economic context. The Company defines its work within an external environment that includes economic, social and environmental aspects;
- **materiality** – the annual report covered in more detail the topics deemed most material to the Company's business. The remaining information is less detailed, so as not to overload the document and make it easier for the user to deal with the information;
- **full disclosure** – the Company covers the material topics of its sustainability activities as comprehensively as possible, including all details that are important for a holistic understanding of the situation.

The principles of materiality and stakeholder engagement helped to select the most material sustainability topics, which are reflected in this annual report. The principles of sustainability context and full disclosure were applied to a greater extent in the disclosure of the selected topics.

As part of the preparation of the 2020 reputational audit report, a procedure was undertaken to identify material aspects of the Company's sustainability performance that are recognized as important by internal and external stakeholders. The results of this reputation audit revealed important topics from the perspective of stakeholders.



A materiality matrix was constructed based on the analysis results. The topics in the upper right-hand corner of this matrix were deemed to be the most material and were disclosed in the most detail in the Company's 2021 reports when preparing the sustainability section.



Sustainability topics	No
Economic performance	1
Market presence	2
Indirect economic impacts	3
Procurement practices	4
Anti-corruption measures	5
Competition hindrance	6
Materials	7
Energy	8
Water	9
Biodiversity	10
Emissions	11
Discharges and waste	12
Compliance with environmental legislation requirements	13
Environmental assessment of suppliers	14
Employment	15

Sustainability topics	No
Employee-management relations	16
Health and safety in the workplace	17
Training and education	18
Diversity and equal opportunities	19
Non-discrimination	20
Freedom of association and collective bargaining	21
Risk of child labour	22
Risk of forced or compulsory labour	23
Security practices	24
Rights of indigenous and small-numbered peoples	25
Human rights assessment	26
Local communities	27
Assessing the impact of suppliers on society	28
Political activity	29
Consumer health and safety	30
Marketing communications	31
Privacy of the consumer	32
Compliance with requirements	33

Considering that GRI sector standards by sector covering material topics of the Company are currently under development (**GRI – Sector Program** (<https://globalreporting.org>)), the Company has used material topics 2021 to form the 2022 annual report.

This report is the Company's third report prepared under GRI standards. This report reflects the Company's 2022 performance on the topics covered in last year's report, as well as new topics under the new GRI 2021 standards. Topics relating to structure and headcount, as well as risk management have been expanded.

In particular, this report discloses, for the first time, information on the following topics:

No	Information	Report Section
1	Total headcount by gender and region	<b>Structure and number of staff</b>
2	Total number of employees who are not employees and whose work is controlled by the organization	<b>Structure and number of staff</b>
3	Communicating critical issues	<b>Communicating critical issues</b>
4	Remuneration policy	<b>Remuneration Policy Remuneration Determination Process Ratio of annual total remuneration</b>

## ANNEX 2. GRI INDEX

Statement of use	Kazakhstan Housing Company JSC presented this report in accordance with GRI standards for the period from January 1, 2022 to December 31, 2022
Applicable GRI 1 standard	GRI 1: Foundation 2021
Applicable GRI industry standards	GRI industry standards are under development GRI – Sector Program ( <a href="https://globalreporting.org">https://globalreporting.org</a> )

GRI standard/ other sources	Disclosure	Place
<b>General Provisions</b>		
GRI 2: General Provisions 2021	2-1 Organization's data	<b>Company profile</b> <b>Contact details</b>
	2-2 Entities included in the organization's sustainability reporting	<b>About the Report</b>
	2-3 Reporting period, frequency and contact details	<b>About the Report</b> <b>Contact details</b>
	2-4 Revised wording of the information	<b>About the Report</b>
	2-5 External guarantee	<b>About the Report</b>
	2-6 Operations, value chain and other business relationships	<b>Company profile</b> <b>Key indicators</b> <b>Strategy Map</b> <b>Business Model of the Company</b> <b>Fund Raising</b>
	2-7 Employees	<b>Structure and number of staff</b>
	2-8 Non-wage employees	<b>Structure and number of staff</b>
	2-9 Management structure and composition	<b>Corporate Governance Structure of the Company</b>
	2-10 Nomination and election of the supreme governing body	<b>Determining the composition of the Board of Directors,</b> <b>Procedure for nominating candidates to the Board of Directors</b>
	2-11 Chairman of the supreme governing body	<b>Composition of the Board of Directors</b>
	2-12 Role of the supreme governing body in the oversight of impact management	<b>Activities of the Board of Directors</b>
	2-13 Delegating responsibility for impact management	<b>Corporate Governance Structure of the Company</b> <b>Organizational structure</b>
	2-14 Role of the supreme governance body in sustainability reporting	<b>Organizational Structure of Sustainable Development Management</b>
	2-15 Conflict of interest	<b>Management of Conflict of Interest,</b> <b>Managing Conflicts of Interest and Corporate Conflicts</b>
	2-16 Communicating critical issues	<b>Communicating critical issues</b>
	2-17 Collective knowledge of the highest governing body	No training and knowledge development in 2022
	2-18 Evaluation of the supreme governing body	<b>Evaluation of the Board of Directors</b>
	2-19 Remuneration Policy	<b>Remuneration Policy</b>

GRI standard/ other sources	Disclosure	Place
GRI 2: General Provisions 2021	2-20 Remuneration determination process	<b>Remuneration Determination Process</b>
	2-21 Annual overall remuneration ratio	<b>Ratio of annual total remuneration</b>
	2-22 Statement on Sustainable Development Strategy	<b>Address of the Chairman of Board of Directors</b>
	2-23 Political commitments	<b>Risk management</b> <b>Code of Business Conduct</b>
	2-24 Implementation of political commitments	<b>Introducing a Human Rights Commitment</b>
	2-25 Remedial processes	<b>Economic Impact Management</b>
	2-26 Mechanisms for seeking advice and raising concerns	<b>Economic Impact Management</b>
	2-27 Compliance with laws and regulations	<b>Managing Own Environmental Impact</b>
	2-28 Membership associations	-
	2-29 Approach to stakeholder engagement	<b>Stakeholder Engagement</b>
GRI 3: Essential Topics 2021	2-30 Collective-Bargaining Agreements	<b>Social Policy</b>
	3-1 Process of identifying essential topics	<b>About the Report</b>
	3-2 List of essential topics	<b>About the Report</b>
<b>DISCLOSURES ON SUSTAINABLE DEVELOPMENT TOPICS</b>		
<b>ECONOMIC TOPICS</b>		
<b>ECONOMIC PERFORMANCE</b>		
GRI 3: Essential Topics 2021	3-3 Managing economic topics	<b>About the Report</b> <b>Economic Impact Management,</b> <b>Execution of KPIs based on the 2022 results and planned KPIs for 2023</b>
	201-1 Direct economic value generated and distributed	<b>Economic Impact Management</b> <b>Annex 3. Financial Statements</b>
<b>INDIRECT ECONOMIC IMPACTS</b>		
	203-1 Infrastructure investments and gratuitous services	<b>Return of funds allocated to Expo 2017 projects and other properties</b>
	203-2 Significant indirect economic impacts	<b>Social Investments</b>
<b>PROCUREMENT PRACTICES</b>		
	204-1 Proportion of expenditure on local suppliers at significant locations of operation	<b>Procurement Management</b>
<b>ANTI-CORRUPTION MEASURES</b>		
	205-1 Business processes assessed for risks of corruption	<b>Anti-Corruption Measures</b>
	205-2 Information and training on anti-corruption policies	<b>Anti-Corruption Measures</b>
	205-3 Confirmed cases of corruption	<b>Anti-Corruption Measures</b>
<b>ENVIRONMENTAL TOPICS</b>		
GRI 3: Essential Topics 2021	3-3 Managing environmental topics	<b>About the Report</b> <b>Corporate Governance</b> <b>Evaluation of the Board of Directors</b> <b>Independent assessment of the Company's corporate governance and further development of the corporate governance system</b>

GRI standard/ other sources	Disclosure	Place
<b>COMPLIANCE WITH REQUIREMENTS</b>		
	307-1 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	<b>Managing Own Environmental Impact</b>
<b>SOCIAL TOPICS</b>		
GRI 3: Essential Topics 2021	3-3 Managing social topics	<b>About the Report Social Component</b>
<b>EMPLOYMENT</b>		
	401-1 Number of employees hired and turnover of staff	<b>Structure and number of staff Recruiting and Onboarding Personnel</b>
	401-3 Maternity/paternity leave	<b>Social Policy</b>
<b>EMPLOYEE-MANAGEMENT RELATIONS</b>		
	402-1 Minimum period for notifying employees about changes in the Company	The minimum notice period for notifying employees about changes in the Company that may affect them is 30 days.
<b>HEALTH AND SAFETY IN THE WORKPLACE</b>		
	403-1 Occupational health and safety management system	<b>Occupational Health and Safety</b>
	403-7 Occupational safety and health activities	<b>Occupational Health and Safety</b>
	403-9 Injury rates	<b>Occupational Health and Safety</b>
<b>TRAINING AND EDUCATION</b>		
	404-1 Average number of hours of training per employee	<b>Personnel Training</b>
	404-2 Skills development and lifelong learning programs to support the employability of workers and to support them in completing their careers	<b>Personnel Training</b>
<b>DIVERSITY AND EQUAL OPPORTUNITIES</b>		
	405-1 Composition of management bodies and main personnel categories of the organization by gender, age group, minority group and other diversity characteristic	<b>Structure and number of staff</b>
<b>NON-DISCRIMINATION</b>		
	406-1 Confirmed cases of discrimination	<b>Social Component</b>

## ANNEX 3. FINANCIAL STATEMENTS

The full set of financial statements, including the auditor's report, is available on the Company's corporate website: <https://khc.kz/en/company-reports/>.



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KPMG Audit LLC  
180 Dostyk Avenue, Almaty,  
A25D6T5, Kazakhstan

### Independent Auditors' Report

To the Shareholder and Board of Directors of Kazakhstan Housing Company JSC

#### Opinion

We have audited the financial statements of Kazakhstan Housing Company JSC (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA Code*) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Kazakhstan Housing Company JSC**

Independent Auditors' Report


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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

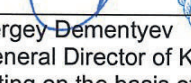
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

  
 Madina Magomedova  
 Certified Auditor  
 of the Republic of Kazakhstan  
 Auditor's Qualification Certificate  
 No. МФ-0000594 of 24 May 2018

  
 KPMG Audit LLC  
 State License to conduct audit #0000021 dated 6 December 2006 issued by the Ministry  
 of Finance of the Republic of Kazakhstan

  
 Sergey Dementyev  
 General Director of KPMG Audit LLC  
 acting on the basis of the Charter

28 February 2023

**STATEMENT OF FINANCIAL POSITION**

as of December 31, 2022

	Note	2022 KZT thous	2021 KZT thous
<b>ASSETS</b>			
Cash and Cash Equivalents	12	245,237,171	160,373,049
Funds in Banks and Other Financial Institutions	13	68,450,680	80,722,166
Investment Securities			
- Measured at fair value through profit or loss for the period	14	2,171,971	2,079,816
- Measured at depreciable cost	14	831,077,410	869,272,603
Loans issued to customers and long-term accounts receivable from the sale of real estate in installments:			
- Measured at fair value through profit or loss for the period	15	4,523,388	3,599,878
- Measured at depreciable cost	15	126,896,750	135,649,359
Finance lease receivables	16	149,258,306	153,630,813
Current tax asset		4,459,416	3,485,872
Assets to be transferred under finance lease agreements	17	4,796,241	3,029,851
Construction work in progress		175,716	986,751
Property, plant and equipment		3,750,885	3,627,824
Investment property		6,659,688	6,750,175
Non-current assets held for sale		188,510	240,529
Other assets		1,502,309	1,187,868
<b>Total assets</b>		<b>1,449,148,441</b>	<b>1,424,636,554</b>
<b>LIABILITIES</b>			
Debt securities in issue	18	780,249,653	755,618,219
Other funds raised	19	235,715,688	218,164,832
Public subsidies	20	142,702,544	182,324,636
Deferred income and reserves for guarantees issued	21	23,770,040	18,403,082
Deferred tax liability	11	17,503,656	20,102,307
Other liabilities		6,029,899	10,218,646
<b>Total liabilities</b>		<b>1,205,971,480</b>	<b>1,204,831,722</b>
<b>EQUITY CAPITAL</b>			
Authorized capital	22	193,432,016	193,432,016
Share premium		12,661	12,661
Own shares repurchased from shareholders		(2,597,522)	(2,597,522)
Additional paid-in capital		3,389,392	3,389,392
Reserve capital		2,734,447	2,734,447
Retained earnings		46,205,967	22,833,838
<b>Total equity capital</b>		<b>243,176,961</b>	<b>219,804,832</b>
<b>Total equity capital and liabilities</b>		<b>1,449,148,441</b>	<b>1,424,636,554</b>

Statement of Profit or Loss and Other Comprehensive Income  
for the year ended December 31, 2022

	Note	2022 KZT thous	2021 KZT thous
Interest income calculated using the effective rate method		140,808,706	124,966,137
Other interest income		13,433,711	13,837,791
Interest expense		(103,279,571)	(98,091,584)
<b>Net interest income</b>	5	<b>50,962,846</b>	<b>40,712,344</b>
Commission income		42,062	102,919
Commission expenses		(648,702)	(570,704)
<b>Net commission expenses</b>		<b>(606,640)</b>	<b>(467,785)</b>
Net (loss)/income from foreign currency transactions		(2,425,763)	232,304
Net income from other financial instruments at fair value through profit or loss		1,474,558	430,531
Income from guarantees issued	7	2,604,931	2,132,353
Reserves for issued guarantees	21	(6,307,198)	(3,982,815)
Loss on initial recognition of loans issued to customers measured at fair value through profit or loss	15	-	(27,512,212)
Other operating (loss)/income	8	(6,669,046)	1,151,581
<b>Operating income</b>		<b>39,033,688</b>	<b>12,696,301</b>
Income from impairment of debt financial instruments	6	11,891,503	934,369
Staff costs	9	(2,563,538)	(2,589,867)
General and administrative expenses	10	(1,859,287)	(1,970,276)
<b>Profit before tax</b>		<b>46,502,366</b>	<b>9,070,527</b>
Income tax expense	11	(1,822,668)	(3,895,916)
<b>Profit and total comprehensive income for the year</b>		<b>44,679,698</b>	<b>5,174,611</b>

Statement of Cash Flows  
for the year ended December 31, 2022

	2022 KZT thous	2021 KZT thous
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Interest income received	99,612,603	85,393,443
Interest expense paid	(63,689,282)	(53,834,405)
Commission income received	40,332	105,906
Commission expense paid	(624,381)	(624,976)
Disposals for other expenses	(415,652)	(69,548)
Staff costs paid	(2,513,352)	(2,502,463)
General and administrative expenses paid	(2,214,694)	(1,672,557)
	<b>30,195,574</b>	<b>26,795,400</b>
<b>(Increase)/decrease in operating assets</b>		
Funds in Banks and Other Financial Institutions	13,307,757	(6,244,817)
Financial assets measured at fair value through profit or loss for the period	483,351	1,201,380
Loans issued to customers and long-term accounts receivable from the sale of real estate in installments	9,526,392	(24,172,436)
Assets to be transferred under finance lease agreements	(8,998,223)	(4,586,129)
Construction work in progress	(17,740)	(213,527)
Finance lease receivables	16,312,268	16,865,788
Other assets	(661,540)	(208,837)
<b>Increase/(decrease) in operating liabilities</b>		
Public subsidies	(1,572,938)	1,436,241
Deferred income for guarantees issued	1,864,390	3,529,487
Other liabilities	(255,498)	(792,707)
<b>Net cash flows from operating activities before income tax</b>	<b>60,183,793</b>	<b>13,609,843</b>
Income tax paid	(116,528)	(108,984)
Cash inflow from operating activities	<b>60,067,265</b>	<b>13,500,859</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities measured at amortised cost	(206,415,442)	(258,287,644)
Redemption of investment securities measured at amortised cost	231,793,390	266,461,654
Purchase of property, plant and equipment and intangible assets	(252,275)	(167,446)
Sale of investment property	-	70,700
<b>Use of cash in investment activities</b>	<b>25,125,673</b>	<b>8,077,264</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Redemption/repayment of debt securities issued	-	(65,000,000)
Proceeds from issuance of debt securities	3,349,923	80,467,812
Receipts of other funds raised	-	20,370,000
Dividends paid	(3,622,294)	(6,051,678)
<b>(Use)/cash (in)/from financing activities</b>	<b>(272,371)</b>	<b>29,786,134</b>
<b>Net increase in cash and cash equivalents</b>	<b>84,920,567</b>	<b>51,364,257</b>
Effect of changes in expected credit losses on cash and cash equivalents	(13,628)	28,035
Effect of exchange rate changes on cash and cash equivalents	(42,817)	1,404
Cash and cash equivalents at the beginning of the year	160,373,049	108,979,353
<b>Cash and cash equivalents at the end of the year</b> (Note 12)	<b>245,237,171</b>	<b>160,373,049</b>

	2022 KZT thous	2021 KZT thous
	-	(65,000,000)
	3,349,923	80,467,812
	-	20,370,000
	(3,622,294)	(6,051,678)
	<b>(272,371)</b>	<b>29,786,134</b>
	<b>84,920,567</b>	<b>51,364,257</b>
	(13,628)	28,035
	(42,817)	1,404
	160,373,049	108,979,353
	<b>245,237,171</b>	<b>160,373,049</b>

Statement of Changes in Equity Capital  
for the year ended December 31, 2022

KZT thous.

	Authorized capital	Share premium	Own shares repurchased from shareholders	Additional paid-in capital	Reserve capital	Retained earnings	Total
Balance as of January 01, 2021	193,432,016	12,661	(2,597,522)	3,389,392	2,734,447	3,280,440	200,251,434
<b>Total comprehensive income and profit for the year</b>							
Profit and total comprehensive income for the year	-	-	-	-	-	5,174,611	5,174,611
<b>Transactions with owners recognized directly in equity capital</b>							
Dividends declared and paid (Note 22(b))	-	-	-	-	-	(6,051,678)	(6,051,678)
Recognition of the effect of a significant modification on long-term loans from the Parent Company, net of tax (Note 19)	-	-	-	-	-	20,430,465	20,430,465
<b>Balance as of December 31, 2022</b>	<b>193,432,016</b>	<b>12,661</b>	<b>(2,597,522)</b>	<b>3,389,392</b>	<b>2,734,447</b>	<b>22,833,838</b>	<b>219,804,832</b>
Balance as of January 01, 2022	193,432,016	12,661	(2,597,522)	3,389,392	2,734,447	22,833,838	219,804,832
<b>Total comprehensive income and profit for the year</b>							
Profit and total comprehensive income for the year	-	-	-	-	-	44,679,698	44,679,698
<b>Transactions with owners recognized directly in equity capital</b>							
Dividends declared and paid (Note 22(b))	-	-	-	-	-	(3,622,294)	(3,622,294)
Distribution to the Shareholder (Note 14)	-	-	-	-	-	(17,685,275)	(17,685,275)
<b>Balance as of December 31, 2022</b>	<b>193,432,016</b>	<b>12,661</b>	<b>(2,597,522)</b>	<b>3,389,392</b>	<b>2,734,447</b>	<b>46,205,967</b>	<b>243,176,961</b>



## ANNEX 4. LIST OF AFFILIATED PERSONS

List of affiliated legal entities of the Company  
as of December 31, 2022

No	Name of Legal Entity	Affiliation with the Company
1	Baiterek National Managing Holding JSC	sole shareholder of the Company
2	Development Bank of Kazakhstan JSC	subsidiary of Baiterek NMH JSC
3	KazakhExport Export Insurance Company JSC	subsidiary of Baiterek NMH JSC
4	Otbasy Bank JSC	subsidiary of Baiterek NMH JSC
5	Agrarian Credit Corporation JSC	subsidiary of Baiterek NMH JSC
6	Qazaqstan Investment Corporation JSC	subsidiary of Baiterek NMH JSC
7	Damu Entrepreneurship Development Fund JSC	subsidiary of Baiterek NMH JSC
8	Bereke Bank JSC	subsidiary of Baiterek NMH JSC

The full list of the Company's affiliates, including individuals, is published on the Company's website: [www.khc.kz](http://www.khc.kz).