



VOICES  
FOR EQUAL  
RIGHTS AND  
OPPORTUNITIES

SUSTAINABLE  
DEVELOPMENT  
REPORT  
*2023*

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*The sustainable development report of Otbasy Bank JSC is available in electronic and interactive formats in the state, Russian and English languages on the website.*



# Message from the Chairman of the Management Board

## Dear ladies and gentlemen, customers and partners!

Otbasy Bank JSC (herein – Otbasy Bank, Bank) is the only bank in the country implementing a system of housing construction savings. It plays an important role in solving housing issues of the state.

The Bank issues 60% of the country's mortgage loans. We operate according to high standards of professional ethics, and follow the principles of responsible lending, ensuring that each client is familiar with the terms of loans.

As of today, the Bank's product line includes many in-demand products for every social group of the population, including for those with very low income and those who are lack of down payment for loans. By the end of 2023, the share of social lending of the Bank in the total portfolio is 33%.

In addition to social projects, we have been actively promoting in recent years "green" projects that contribute to the preservation of ecology and healthy human life. 492 loans in the amount of 12.8 billion tenge were issued in 2023 within the framework of the "green mortgage". The share of the total number of loans issued in 2023 is 0.6%.

In the future, we will strive to increase the portfolio of "green" projects that correspond to the taxonomy in the long term. In such a way in 2024, we plan to gain an ESG rating in order to have access subsequently to international financing for the development of green projects.

In the reporting year, the Bank worked on approving its new development strategy for the next 10 years, where the strategic choice of the Bank is the ESG transformation of its activities. The management of ESG factors will be integrated into all levels of the Bank's organizational structure. In a new strategy, we define the main directions of development in the field of sustainable development.

In its operational activities, the Bank strives to reduce its carbon footprint. For these purposes, a quantitative assessment of greenhouse gas emissions generated as a result of its own activities will be carried out and measures will be taken to reduce them.

The Bank intends to become the best financial institution using the ESG principles, increasing customer trust and making the maximum possible contribution to the creation of a sustainable and prosperous society in Kazakhstan.

*Best wishes,  
Lyazzat Ibragimova  
Chairman of the Management Board  
OTBASY BANK JSC*



# About the Report

Otbasy Bank JSC (herein – Otbasy Bank, the Bank) is aware of the importance of its economic and social activities and strives to ensure a high level of transparency for internal and external stakeholders.

The Bank's Sustainable development report for 2023 has been prepared in accordance with the standards of the Global Reporting Initiative in the field of sustainable development (GRI Standards), Sustainability Accounting Standards Board (SASB) - Mortgage Finance (standard for mortgage lending), the provisions of the Corporate Governance Code, Sustainable Development Policy and other internal documents of the Bank, as well as with taking into account the recommendations of the Guidelines on

Disclosure of information in the field of Environmental, Social and Corporate Governance (ESG) for banks and other financial institutions of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market.

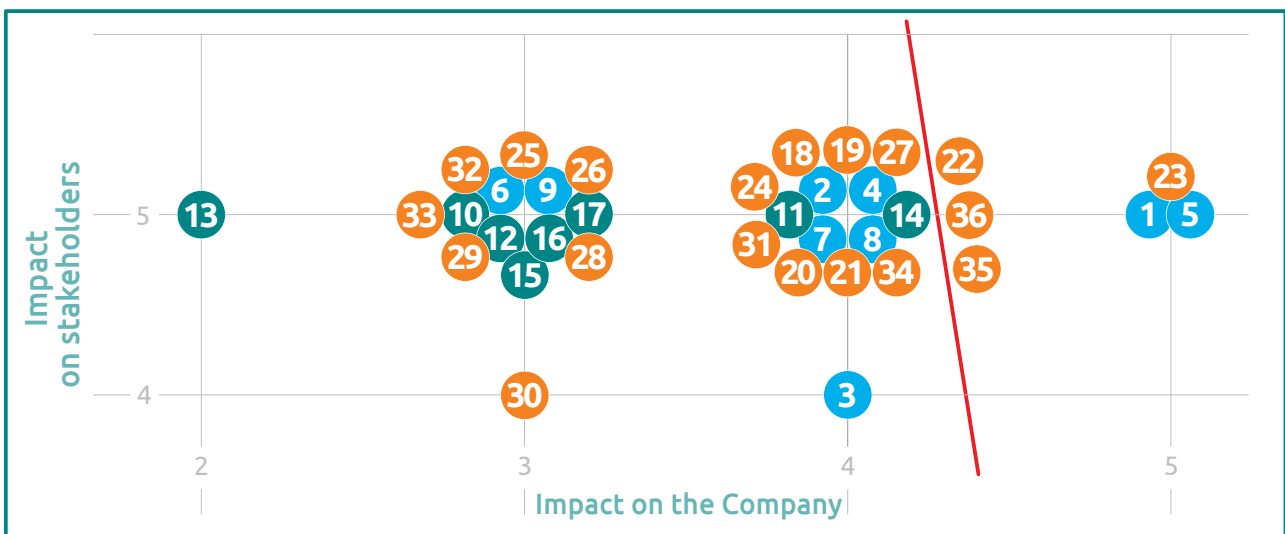
This Report describes the results of the Bank's operations from January 1, 2023 to December 31, 2023. The report is discussed by the Bank's Management Board, the Strategic Planning and Corporate Development Committee of the Bank's Board of Directors, and then approved at a meeting of the Bank's Board of Directors. This report has not been externally certified.

## DEFINING THE CONTENT OF THE REPORT

To determine the list of information to be included in this report, the Bank analyzed all the topics of sustainable development proposed by the GRI Standards. The topics were assessed according to the degree of importance for the Bank, taking into account its development strategy, and according to the degree of importance for stakeholders, which was determined in the course of the interaction with them during the year. Based on the results of the analysis, we prepared a questionnaire, using which held a survey among

the Bank's stakeholders (members of the Board of Directors, Management Board, employees of the Bank, Holding, media representatives, external auditors, etc.). Based on the results of the survey, a Materiality Matrix presented below was created. The topics included in the upper-right corner of this matrix were recognized as the most significant and were disclosed in this report. The significant topics are fully disclosed in the Report.

## THE MATERIALITY MATRIX



## TOPICS

	Topics	Bank	Legend
	<i>(the topics recognized as the most significant according to the results of the analysis are marked in gray)</i>		
1	Economic performance	5	5
2	Market presence	4	5
3	Indirect economic impacts	3	4
4	Procurement practices	4	5
5	Anti-corruption	5	5
6	Obstacle to competition	3	5
7	Cybersecurity	4	5
8	Risk management	4	5
9	Taxes	3	5
10	Materials	3	5
11	Energy	4	5
12	Water and wastewater	3	5
13	Biodiversity	2	5
14	Waste management	4	5
15	Environmental assessment of suppliers	3	5
16	Greenhouse gas emissions	3	5
17	Climate change	3	5
18	Employment status	4	5
19	The relationship between employees and management	4	5
20	Occupational health and safety	4	5
21	Training and education	4	5
22	Diversity and equal opportunities	4	5
23	Non-discrimination	5	5
24	Freedom of association and collective bargaining	4	5
25	Child labor	3	5
26	Forced or compulsory labor	3	5
27	Security practices	4	5
28	The rights of indigenous and small-numbered peoples	3	5
29	Local communities	3	5
30	Assessing the impact of suppliers on society	3	4
31	Government policy	4	5
32	Consumer health and safety	4	5
33	Labeling of products and services	3	5
34	Privacy of the consumer	4	5
35	Respect for human rights	4	5
36	Diversity and inclusion	4	5

## REPORT BOUNDARIES

This Report contains information about the Bank. More detailed information about the Bank, including operating results, is disclosed in the Bank's Annual Report for 2023. The Bank's annual report for 2023

can be found on our corporate website [hcsbk.kz](http://hcsbk.kz) in the "About the Bank"/"Reporting" section. The boundaries of collecting information on significant topics are defined in such a way that the Report describes all the most significant impacts of the Bank.

## Indicators of sustainable development activities

Indicator	2021	2022	2023
The average staff number of the Bank, people.	1,357	1,372	<b>1,511</b>
The average annual number of training hours per person, man-hour	28	24	<b>14</b>
The level of involvement of the Bank's employees, %	77	79	<b>79</b>
Cases of discrimination on any grounds, number	0	0	<b>0</b>
Injury cases, number	0	0	<b>0</b>
Facts of corruption offenses and crimes, number	0	0	<b>0</b>
The index of confidence in the Bank's activities, %	86.8	88.1	<b>86</b>

## Key events in the field of sustainable development in 2023

- During the reporting year, the Bank actively worked on the development and expansion of its product line, namely:
  - making agreements with the Akimats of Astana, Almaty, Semey, Temirtau, Ayagoz region of Abai oblast, as well as Zhetysu, Ulytau, Karaganda, Zhambyl, Kostanay, Pavlodar, West Kazakhstan, Kyzylorda, Mangystau oblasts for the implementation of youth programs – Yelorda Zhastary, Almaty Zhastary, Abai Zhastary, Temirtau Zhastary, Kozy Korpesh - Bayan Sulu zhastary, Zhetysu zhastary, Ulytau zhastary, Karagandy zhastary, Aulieata zhastary, Kostanai zhastary, Yertis zhastary, Zhaiyk zhastary, Syr zhastary, Mangystau zhastary;
  - enhancing the cooperation with employers within the framework of the Corporate program – agreements were made between the Bank and Viamedis LLP, Viamedis Pavlodar LLP, B.B.NURA LLP, Nur City Invest LLP, Shubarkol Komir JSC, Eurasian Group LLP (ERG), Zhasyl ye-Tarazl LLP and others on providing lending to employees of the company;
  - enhancing the cooperation with local executive bodies within the framework of the implementation of certain regional programs – agreements were made with the Akimat of Burlinsky region of West Kazakhstan oblast on preferential provision of lending to citizens with no age restriction; with the Akimat of Atyrau city on preferential provision of lending to socially vulnerable segments of population of Atyrau and districts of Atyrau oblast, as well as on preferential provision of lending to medical workers of Atyrau oblast; with the Akimat of Glubokovsky region of East Kazakhstan oblast for housing rental with subsequent purchase; with the Rudny city Department of Housing and Communal Services, Passenger Transport and Highways State Institution of the Akimat of the



Rudny city (Kostanay oblast) for housing rental with subsequent purchase by citizens queuing for housing; as well as with Petropavlovsk Electrotechnical Plant LLP for housing rental with subsequent purchase by employees, etc.

- launching a housing program for young scientists for 2023-2027, aimed at young people who are engaged in academic science;
- As part of the implementation of state programs, in 2023, the Bank received budget funds in the amount of 73.3 billion tenge for lending to people on a waiting list at 2% per annum and at 5% per annum.
- The Bank attracted the third tranche of a loan from the Asian Development Bank in the amount of 15.6 billion tenge, which were directed to lending for women in Kazakhstan within the framework of the Umai gender product.
- In 2023, the Bank became an authorized agent of the state project "Gain a diploma and go to the village" to support specialists in the field of healthcare, education, social security, culture, sports and agro-industrial complex, public officers of Akims' offices in villages, settlements, rural districts who arrived to work and live in rural localities. The Bank has converted the project into a digital format.
- The Bank became the authorized operator of one of the key state projects – the National Fund for Children and approved its Concept and measures for its implementation.
- In the reporting year, the Bank launched the first green mortgage program in Kazakhstan, focused on protecting the health of citizens and the environment. As part of the program, 492 loans worth KZT 12.8 billion were issued in 2023.
- Otbasy Bank was the only one from Kazakhstan to be recognized as a gender champion in the Central Asian Regional Economic Cooperation (CAREC). The Bank was granted an award for the active promotion of gender equality in the country and the successful implementation of the Umai program.
- The Bank took part in a landmark event of the state to reach the population of the republic of 20 million people. The Bank issued gift certificates to the anniversary citizens of the country with a value of 2 million tenge each, the happy holders of which according to the Bureau of National Statistics, became 3 boys and 2 girls in Ulytau, Zhetysu, Atyrau, Akmla and Turkestan oblasts.
- The Bank postponed loan payments to families affected by forest fires in the Abai oblast in 2023 as part of the National Volunteer Network initiative under the coordination of the Ministry of Information and Public Development.
- The Bank resumed work on the collection, sorting, processing and transportation of waste. In the reporting year, separate waste collection containers were installed in the Central Office of the Bank. In 2023, 222.5 kg of waste paper, 51.9 kg of glass, 62.0 kg of plastic were collected and transferred for recycling.

# ABOUT THE BANK

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## About the Bank

Otbasy Bank was established in 2003 in order to improve and enhance the effectiveness of long-term financing of housing construction and develop a housing construction savings system aimed at improvement of housing conditions of the population.

The main activities of the Bank:

- accepting deposits for housing construction savings, opening and maintaining depositors' accounts;
- provision of housing, pre-housing and interim housing loans to depositors to implement measures on improvement of housing conditions;
- opening and maintaining special accounts for crediting one-time pension payments;
- opening and maintaining current accounts for crediting payments and subsidies in order to pay for rented housing in a private housing stock.

The founder of the Bank is the Government of the Republic of Kazakhstan represented by the Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan, which is entitled to dispose of the state block of shares of the Bank. Since August 2013, the Bank's Sole shareholder has been the Baiterek National Managing Holding JSC (hereinafter referred to as the Holding).

**The Bank was established in the organizational and legal form of a joint stock company and has:**

**Full name:**

- in the official language: "Отбасы банк" тұрғын үй құрылыс жинақ банкі" акционерлік қоғамы";
- in Russian: акционерное общество "Жилищный строительный сберегательный банк "Отбасы банк";
- in English: "joint stock company "Otbasy bank" house construction savings bank".

**Abbreviated name:**

- in the official language: "Отбасы банк" АҚ";
- in Russian: АО "Отбасы банк";
- in English: JSC "Otbasy bank".

Location of the executive body of the Bank: 91, Abylai Khan Avenue, Almaty District, Almaty, A05A2X0, Republic of Kazakhstan.

Chairman of the Board of the Bank is Lyazzat Yerkenovna Ibragimova.

The Bank is present in all regions of Kazakhstan. The Bank has 19 branches throughout Kazakhstan, 18 Service Centers and 3 service points, 1,132 consulting agents, 125 consulting centers, 1 legal entity agent – Kazpost JSC.

## Sustainable Development Management System

The Bank is aware of the importance of its influence on the economy, the environment and society to ensure sustainable development in the long term. As part of the implementation of this principle, the Bank has approved a Sustainable Development Policy (hereinafter referred to as the Policy). The Policy can be found on the Bank's website, in the Sustainable Development / ESG Policies section).

In accordance with the provisions of the Policy, the roles, competencies, responsibilities of each body and all employees for the implementation of principles, standards and plans in the field of sustainable development are clearly defined and consolidated in the sustainable development management system.

The objectives of the Sustainable Development Policy:

- determine the principles and directions of the Bank's activities in the field of sustainable development, including in terms of creating an effective and transparent system of interaction with stakeholders;
- formalise the roles, competencies and responsibilities of each body and all employees of the Bank for the implementation of principles of sustainable development;

- determine the interrelation of sustainable development and key processes of the Bank.

In solving the objectives in the field of sustainable development, the Bank relies on its mission, the provisions of the Bank's Development Strategy, and also uses international standards of conduct and principles envisaged by international standards in the field of sustainable development. The Bank's mission is to provide Kazakhstani families with their own housing and strengthen the sense of Homeland. In this regard, the Bank supports the government's policy in the field of housing construction.

### Recognizing the principles of the UN Global Compact, the Bank declares its commitment to the following principles in its activities:

<b>in the field of human rights protection</b>	<ul style="list-style-type: none"> <li>• The Bank ensures and respects the protection of human rights proclaimed at the international level;</li> <li>• The Bank ensures non-involvement in human rights violations.</li> </ul>
<b>in the field of labor relations</b>	<ul style="list-style-type: none"> <li>• The Bank supports and recognizes the right to conclude collective bargaining agreements;</li> <li>• The Bank contributes to the elimination of forced labor, discrimination in the field of labor and employment.</li> </ul>
<b>in the field of environmental protection</b>	<ul style="list-style-type: none"> <li>• The Bank supports a precautionary approach to environmental issues;</li> <li>• The Bank is taking initiatives aimed at increasing responsibility for the environmental conditions;</li> <li>• The Bank promotes the development and expansion of environmentally sound technologies.</li> </ul>
<b>in the field of anti-corruption</b>	<ul style="list-style-type: none"> <li>• The Bank declares intolerance to all forms of corruption and other illegal activities, including extortion and bribery.</li> </ul>

The management system in the field of sustainable development includes, but is not limited to the following elements:

1. the Bank's commitment to ESG principles at all levels of management;
2. identification of ESG-related risks;
3. formation of a stakeholder map and interaction with stakeholders;
4. defining sustainable development goals and KPIs;
5. implementation of sustainable development initiatives;
6. integration of sustainable development into the Bank's business processes;
7. professional development of the Bank's employees in the field of sustainable development;

8. organization of the annual reporting process in the field of sustainable development;
9. measuring performance in the field of sustainable development and obtaining an ESG rating;
10. improvement of the sustainable development process.

In the Sustainable Development Report, we strive to disclose information about our impact on the environment, society and the economy. The measures taken in these areas have the greatest positive effect in terms of achieving long-term sustainability, ensuring economic efficiency and social stability of the Bank.

# The Bank's priority areas of activity in the field of sustainable development

**PROMOTING THE SUSTAINABLE DEVELOPMENT OF THE NATIONAL ECONOMY**

**MANAGING OWN ENVIRONMENTAL IMPACT**

**RESPONSIBLE WORKING PRACTICE**

**RESPONSIBLE BUSINESS PRACTICE**

## Organizational structure of sustainable development management

Sustainable development management in the Bank is carried out within the framework of the general corporate governance system and is an integral part of it.

In accordance with the provisions of the Policy, the roles, competencies, responsibilities of each body and all employees for the implementation of principles and standards in the field of sustainable development are clearly defined and consolidated in the sustainable development management system.

The strategic management and control over the implementation of sustainable development is carried out by the Board of Directors of the Bank.

Sustainable development issues have also been delegated to the competence of the Strategic Planning and Corporate Development Committee of the Bank's Board of Directors.

The Management Board ensures the formation of an appropriate system in the field of sustainable development and its implementation, as well as forms an appropriate action plan.

The Bank's Strategic Planning and Corporate Development Committee is responsible for coordinating sustainable development activities, reviewing and organizing ESG issues, preparing recommendations for the Bank's Management Board on approving strategic ESG policy documents, determining the KPI and strategic goals for ESG, approval of which falls within the competence of the Management Body.

All employees and officials at all levels contribute to sustainable development. The head of the structural unit of the Bank, who is in charge of the direction of activities in the field of sustainable development, is responsible for ensuring the management of this Policy, as well as coordinates approaches to achieve objectives and KPI in ESG initiatives and controls the implementation of corporate standards in the field of ESG, controls the preparation of a sustainable development report.

The structural units of the Bank implement an ESG action plan that ensures the achievement of KPI in the field of sustainable development set out in the Bank's Development Strategy, implement the introduction of ESG system and identification of risks in the field of ESG.

Sustainability reporting is submitted to the Board of Directors of the Bank annually.

The main department coordinating the issues of sustainable development of the Bank is the Department of Planning and Strategic Analysis, which performs the following activities:

- planning of activities in the field of sustainable development - analysis of the internal and external situation, goals definition, as well as targets in the field of sustainable development, measures to improve activities on the three components of sustainable development, responsible persons, necessary resources and deadlines;
- coordinating the activities of the Bank's structural units aimed at achieving the goals and objectives of this Policy;

- preparing a report on the implementation of the action plan and KPI in the field of sustainable development;
- preparing the Bank's annual report with the inclusion of a section on sustainable development;
- preparing a report on the Bank's sustainable development;
- holding training seminars together with the Human Resources and Organizational Activity Management Unit in order to improve the skills of Bank officials and employees in the field of sustainable development with the involvement of external trainers or independently;
- interacting with the Bank's structural divisions on sustainable development issues, including the approval of internal documents and plans of the Bank's activities in the field of sustainable development;
- interacting with international organizations, institutions, and agencies on sustainable development issues.

## Sustainable development policy

The Bank strives for the harmonious management of the economic, environmental and social aspects of its activities in order to ensure sustainable development in the long term. In solving the objectives in the field of sustainable development, the Bank relies on its mission, the provisions of the Bank's Development Strategy, and also uses international standards of conduct and principles envisaged by international standards in the field of sustainable development.

The Bank considers the use of international standards in the field of sustainable development as an important condition for ensuring that its activities comply with the best international practices and achieving the goals and objectives in the field of sustainable development.

The Bank has an approved Sustainable Development Policy that defines the fundamental principles and approaches in building a management system in the field of sustainable development.

In achieving the goal of cost-effective and sustainable operations, the Bank follows international best practices in environmental and social issues, and in corporate governance issues as well (ESG factors).

The Bank integrates the principles of sustainable development into the Development Strategy and key processes of the Bank, including planning, reporting, risk management, investments, operations, culture of the Bank and others, as well as into decision-making processes at all levels, starting from the bodies (Sole Shareholder, management body, Management Board) and ending with ordinary employees in such a way as to balance short-term and long-term interests, as well as to take into account environmental, social and managerial aspects in the decision-making process.

ESG principles are integrated into the following key business processes of the Bank (but not limited to):

- planning and strategic analysis;
- risk management;
- internal control;
- HR management;
- procurement;
- information security;
- compliance control.

The Bank supports the UN 17 Sustainable Development Goals (herein – SDGs) adopted in 2015 by the UN General Assembly, recognizes their importance and strives to make a significant contribution to the achievement of the SDGs.

# The Bank's contribution to the achievement of the UN Sustainable Development Goals

Within the framework of its activities, the Bank endeavors to achieve the following Sustainable Development Goals:

## **SDG 1:** End poverty in all its forms everywhere

- implementation of social housing programs;
- implementation of initiatives aimed at increasing the availability of financial services;
- charity and sponsorship.

## **SDG 3:** Ensure healthy lives and promote well-being for all at all ages

- creating safe working conditions and the Bank employees' health maintenance;
- social support for employees.

## **SDG 4:** Ensure broad-based and fair high-quality education and promote lifelong learning opportunities for all

- creation of training programs and organization of training for the Bank's staff;
- maintaining the professional development of employees at the expense of the Bank.

## **SDG 5:** Ensure gender equality and empower all women and girls

- implementation of initiatives aimed at supporting women;
- implementation of special women's housing programs;
- creating equal working conditions and career opportunities;
- ensuring an equal system of performance evaluation and remuneration.

## **Goal 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- ensuring decent working conditions;
- influencing the development of regions and the multiplier effect on related industries and the economy as a whole.

## **Goal 9:** Build resilient infrastructure, promote sustainable industrialization and foster innovation

- implementation of digital technologies;
- automation of the Bank's business processes.

## **Goal 11:** Ensure the transparency, security, resilience and environmental sustainability of cities and human settlements

- ensuring housing affordability;
- support and implementation of initiatives in the field of environmental friendliness of cities.


## **Goal 12:** Ensure the transition to sustainable consumption and production patterns




- improving the culture of energy conservation;
- reduction of resource consumption (energy consumption, water consumption);
- optimization of paper document flow by automating the Bank's business processes.

## **Goal 17:** Strengthen the means of implementation and revitalize the Global partnership for sustainable development.

- maintaining cooperation and partnerships for sustainable development.



The UN Sustainable Development Goals	The UN Sustainable Development Objectives	The Bank's contribution
 <p><b>End poverty in all its forms everywhere</b></p>	<p>Establish reliable strategic mechanisms at the national, regional and international levels based on considering pro-poor and gender-specific development strategies to facilitate accelerated investment in poverty eradication activities</p>	<p><b>implementation of social housing programs:</b></p> <p>The percentage of "social" mortgages in the total portfolio is 33%. By the end of 2023, the Bank's social loan portfolio amounts to 93,086 loans amounting to 1,067 billion tenge.</p> <p>According to the program of subsidizing rental housing for socially vulnerable groups of population at the expense of state budget funds (including local Akimats) the Bank made payments on 10,444 applications in the amount of 5.6 billion tenge.</p> <p>According to the program "Gain a diploma and go to the village", 3,416 loans totaling 17.38 billion tenge were issued to support residents of villages, settlements and rural districts, as well as 4,504 first settlement allowances totaling 1.5 billion tenge.</p> <p><b>implementation of initiatives aimed at increasing the availability of financial services:</b></p> <p>in order to increase the availability of financial services to the public, the Bank adheres to the policy of minimum tariffs. Starting from 2017, the Bank decided to zero out the commission for concluding an agreement on housing construction savings and for increasing the contracted amount. Also, in 2023, the Bank made the following changes to the tariff system:</p> <ul style="list-style-type: none"> <li>do not charge a commission for arranging a loan, a commission for reviewing a loan application and a commission for external money transfer for applications issued within the framework of the Concept of Housing and Communal Infrastructure development until 2026 in the direction of "implementation of social credit housing by providing interim and preliminary housing loans at a remuneration rate of no more than 2% per annum;</li> <li>do not charge a commission for transferring funds from the client's current account when applying for a loan under the "Gain a diploma and go to the village" program.</li> </ul> <p>The Bank also offers its customers a wide range of products, convenient service, including remote service channels, constantly develops digital technologies, and ensures cybersecurity.</p> <p><b>Charity and sponsorship:</b></p> <p>During the year, the Bank's employees actively participated in charity projects in various forms. The Bank's employees raised funds in the amount of about 1.8 million tenge for charity.</p> <p>The Bank also takes an active part in the initiatives of public organizations. In 2023, the Bank postponed loan payments to families affected by forest fires in the Abai oblast in 2023 as part of the National Volunteer Network initiative under the coordination of the Ministry of Information and Public Development.</p>

 <p><b>Ensure healthy lives and promote well-being for all at all ages</b></p>	<p>Ensure universal health coverage, including protection from financial risks, access to high-quality basic health services and safe, effective, high-quality and affordable essential medicines and vaccines for all</p>	<p><i>creating safe working conditions and the Bank employees' health maintenance:</i></p> <ul style="list-style-type: none"> <li>• The rate of absence from work due to illness made up 0.03%, in particular:</li> <li>• Lost Time Injury Frequency Rate (LTIFR) – 0 %;</li> <li>• Lost Time Accident Frequency Rate (LTAFR) – 0 %;</li> <li>• accident severity rate – 0 %;</li> <li>• fatal accident rate – 0 %;</li> <li>• occupational illness rate – 0 %;</li> <li>• lost day rate – 0%.</li> </ul> <p><i>social support for employees:</i></p> <p>The Bank provides employees with benefits and compensations that are part of an extensive social package. The Bank provides the following types of social support to its employees: financial assistance for certain life cases, a voluntary medical insurance program (sickness insurance), compensation payments in cases of business relocation, assistance in solving housing issues. The Bank also reimburses employees for 50% of the cost of sports club subscriptions.</p>
 <p><b>Ensure broad-based and fair high-quality education and promote lifelong learning opportunities for all</b></p>	<p>By 2030, ensure a significant increase in the number of young and adult people with in-demand skills, including vocational and technical skills, for employment, decent work and entrepreneurship.</p>	<p><i>creating training programs and organizing training of the Bank's staff; maintaining professional development of employees at the expense of the Bank:</i></p> <p>In 2023, 1,563 employees of the Bank completed external training, of which 979 employees completed unique training, which is 62.63% of the total number of trained employees. 34% of employees of the Central Office of the Bank completed external training on topics in the field of sustainable development and ESG.</p> <p>In 2023, 1,412 employees completed internal training, which is 100% of the total number of employees.</p>
 <p><b>Ensure gender equality and empower all women and girls</b></p>	<p>Ensure the extensive and effective participation of women and equal opportunities for them to lead at all levels of decision-making in political, economic and public life. Eliminate all forms of discrimination against all women everywhere.</p>	<p><i>Implementation of initiatives aimed at supporting women:</i></p> <p>The proportion of women in the staff structure is 60% (846 women out of 1,412 employees). 7 employees hold senior management positions in the Bank, 43% of them are women (3 women).</p> <p>The proportion of women in all senior positions is 11% (of the total number of employees).</p> <p>The proportion of women in senior positions in the areas of the Bank's income-generating activities is 4% (of the total number of employees).</p> <p>The proportion of female employees who participated in professional development programs is 84% (of the total number of participants).</p> <p>The proportion of female employees who participated in training events is 51% (of the total number of those who completed training).</p>

The proportion of female employees who were granted various incentives (awards, etc.) is 55% (of the total number of those who received awards).

The Bank is affiliated to the UN Global Initiative on the Women's Empowerment Principles.

***Implementation of special women's housing programs:***

The Bank supported 3.7 thousand women in the amount of KZT 41.2 billion under the "Umai" mortgage program in cooperation with the Asian Development Bank.

The Bank's clients are individuals. By the end of 2023, 59% of depositor customers were women and 41% men, 56% of borrowers were women and 44% men. Despite the fact that the same mortgage conditions apply to men and women, an analysis of the Bank's loan database indicates some differences between loans for men and women. Thus, the average loan amount for women is less than for men (15.4 million tenge vs. 17.8 million tenge); the average age of female borrowers is higher than men (42 vs. 38); women are more likely to act as co-borrowers than men (25% vs. 17%); the initial installment that women can make is lower more than for men (the share of women in the Bank's housing loans is 57%).

In 2023, the Bank received an award from the Central Asian Regional Economic Cooperation (CAREC) program for actively promoting gender equality in the country.

The Bank annually develops an Action Plan to ensure Gender Equality, as well as issues an annual report on the implementation of the above-mentioned Action Plan and publishes it on the Bank's official website. The report on the implementation of the Action Plan to ensure Gender Equality by the end of 2023 is published on the Bank's website [www.hcsbk.kz](http://www.hcsbk.kz).

***creating equal working conditions and career opportunities:***

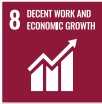

The Bank has a Personnel Policy, a Sustainable Development Policy, and a Code of Business Conduct in place that regulate issues related to the prevention of discrimination based on gender, age, racial, political, religious, and other similar motives.

The Bank has an institution ombudsman and a grievance committee to collect information on non-compliance with the Code of Business Conduct. The position of the Bank's Ombudsman is held by a woman.


There were no cases of discrimination in the reporting year.

***ensuring an equal system of performance evaluation and remuneration:***

The ratio of the average basic salary of men and women by employee category in 2023 was 1:0.8.

 <p><b>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b></p>	<p>Promoting constant, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p><i>ensuring decent working conditions:</i></p> <p>The Bank provides decent working conditions for 2,681 employees (the actual number of employees of the Bank is 1,412, freelance employees – 137, consulting agents - 1,132). Of these, the number of Bank employees with disabilities is 12.</p> <p>The Bank is guided by the principles of the UN Global Compact, the Corporate Governance Code, the Sustainable Development Policy, the Rules of Labor Relations and internal labor regulations in the field of respect for human rights and building labor relations. There are no complaints filed against the Bank in the reporting year for violation of the practice of labor relations. There are no units using child and forced labor, and no cases of performing dangerous work by young workers.</p> <p>The Bank has concluded a collective bargaining agreement between the employer and employees. 100% of the total number of employees are covered by collective bargaining agreements in the Bank.</p> <p><i>influencing the development of regions and the multiplier effect on related industries and the economy as a whole:</i></p> <p>As part of its activities, the Bank has a significant impact on the development of regions, therefore, it has a multiplier effect on related industries and the economy as a whole. A revolving principle of using funds for housing construction is ensured in the context of increasing the availability of loan funds for the population. 10,910,675 square meters of housing (multifamily residential buildings) were commissioned in the Republic of Kazakhstan by the end of 2023. Of these, the Bank financed 7.0% or 762,600 sq.m. meters.</p> <p>The multiplier effect is the growth in related industries of the production of construction products, electrical engineering, metallurgical and petrochemical industries, as well as items for the finishing and furnishing of new housing.</p> <p>The implementation of the Bank's housing projects also contributes to the development of small and medium-sized businesses, improving the architectural appearance of cities and residential areas, increasing tax revenues to the budget from construction activities, including: property tax, income tax on construction industry workers and value added tax on materials used for construction.</p> <p>This mechanism for financing housing construction makes it possible for us to maintain the pace of housing construction at the planned level, thereby ensuring the creation of a number of jobs in many sectors of the economy, providing employment and income growth among the population.</p>
 <p><b>Build resilient infrastructure, promote sustainable industrialization and foster innovation</b></p>	<p>Significantly expand access to information and communication technologies</p>	<p><i>implementation of digital technologies:</i></p> <p>The Bank ensures actual compliance with the requirements of the Legislation of the Republic of Kazakhstan, regulators and the best international standards and practices in the field of information security at the organizational, methodological and instrumental levels through the Bank's existing Information Security Management System. Load testing of the Bank's information systems is carried out regularly (on an ongoing basis) by the Bank's IT departments in accordance with the Bank's internal documents on vulnerability management, threats and updates of information systems in the Bank.</p>

		<p>For more information about the Bank's activities carried out during 2023 as part of the development and improvement of digital channels please refer to the Bank's annual report for 2023, posted on our corporate hcsbk.kz website in the section About the Bank/Reporting.</p> <p><b>automation of the Bank's business processes:</b></p> <p>By the end of the year, the Bank's Business Process Automation Action Plan for 2023 has been fulfilled by 100%. For more information about the Bank's activities carried out during 2023 as part of the development of automation of the Bank's business processes please refer to the Bank's annual report for 2023, posted on our corporate hcsbk.kz website in the section About the Bank/Reporting.</p>
 <p><b>Ensure the transparency, security, resilience and environmental sustainability of cities and human settlements</b></p>	<p>By 2030, ensure universal access to adequate, safe and affordable housing and basic services and upgrade the slums;</p> <p>Intensify efforts to protect and preserve the world cultural and natural heritage.</p>	<p><b>ensuring housing affordability:</b></p> <p>Over the entire period of activity, the Bank attracted budget funds in the amount of 835 billion tenge within the framework of state and regional programs. As of 01.01.2024, 741 billion tenge or 89% of the total amount of funds raised has been disbursed (taking into account repayable funds).</p> <p>As of 01.01.2024, the Bank issued a total of 502 thousand loans totaling almost 6.0 trillion tenge. In 2023, 65 thousand loans totaling 1.1 trillion tenge were issued. The Bank's loan portfolio increased by 8%, amounting to 3.2 trillion tenge.</p> <p><b>support and implementation of initiatives in the field of environmental friendliness of cities:</b></p> <p>The Bank provided green mortgage loans to 492 clients in the amount of 12.82 billion tenge. The Bank cooperates with 17 key players in the construction sector on green construction issues.</p>
 <p><b>Ensure the transition to sustainable consumption and production patterns</b></p>	<p>Implement a Ten-Year Strategy of Action for the transition to rational consumption and production patterns with the participation of all countries, with developed countries being the first to start it, and taking into account the development and potential of developing countries;</p> <p>By 2020, achieve environmentally sound management of chemicals and all wastes throughout their entire life cycle in accordance with agreed international principles and significantly reduce their release into air, water and soil in order to minimize their negative impact on human health and the environment;</p>	<p><b>improving the culture of energy conservation:</b></p> <p>The Bank conducts environmental trainings for employees in order to improve environmental culture. Environmental actions were carried out in 2023, namely tree planting in the country's cities (about 30 trees were planted), garbage cleaning (30 workers took part in a large-scale eco-clean-up Almaty Clean &amp; Green).</p> <p>According to the results of 2023, the Central Office of the Bank handed over 222.5 kg of waste paper, 51.9 kg of glass, 62.0 kg of plastic for recycling and disposal by means of hydrodigestion in the Organization of secondary raw materials.</p> <p>In order to reduce the impact of its operational processes on the environment and use the natural resources rationally, the Bank is introducing a practice of setting goals such as installation of automatic lighting control systems in corridors (motion sensors) in the Central Office in 2025 in 10 branches of the Bank, and in 2026 in all 20 branches of the Bank.</p> <p><b>reduction of resource consumption (energy consumption, water consumption):</b></p> <p>The Bank has reduced energy consumption by 28% and water consumption in the building of the Central Office of the Bank by 12% compared to last year.</p>

	<p>By 2030, achieve the rational development and efficient use of natural resources;</p> <p>By 2030, significantly reduce the volume of waste by taking measures to prevent its formation, reduce, recycle and reuse thereof;</p> <p>Recommend companies, especially large and multinational companies, to apply sustainable production methods and reflect information on the rational use of resources in their reports.</p>	<p><i>optimization of paper document flow by automating the Bank's business processes:</i></p> <p>In 2023, the Bank reduced the use of paper by 50% compared to 2022.</p>
 <p><b>Strengthen the means of implementation and revitalize the Global partnership for sustainable development</b></p>	<p>Adopt and implement investment promotion regimes for the benefit of least developed countries.</p>	<p><i>maintaining cooperation and partnerships for sustainable development:</i></p> <p>1. The Bank is a co-founder of the National ESG Club, whose mission is to contribute to the achievement of the goals of sustainable development and efficient energy transfer of the Republic of Kazakhstan through the implementation of ESG principles.</p> <p>The goal of the Club is to promote ESG principles to contribute to the achievement of the goals of sustainable development, increase energy efficiency, minimize environmental impacts, improve working conditions and respect human rights.</p> <p>As part of their social responsibility, each co-founder of the Club can take on a certain direction, which will be actively promoted and developed. The issues of implementing ESG approaches, responsible investment, as well as promoting the development of the green and sustainable projects market are discussed at the Club's platform.</p> <p>In the future, the Bank plans to implement new projects in the field of sustainable development and ESG, attract sustainable investments for its projects, including through the combined efforts of the ESG club.</p> <p>2. The Bank is affiliated to the UN Global Initiative on the Women's Empowerment Principles.</p>

Sustainable development management in the Bank is carried out within the framework of the general business management system and is an integral part of it.

The Management Board of the Bank approved the Action Plan for the Sustainable Development of the Bank for 2023. The Bank's Sustainable Development Action Plan for 2023 included measures to improve sustainable development management practices, improve the skills of the Bank's employees in

the field of sustainable development, disclose information, reporting on sustainable development on the Bank's Internet resources, the mass media, and conduct environmental and charity events. In such a way, in 2023, 20 planned sustainable development activities have been completed in full. The report on the implementation of the Bank's Sustainable Development Action Plan is reviewed by the Management Board. In addition, sustainability reporting is submitted to the Board of Directors of the Bank annually.

## Plans for 2024

On December 07, 2023, the Bank's Management Board approved the Bank's Sustainable Development Action Plan for 2024, which includes a number of measures aimed at:

- The Bank's contribution to achieving the UN SDGs by implementing social projects and promoting the development of the green project market;
- implementation of the principles of sustainable development in key processes and administrative and economic activities of the Bank;
- increasing transparency in the disclosure of non-financial information;
- building sustainable development competencies.
- In particular, the Plan provides for:
  - execution of the Action Plan for improving the Bank's corporate governance based on the results of diagnostics of the corporate governance system;
  - participation in the annual reports' competition and in the rating of Kazakhstani companies by the level of disclosure of ESG (environmental, social, governance) – information in the annual report;
  - professional development of responsible employees of the Bank in the field of sustainable development and ESG;
  - raising awareness of workers/employees of the Bank, conducting training on topics in the field of sustainable development;
  - involvement of workers/employees of the Bank in environmental and charity projects of the Bank;
  - purchase of the Bank's branded products made of eco-friendly materials;
  - activity on organizing the collection, sorting, processing and transportation of the Bank's waste;
  - implementation of measures as part of reducing greenhouse gas emissions;
  - reaching an ESG rating.
  - integration of climate risks into the Bank's risk management system.

## Interaction with stakeholders

The Bank strives to maintain high-quality and sustainable relationships with key stakeholders, and takes their interests into account when making key decisions and conducting operational activities.

The principles and procedures for interaction with stakeholders are defined by the Corporate Governance Code and the Sustainable Development Policy.

The Bank has approved a Stakeholder Map, which defines the list of key stakeholders and the degree of their influence. This map makes it possible to

systematize and visualize information about the Bank's environment in order to build an adequate strategy for interacting with each of the stakeholders. Identifying stakeholders and dealing with them is one of the tools that makes it possible to improve the business reputation, the capitalization of a company, and establish effective and balanced relationships with all stakeholders.

The key stakeholder groups were selected based on the level of their impact on the Bank and the level of the Bank's impact on stakeholders.

Nº	Stakeholders	"Interests/motives"	Tools for influence	Interaction strategy
1	Sole shareholder	Compliance with the interests of the sole shareholder of the Bank, the Baiterek National Managing Holding JSC	Legislation of the Republic of Kazakhstan, the Charter, internal documents of the Bank	Ensuring the implementation of the rights of the Sole shareholder within the framework of corporate governance principles aimed at effective key decision-making in accordance with the legislation of the Republic of Kazakhstan
2	The management body	General management of the Bank's activities, with the exception of matters falling within the exclusive competence of the Sole shareholder	Legislation of the Republic of Kazakhstan, the Charter, internal documents of the Bank	Identification of the Bank's priority areas of activity and development strategy.
3	Management	Making decisions on any issues of the Bank's activities that are not attributed by the legislation of the Republic of Kazakhstan and the Charter of the Bank to the competence of the Sole shareholder and the Board of Directors	Legislation of the Republic of Kazakhstan, the Charter, internal documents of the Bank	Execution of decisions of the Sole shareholder, the Board of Directors of the Bank. Preparation and implementation of development plans and other issues related to the Bank's activities.
4	Personnel	Labor relations with the employer, direct fulfillment of obligations under the employment contract	Labor Code, employment contract, internal documents of the Bank	Execution of official powers aimed at the implementation of the objectives and functions of the Bank.
5	Government agencies	Implementation of legislative powers stipulated by the legislation of the Republic of Kazakhstan	Legislation of the Republic of Kazakhstan	Monitoring compliance with the legislation of the Republic of Kazakhstan.
6	Investors	Making a profit	Contractual relations within the framework of investment, cooperation/partnership agreements	Priority of payment of the principal debt and remuneration for invested funds, exclusion of dependence on financing
7	Financial institutions	Making a profit	Contractual relations within the framework of investment, cooperation/partnership agreements	Priority of payment of the principal debt and remuneration for invested funds, exclusion of dependence on financing
8	Suppliers	Making a profit, increasing the level of competitive power	Contractual relations within the framework of the supply of goods, performance of works, provision of services	Compliance with the requirements for the organization of the procurement process



Nº	Stakeholders	"Interests/motives"	Tools for influence	Interaction strategy
9	Partners	Commercial interests	Contractual relations	Conclusion of contracts and agreements on mutually beneficial cooperation and mutual understanding.
10	Customers, consumers	The quality and availability of product lines and services in the housing savings market	Customer preferences and satisfaction	Improving the quality and availability of products and services in the housing savings market. There were no active lawsuits in 2023 related to marketing and reporting information about financial products to new and regular customers.
11	Auditors	Provision of financial audit services	Contractual relations	Conclusion of contracts for the provision of audit services. Audit of financial statements, external audit. No investigations took place in 2023 in relation to the Bank's accounting.
12	Consulting organizations	Provision of consulting services	Contractual relations	Conclusion of contracts for the provision of consulting services. Business process improvement. Control over the execution of contractual relations.
13	Population	The quality and availability of product lines and services in the housing savings market	Public opinion. Appeals to higher and regulatory authorities, the mass media.	Reputation audit, public opinion polling, implementation of a communication strategy. Publication of financial and non-financial statements of the Bank. Demonstration of practical commitment to the principles of social responsibility, transparency of activities and sustainable development. Making additional social commitments, solving urgent social problems. Charity activities.

№	Stakeholders	"Interests/motives"	Tools for influence	Interaction strategy
14	Public organizations	Various issues within the framework of the activities of public and non-governmental organizations	Charter, contractual relations	Compliance with the legislation of the Republic of Kazakhstan, support for local public activities, charity, provision, taking care of the environment. Employment, social responsibility. In the reporting year, the Bank did not make monetary contributions and expenses to lobbyists or lobbying organizations, trade associations and other tax-exempt groups. The Bank does not finance political parties or public associations in order to gain or maintain an advantage in its activities.
15	The mass media	Publications and information about the Bank's activities	Publications and information about the Bank's activities	Compliance with the legislation of the Republic of Kazakhstan, development of bilateral and multilateral relations with the mass media.
16	Competitors	An increase in the share of presence in the market of household deposits, mortgage lending for the construction and purchase of housing, mortgage lending	Application of modern technologies, the growth of the quality level of services and products provided in the financial market, active advertising campaign, development and introduction of new lines of products and services in the market of household deposits	A strategy to reduce the level of competition: <ul style="list-style-type: none"> <li>• cooperation on terms that are unattractive to competitors;</li> <li>• increasing the level of commitment of staff to the Bank;</li> <li>• expansion of the presence in the country;</li> <li>• development and introduction of new product lines and services in the housing savings market;</li> <li>• cooperation for mutually beneficial solutions to problems.</li> </ul>

The process of organizing the Bank's interaction with stakeholders is based on the principle of engagement, which implies taking into account the interests of stakeholders at all stages of the Bank's management process and involving stakeholders in discussing significant topics and important issues, potential risks and boundaries of responsibility.

The strategy of the Bank's interaction with each stakeholder, as well as tools for influence, are determined by the structural divisions of the Bank independently, depending on the specifics of the activity.

The mechanisms of receiving by the Bank of questions and/or complaints from stakeholders and the procedure for timely response, including

complaint consideration mechanisms and external communication mechanisms, are clearly described on the Bank's website in the Sustainable Development/ Corporate Responsibility section.

The employees of the Bank responsible for interaction with stakeholders are determined by the relevant production documents of the Bank and their contacts are posted on the Bank's website in the Sustainable Development/ ESG Contacts section.

## Corporate governance system

The Bank considers corporate governance as the means of increasing the efficiency of its activities, ensuring transparency and accountability, strengthening its reputation and reducing the cost of raising capital, as well as its contribution to ensuring the rule of law in the Republic of Kazakhstan and a factor determining the Bank's place in the modern economy and society as a whole.

The Bank's corporate governance is based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence. An effective corporate governance structure implies respect for the rights and interests of all persons interested in the Bank's activities and contributes to the successful operation of the Bank, including the growth of its value, maintaining financial stability and profitability.

The relations between the participants in the Corporate governance system in the Bank are regulated by the Bank's internal documents developed on the basis of international practice. The Bank's corporate governance structure complies with the legislation and defines the division of responsibilities between the Bank's units.

The principles of the Bank's corporate governance in accordance with the Bank's Corporate Governance Code:

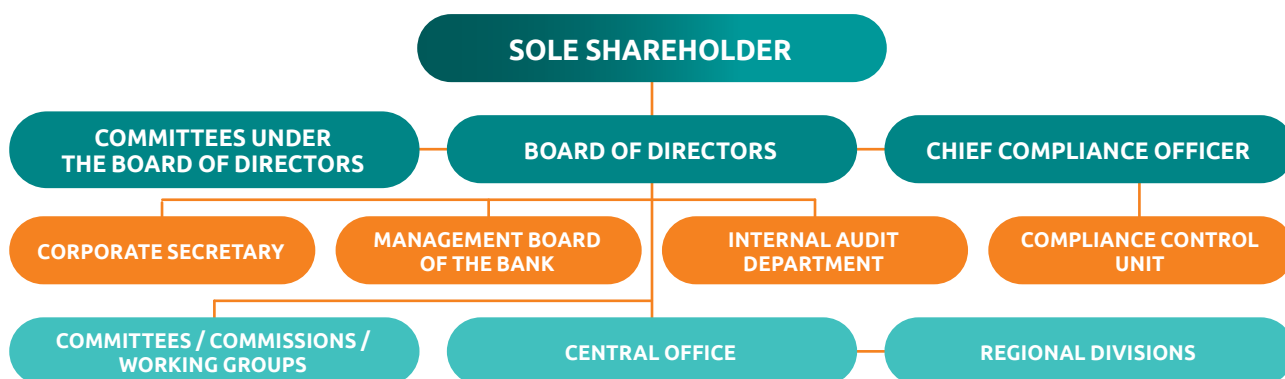
1. the principle of separation of powers;
2. the principle of protection of the rights and interests of the sole shareholder of the Bank provided for in accordance with the civil, banking legislation of the Republic of Kazakhstan, the legislation of the Republic of Kazakhstan on joint-stock companies and support for the enforcement of these rights and interests;
3. the principle of effective management of the Bank by the Board of Directors and the Management Board;
4. the principle of sustainable development;

5. the principle of risk management, internal control and internal audit;
6. the principle of regulating corporate conflicts and conflicts of interest;
7. principles of transparency and fairness of disclosure of information about the Bank's activities in accordance with the banking legislation of the Republic of Kazakhstan, the legislation of the Republic of Kazakhstan on government regulation, control and supervision of the financial market and financial organizations, the legislation of the Republic of Kazakhstan on currency regulation and currency control, on payments and payment systems, on the securities market, on countering legalization (laundering) of proceeds from crime and the financing of terrorism, on joint-stock companies.
8. the principle of compliance with the scale and nature of the Bank's activities, its structure, risk profile, and the Bank's business model.
9. the principle of providing access for members of the Bank's Board of Directors to complete, up-to-date and timely information about the Bank's activities in order for them to perform their duties.

Diagnostics of the corporate governance system is carried out by the Internal Audit Department of the Bank once every three years, in accordance with the requirements of the Rules on the Organization of Internal Audit approved by the decision of the Board of Directors of the Bank.

According to paragraph 3 of Article 182 of the Law of the Republic of Kazakhstan "On State Property", an independent assessment of corporate governance should be carried out at least once every three years by state-controlled joint-stock companies (with the exception of the National Welfare Fund). No independent assessment of the Bank's corporate governance was carried out in 2023. In 2023, the Bank's corporate governance was assessed by internal auditors, according to the results of which the compliance of the corporate governance level made up 95.6%, which corresponds to the "Adequate" rating.

# Corporate governance structure



In accordance with the legislation of the Republic of Kazakhstan, the organizational structure of the Bank consists of the following management bodies:

- The supreme body is the Sole shareholder;
- The governing body is the Board of Directors. There are 4 committees under the Bank's Board of Directors: the Audit Committee *(considers issues related to the preparation of the Bank's financial statements and ensures the reliability and completeness of the Bank's financial statements, prepares recommendations to the Bank's Board of Directors on the development of priority areas of activity (development) and the functioning of an adequate risk management system of the Bank)*, the Strategic Planning and Corporate Development Committee *(considers issues of priority areas of activity and strategic goals, as well as issues of corporate development, including issues on the development of measures that contribute to improving the efficiency of the Bank's activities in the medium and long term, its profitable activities and sustainable development)*, the Risk Management Committee *(prepares recommendations to the Board of Directors on the development of priority areas of activity (development), and the functioning of an adequate risk management system in the Bank, improvement and strengthening of the risk management system)* and the HR, Remuneration and Social Affairs

Committee *(considers issues in the field of personnel policy, appointment and remuneration systems, as well as evaluating the activities of members of the Bank's Board of Directors, members of the Bank's Management Board, planning of succession of the Chairman and members of the Management Board and evaluation of the Corporate Secretary's activities);*

- The executive body is the Management Board. There are 11 committees under the Management Board of the Bank: the Strategy and Corporate Development Committee, the Asset and Liability Management Committee, the Committee of Banking Products and Processes, and Service Quality, the Credit Committee, the Information Resources Committee, the Budget Committee, the Controlling Committee, the Personnel Committee, the Information Security Committee, the Commission for Valuation and Fixed Assets, Intangible Assets and Stale Inventories Write-off, Risk Committee;
- The body exercising control over the financial and economic activities of the Bank is the Internal Audit Unit;
- other permanent collegial bodies of the Bank established in accordance with the legislation of the Republic of Kazakhstan and internal documents of the Bank for the implementation of various activities of the Bank.

# Risk management system and internal control

The Bank strives to ensure a balance between the interests of business and society, and also ensures consistency of its economic, environmental and social goals for sustainable development in the long term. The Bank integrates the principles of sustainable development, enshrined in international standards in the field of sustainable development, into the management system, development strategy and key processes.

The risk and capital management system is part of the Bank's strategy and is aimed at ensuring sustainable development through management decision-making in conditions of uncertainty, to increase the effectiveness and efficiency of decisions, reduce losses and maximize income.

In the course of risk management, the Bank uses various approaches taking into account the requirements of the National Bank of the Republic of Kazakhstan as a participant in the financial system of the state, such as:

- a three-line protection system;
- formation of the Bank's risk appetite strategy;
- capital adequacy assessment;
- liquidity adequacy assessment;
- conducting stress tests of the main financial indicators of the Bank;
- ensuring the availability of a management reporting system in order to timely communicate information on risk indicators to the authorized bodies of the Bank.

For the successful implementation of the strategy, the Bank regularly analyzes key risks that may affect the achievement of strategic goals and the financial stability of the Bank, and develops appropriate measures to minimize them. In the reporting year, as in previous periods, the Bank continues to maintain a high level of liquidity and capital adequacy, which significantly exceed the requirements of the regulator.

The Bank's internal control system has been formed in accordance with the requirements of the legislation of the Republic of Kazakhstan, the Basel Committee on Banking Supervision, and the best international practices. The Bank applies the concept of the "Integrated COSO Model" of 2013 in the formation of the internal control system. The Bank's internal control system (hereinafter referred to as the ICS) is a process integrated into the day-to-day activities carried out by the Board of Directors, collegial bodies, structural divisions and all employees of the Bank in the performance of their duties.

The Internal Control Unit provides consulting assistance to the Bank's employees in relation to internal control issues in accordance with the Bank's internal regulatory documents, the regulatory documents of the Baiterek National Managing Holding JSC, the regulatory documents of the National Bank of the Republic of Kazakhstan and the legislation of the Republic of Kazakhstan in order to ensure the effective functioning of the ICS in the Bank.



The background is a vibrant, painterly sky. A large, dark, stormy cloud formation dominates the upper right, with a bright, golden light breaking through on the left side, creating a rainbow. In the lower left foreground, a portion of a rainbow flag is visible, with its characteristic stripes of red, orange, yellow, green, blue, and purple. The overall mood is one of hope and resilience.

# THE ECONOMIC COMPONENT OF SUSTAINABLE DEVELOPMENT

VOICES FOR  
EQUAL RIGHTS  
AND OPPORTUNITIES

# The Bank's development strategy

## THE MISSION

**Provide Kazakhstani families with their own housing and strengthen the sense of Homeland.**

## VISION

"In 2023, we are a sustainable, high-tech, customer-oriented socially significant bank, which implements the principles of the housing construction savings system, actively participates in the implementation of government programs, and supports the development of housing construction to provide housing for a broad public."

## VALUES

### 1. Development and innovation.

The Bank is constantly working to improve customer service, the quality of internal processes and is intolerant of any signs of inefficiency, is always open to innovation and development, actively implements the latest banking and management technologies. The Bank supports employees' desire for self-development.

### 2. Effectiveness and meritocracy.

The Bank is committed to the highest standards in achieving goals, maintains a culture of result-oriented performance, sets clear goals for that end, achieves them on time, with reasonable resources, and regularly evaluates results. Meritocracy is a fair and impartial assessment of the individual efforts, abilities and achievements of each employee.

### 3. Team and respect.

An atmosphere of mutual respect is the Bank's priority. The Bank's management is aware of everyone's contribution to achieving team goals, which creates a basis for mutual trust.

### 4. Initiative and team spirit.

Independent and active desire of employees to optimize the production process. Cooperation to achieve high results of joint activities and common intentions.

### STRATEGIC GOALS BY THE END OF 2023:

- increasing the share of participants in the system of housing construction savings vs economically active population (EAP) to 25%;
- transfer of 100% of customer service operations to online mode through the introduction of advanced technologies and automation of the Bank's activities;
- maintaining the customer satisfaction index (CSI) at 4.7.

The Bank's activities over the past 10 years have been carried out in accordance with the Bank's Development Strategy until 2023. The last 2023 was the year of summing up and evaluating its development strategy. The past decade has been a time of transformation and active development of the Bank as a whole. This period was marked by a number of significant events, such as the digital transformation of the Bank, the successful implementation of social housing programs and government projects, the launch of many new products, improving the quality of services provided, optimizing and automating business processes, improving corporate governance, etc.

All strategic key performance indicators have been successfully achieved, while the fulfillment of some of them exceeded the approved plan.



# Implementation of social programs

The Bank is one of the main operators for the implementation of the state's housing policy. In the reporting year, the Bank implemented special housing programs for such social groups as multi-member

families, families raising children with disabilities, persons with disabilities, orphans, military personnel, youth, and women.

**The results of the programs are shown in the following table:**

Type of loan	2023 (for the period)		Key indicator as of 01.01.2024	
	Quantity	Volume, billion tenge	Quantity	Volume, billion tenge
Nurly Zher	2,814	26.22	29,705	180.73
SHANYRAK Pilot Project	975	10.55	19,316	232.02
Bakytty otbasy	3,243	37.98	17,774	191.70
The concept of housing and communal infrastructure development for 2023-2029	1,280	13.72	1,276	13.68
Umai women's mortgage	1,315	15.94	3,505	39.29
Zhana baspana (military product)	2,212	65.21	15,597	316.07
Regional programs	2,148	35.94	5,799	91.00
Zhas otbasy	67	1.44	114	2.06
<b>Total</b>	<b>14,054</b>	<b>207.00</b>	<b>93,086</b>	<b>1,066.56</b>

*The percentage of "social" mortgages in the total portfolio is 33%.*

In addition, since 2022, the Bank has been implementing a program to subsidize rental housing for socially vulnerable groups of the population at the expense of state budget funds (including local akimats). In the reporting year, the Bank continued to implement a mechanism for assigning and making payments to certain categories of citizens for housing rented in a private housing fund. 9 billion tenge was actually allocated in 2023, of which 5.6 billion tenge are funds from the republican budget, 3.4 billion tenge are funds from local budgets. The amount of disbursed funds is 5.3 billion tenge (4.3 billion and 1 billion tenge, respectively). The remaining unused funds were paid back to the republican budget. At the end of the reporting year, payments were made to multi-member families, families raising children with disabilities, orphans; 5.6 billion tenge were paid to disabled people of 1st, 2nd groups on the basis of 10,444 applications.

Since 2023, the Bank has been implementing the "Gain a diploma and go to the village" state program. Within the framework of the program, the Bank develops a remote submission of applications by specialists in the field of healthcare, education, social security, culture, sports and agro-industrial complex, public officers of Akims' offices in villages, settlements, rural districts

who arrived to work and live in rural localities and a personal account for local authorities to administer submitted applications. To improve customer service and increase the digitalization of public services, the process was completely transferred to an online format, which saved time for specialists in the field of education, healthcare, agro-industrial complex and program administrators in local executive bodies for submitting and processing applications for budget loans within the framework of rural development. Within the framework of program by Agrarian Credit Corporation JSC a portfolio of 37,749 units with a total volume of 90 billion tenge was raised. The Bank has signed 180 commission agreements with local executive bodies for a total budget of 18.6 billion tenge. A total of 3,416 loans to the amount of 17.38 billion tenge were issued under the program, as well as 4,504 first settlement allowances totaling 1.5 billion tenge.

Also, in the reporting year, the Bank became the authorized operator of one of the key state projects – the National Fund for Children and approved its Concept and measures for its implementation. The program will be implemented from the beginning of 2024.

## Special service for certain categories of citizens

In order to take care of customers, including low-mobility groups of citizens and groups of citizens with disabilities, the Bank has provided the following service conditions:

- An on-site service was organized by the Bank's freelance consultants. The Bank's consultants can use mobile tablets to provide service to customers in any place convenient for the customer.
- the possibility of servicing deafmute and hard-of-hearing customers with the help of a sign language interpreter service using a video service.
- The Bank's branches have organized the possibility of servicing people with disabilities out of turn.
- ramps, elevators, tactile paving with a call button for a Bank employee, etc. are installed in the Bank's

branches.

- arranging both online and face-to-face educational sessions with the participation of representatives of the Union of Paralyzed Citizens NGO, ZHAN NGO, Commission on the Rights of People with Disabilities named after K. Imanaliyeva NGO. The training events were aimed at improving the competencies of the Bank's employees in matters of effective and respectful interaction with disabled customers. The main topics included "Rules of polite communication with people with disabilities", "Specifics of servicing customer with disabilities" and "Adaptation of banking services for people with disabilities".

In 2023, the Bank issued 385 loans to clients with disabilities in the amount of 4.6 billion tenge.

## Implementation of environmental projects

Since the beginning of 2023, the Bank has been implementing the first green mortgage program in Kazakhstan for the purchase of apartments in energy-efficient apartment complexes built according to "green standards", thereby supporting a strategic initiative to promote environmentally friendly housing. The program is focused on protecting the health of citizens and the environment.

The main condition for the implementation of the program is the compliance of the purchased housing with the "green standard" certified according to one of the existing systems in Kazakhstan (OMIR, GOST R, BREEAM, LEED), regardless of its certification level.

This means that a real estate developer uses environmentally friendly and environmentally safe materials for the construction of houses, beautifies

and plant the territory with trees, all houses are placed thoughtfully, air temperature in apartments can be adjusted, transport accessibility is in place, etc.

In 2023, the Bank expanded the list of cooperations with developers who comply with environmental construction standards.

During 2023, the Bank successfully disbursed 12.8 billion tenge (91%) out of the planned 14 billion tenge. In an effort to expand cooperation with key players in the construction sector, the Bank has concluded 17 memorandums of cooperation with leading construction companies in the country. As a result, the Bank within the framework of the program provided mortgage loans to 492 customers in the amount of 12.82 billion tenge.

# Economic performance

## Distribution of economic value, million tenge

	2021	2022	2023
<b>Economic value created (income):</b>			
Operating income (interest income)	171,023	251,019	312,035
fee and commission income	1,919	3,016	4,913
other income	32	12	13
<b>Distributed economic value:</b>			
labor costs	11,851	13,108	15,190
expenses on taxes and fees to the state budget	654	792	841
capital provider fees (interest and dividend payments)	-	-	-
charity and sponsorship	-	-	-
other operating expenses	9,595	10,382	9,927
other non-operating expenses	-	-	-
<b>Economic value to be distributed (net profit)</b>	<b>65,755</b>	<b>96,035</b>	<b>147,528</b>

In 2023, the Bank's total economic value created amounted to 317 billion tenge. As a large commercial organization, the Bank contributes to the socio-economic development of the country in the course of distributing the economic value created in the interests of the main stakeholders.

At the same time, a more significant contribution to society and the economy is made by the Bank in the course of operating activities for the development of the housing savings system in the country. By helping people of Kazakhstan to solve the housing issue, the Bank creates a stable foundation for the development of the state and for improving the standard of living of citizens of Kazakhstan.

## Procurement

The Bank strives to ensure transparency and efficiency of procurement procedures, which are carried out in accordance with the Rules for Procurement of Goods, Works and Services. At the same time, information systems are actively used to automate the processes of organizing and conducting procurement by means of requesting price offers and an open tender.

Procurement is based on the following principles:

1. most preferable and efficient spending of money used for procurement;
2. openness and transparency of the procurement process;
3. providing potential suppliers with equal opportunities to participate in the procurement process;
4. fair competition among potential suppliers;
5. responsibility of procurement participants;
6. prevention of corruption.

The Bank procures goods and services from a large number of enterprises with state participation. Such procurement individually amounts to insignificant amounts and are usually carried out on a commercial basis. Selection criteria in accordance with the legislation of the Republic of Kazakhstan are applied for potential suppliers of goods, works and services.

Based on the results of the procurement procedures in 2023, 687 contracts were concluded. The total amount of concluded contracts amounted to 12,452,344

thousand tenge (11,339,379 thousand tenge exclusive VAT), the number of disbursed items is 1,539. The total savings in relation to all procurement made amounted to 485,951 thousand tenge, however, this savings is redistributed and additionally disbursed during the year, meeting the additional needs of the Bank. At the same time, the share of local content in procurement for the reporting period amounted to 70% (the volume of fulfillment according to the reports received as of 01.01.2024 is 9,896,627 thousand tenge).

## Business ethics

The Bank applies a Code of Business Conduct, which is developed in accordance with the provisions of the legislation of the Republic of Kazakhstan, the Charter and internal documents of the Bank, the Code of Business Conduct of Baiterek National Managing Holding JSC, taking into account recognized international standards of business conduct and corporate governance and is a set of rules that establish the fundamental values and principles of corporate (business) ethics and which are guided by the Bank's employees.

The Code applies to members of the Bank's Board of Directors and to all employees of the Bank, regardless of their position, and is applied on an equal basis with other internal documents of the Bank. Employees are guided by the requirements of the Code in their relations with the Sole Shareholder, members of the Board of Directors, the Management Board, colleagues, customers, partners, suppliers.

In 2023, changes and additions were made to such important aspects as ethical standards, the inadmissibility of accepting gifts, material rewards or services, the inadmissibility of discrimination and harassment, involvement in political activities, the policy of employment of relatives and fair competition.

### ETHICAL PRINCIPLES.

1. The Bank provides equal opportunities and under no circumstances allows discrimination based on gender, age, racial, political, religious and other similar motives.
2. Recruitment and promotion of personnel is carried out solely on the basis of professional knowledge, experience and competencies in accordance with the internal documents of the Bank, excluding any manifestations of discrimination. Career advancement is based on an impartial assessment of performance, qualifications and competencies.
3. The Bank provides all employees with equal opportunities for development, which depend on the results achieved, competence and qualifications. In turn, the Bank expects all team members to be proactive, eager to gain new knowledge and willing to share this knowledge with colleagues.
4. It is not allowed to grant any privileges and benefits to individual workers/employees of the Bank.
5. In the field of establishing fair remuneration, the Bank is based on the recognition of the results of work and the achievement of key performance indicators, the level of qualifications and competencies, the complexity and quality of the work performed.

The Bank has an ombudsman institution in place to collect information on non-compliance with the Code of Business Conduct, consult employees on the provisions of the Code, initiate dispute resolution on violation of the provisions of the Code and participate in their settlement.

## Conflict of interest

The Bank has approved a Policy on the settlement of corporate conflicts and conflicts of interest, which defines a list of measures aimed at preventing conflicts of interest in the Bank, which is based on a clash of oppositely directed interests, opinions, goals, and various ideas about ways to achieve them.

The Policy clearly establishes the duty of officials (members of the Board of Directors and the Management Board of the Bank), employees of the Bank to act in the interests of the Bank and its Sole Shareholder, and also defines their responsibility.

According to the requirements of the Policy, officials and employees of the Bank, in order to avoid conflicts of interest, are obliged to avoid any actions and relationships that could potentially cause a conflict of interest. Any conflict of interest between personal interests and professional duties in the Bank must be disclosed and resolved in accordance with the norms

of the legislation of the Republic of Kazakhstan and the Policy. For the sake of exception of a conflict of interest, the Bank's employees sign an obligation to comply with actions that limit the risk of a conflict of interest.

The Regulations on the Bank's Board of Directors also provide that the Chairman of the Board of Directors, in case of corporate conflicts, takes measures to resolve them and minimize the negative impact on the Bank's activities, and promptly inform the Sole Shareholder if it is impossible to resolve such situations on their own. The Bank confirms that as of 01.01.2024, there are no appeals from the Sole Shareholder in connection with a corporate conflict with the Bank and its officials in 2023.

No cases of a conflict of interest, including on the part of Bank officials were revealed in 2023.

## Anti-corruption

The Bank pays special attention to anti-corruption issues. Activities in this area are carried out on an ongoing basis, in strict accordance with the requirements of the legislation of the Republic of Kazakhstan and internal documents of the Bank.

In order to prevent corruption offenses, the Bank implements a set of measures, the end result of which is the exclusion of corrupt activities.

The Bank has developed and approved Anti-Corruption Regulations. Separate procedures and controls have been implemented in the Bank's internal documents, including on personnel management issues.

The Bank regularly conducts internal training of the Bank's employees on anti-corruption issues with mandatory testing of the acquired knowledge.

1,285 consultants of the Central Office and in 18 branches of the Bank, 1,379 workers/employees of the Central Office and branches of the Bank completed anti-corruption training in 2023 with testing of the acquired knowledge.

Region	Consultants	Workers/employees
Abai Regional Branch of the Bank	39	30
Akmola Regional Branch of the Bank	34	24
Aktobe Regional Branch of the Bank	49	45
Almaty Regional Branch of the Bank	39	34
Atyrau Regional Branch of the Bank	68	34
East Kazakhstan Regional Branch of the Bank	50	39
Zhambyl Regional Branch of the Bank	47	33
Zhetysay Regional Branch of the Bank	29	17
West Kazakhstan Regional Branch of the Bank	65	39
Karaganda Regional Branch of the Bank	49	46
Kostanay Regional Branch of the Bank	43	37
Kyzylorda Branch of the Bank	52	27
Mangystau Regional Branch of the Bank	52	40
Pavlodar Regional Branch of the Bank	58	40
North Kazakhstan Regional Branch of the Bank	32	28
Turkestan Regional Branch of the Bank	34	13
The Branch in Almaty	93	111
The Branch in Shymkent	109	47
Central Office (Almaty)	265	571
The Central Branch of the Bank	78	124
<b>Grand total</b>	<b>1,285 (100%)</b>	<b>1,379 (95.8)</b>

The Compliance Control Unit is a division that performs anti-corruption compliance functions in the Bank, is independent of any activity of the Bank's structural divisions and is accountable through the Chief Compliance Controller to the Board of Directors of the Bank.

All employees of the Bank and individuals providing services to the Bank on the basis of civil law contracts, regardless of their position, are warned about the obligation to report known facts of corruption in the Bank to their immediate supervisors or to the security unit or confidentially via the Hotline. At the same time, each employee of the Bank is personally responsible for concealing the facts of involvement of any of the Bank's employees in corrupt activities.

In order to prevent corruption offenses, the Bank implements a set of measures, the end result of which is the exclusion of corrupt activities.

The Bank has a Hotline, which is a means of obtaining confidential information about corruption violations by employees and consultants of the Bank. An analysis of appeals received this year showed that all of them

were of a reference and advisory nature and did not contain information indicating the involvement of Bank employees in corrupt actions.

The Bank informs the Anti-Corruption Agency of the Republic of Kazakhstan on a quarterly basis about the presence/absence of facts of holding the Bank's chief executives accountable for corruption crimes of subordinates.

Based on the results of staff training, the awareness of the Bank's staff about the Bank's anti-corruption activities, existing restrictions and responsibilities, and feedback channels has been increased. It is expected that the measures taken will minimize the risk of corruption in the Bank's activities.

In the Q2 of 2023, the Bank conducted a thematic anti-corruption monitoring of the Bank's activities for 2022 and 5 (five) months of 2023. The results of the monitoring were brought to the attention of the Chairman of the Management Board of the Bank and sent to the Anti-Corruption Agency of the Republic of Kazakhstan (Anti-Corruption Unit) on June 30, 2023.

The internal analysis of the corruption risks of the Center for Providing First Housing of Otbasys Bank JSC was conducted in the Q4 of 2023. Based on the results of the analysis, an Action Plan was drawn up to eliminate the causes and conditions conducive to the commission of corruption offenses identified by the results of an internal analysis of corruption risks of the Center for Providing Housing of Otbasys Bank JSC. The analytical report and the Action Plan based

on the results of the analysis are posted on the Bank's Internet resource.

There are no cases of violations committed by the Bank's employees with signs of corruption during the reporting year. No measures have been taken against the Bank and its employees for corruption-related violations. No lawsuits were initiated for anti-competitive behavior, antitrust and monopoly practices.

## Privacy protection

The Bank ensures the privacy of customers and the protection of personal data, strictly observing the legislation of the Republic of Kazakhstan.

The collection of personal data of a customer is carried out by front office employees with the consent of the customer or his representative. The processing and use of the customer's personal data is carried out within the limits and to the extent provided for by the customer's consent, as well as in cases provided for by the legislation of the Republic of Kazakhstan, by Bank employees, staff (consultants, agents working under an assignment agreement, a contract for the provision of paid services) directly using them for official purposes.

The Bank does not have the right to transfer the processed personal data to third-party organizations and (or) third parties without the consent of the customer, except in cases provided for by the legislation of the Republic of Kazakhstan.

Processing of publicly available personal data obtained from appeals and requests from organizations and individuals, biographical reference books, telephone, address books, mass media, and in other cases provided for by the legislation of the Republic of Kazakhstan may be carried out without the consent of the customer.

The Bank takes the following measures to ensure the confidentiality of personal data:

1. signing an obligation of non-disclosure of information constituting a trade secret and other confidential information of the Bank by all employees at the conclusion of an employment

contract, and agents, consultants at the conclusion of an assignment agreement, a contract for the provision of paid services;

2. employees and staff of structural divisions do not allow the distribution of personal data without the consent of the customer or his legal representative or if other legal grounds are lacking. The personal data of a customer are transferred to third parties only if customer's consent or consent of his legal representative is available or if there is another legitimate reason.
3. carrying out activities by all structural divisions and employees of the Bank, agents, consultants aimed at timely detection and identification of unauthorized access to personal data, namely, notifying their immediate supervisor and the internal control unit of all suspicious situations and violations when dealing with personal data of the customer;
4. preventing unauthorized access to personal data and (or) their transfer to persons who do not have the right to access such information by restricting access to electronic databases of personal data with a password, to paper versions of personal data – persons having only official access;
5. other measures not provided for in this Procedure, but ensuring constant monitoring of the level of personal data security.

In case of violation of the rules governing the receipt, processing, storage, transfer and protection of personal data of customers by the Bank or other persons having access to personal data of customers, they bear disciplinary, administrative, civil or criminal liability in accordance with the applicable legislation of the Republic of Kazakhstan.

3 cases of disclosure of information related to banking secrecy were registered in 2023. Violations were committed by workers/employees of the Bank. In connection with the confirmed facts, and in order to prevent such cases, the Bank has taken a number of necessary measures: employment contracts have been terminated with relevant employees, an audit trail of data has been implemented, appropriate activity

has been carried out, a Personnel Commission has been convened, strict disciplinary penalties have been imposed on Bank employees vested with supervisory powers to deal with customers.

No court proceedings related to the confidentiality of customer information were registered in 2023.

## Compliance with legal requirements

In its activities, in general, the Bank complies with the requirements of the legislation of the Republic of Kazakhstan. No violations of antimonopoly legislation have been identified.

At the same time, in 2023, the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market applied 3 advisory measures and 1 written warning to the Bank.





# Responsible lending and financial products

The Bank carries out its lending activities to provide loan products in all regions of the Republic of Kazakhstan. The main focus of the Bank's lending activities is the provision of loan products to the Bank's customers. The Bank provides the following types of loan products to HCC depositors:

1. Housing loans;
2. Interim housing loans;
3. Preliminary housing loans.

Loan products are provided on standard terms for all clients of the Bank in the national currency of the Republic of Kazakhstan. Loans are issued to depositors of the housing construction savings on the basis of concluded agreements on housing construction savings and bank loan agreements (Housing loan, Interim Housing loan, Preliminary Housing Loan) in accordance with the internal documents of the Bank on the provision of loans and the Bank's tariff programs.

The terms of lending to the Bank's customers according to loan products are determined by the terms of the tariff program chosen by the customer.

The terms of use, interest rates, ways to ensure the fulfillment of loan repayment obligations and other basic conditions for the Bank's loan products and services are established by tariff programs and other internal documents of the Bank.

The Bank's remuneration rate for the provision of a loan product is determined by the terms of the housing construction savings agreement. Bank loan agreements must specify the method of repayment of the loan at the borrower's choice from those proposed by the Bank at the date of conclusion of the bank loan agreement. The amount of the interest rate on the loan is set at the time of conclusion of the housing construction savings agreement and remains fixed throughout the entire term of the agreement. The fixed remuneration rate is not subject to unilateral

change. Upon the transfer of the depositor of the housing construction savings on his own initiative from one tariff program to another, the fixed interest rate on the loan, by agreement of the parties, may be changed downward/upward during the term of the housing construction savings agreement in compliance with its terms, and in accordance with the legislation of the Republic of Kazakhstan and internal documents of the Bank.

The loan agreements of the Bank specify a complete list of commissions and other payments, as well as their amounts to be charged in connection with the issuance and servicing of the loan under the concluded agreement.

The Bank has the right to charge commissions and other fees, but adheres to the policy of minimum tariffs for its services. This approach is aimed at maximizing the attraction of new customers to the housing construction savings system and contributes to the expansion of the customer base.

In 2023, the following changes occurred in the tariff system:

- no charging a commission for the organization of a loan, a commission for reviewing a loan application and a commission for an external transfer of money for applications issued within the framework of the Concept of Housing and communal infrastructure development until 2026 in the direction of "implementation of social credit housing by providing interim and preliminary housing loans at a remuneration rate of no more than 2% per annum;
- no commission is charged for transferring funds from the client's current account when applying for a loan under the "Gain a diploma and go to the village" program.

The Bank publishes information on rates and tariffs for banking and other services provided to individuals and legal entities on the Bank's Internet resource.

# Cybersecurity

## CASES OF VIOLATION OF CUSTOMER DATA SECURITY

Ensuring the security of information assets and protecting their confidentiality remain important issues within the framework of the Bank's activities. The relevance of these issues is emphasized by the need to comply with the Decree of the Government of the Republic of Kazakhstan No. 832 dated December 20, 2016 "On approval of uniform requirements in the field of information and communication technologies and information security", Resolution of the Management Board of the National Bank of the Republic of Kazakhstan No. 48 "On approval of Requirements for ensuring information security of banks, branches of non-resident banks of the Republic of Kazakhstan and organizations engaged in certain types of banking operations, Rules and deadlines for providing information about information security incidents, including information about violations, failures in information systems" dated March 27, 2018 as well as compliance with the requirements of other regulatory legal acts of the Republic of Kazakhstan and internal regulatory documents of the Holding.

The main conceptual directions of strengthening information security:

- keeping the database of internal regulatory documents on information security up to date;
  - raising the awareness of users of the Bank's information technology infrastructure in the field of information security;
  - ensuring compliance with the compliance of the external Regulator;
  - technical support and development of software and hardware measures to ensure the information security of the Bank, including the following areas:
    1. monitoring of information security events;
    2. registration and resolution of information security incidents, as well as the development of a knowledge base on them;
3. control of the circulation of critical information subject to protection (personal data and banking secrecy);
  4. access control in the Bank's application information systems;
  5. vulnerability management in the Bank's information technology infrastructure;
  6. protection of information in databases;
  7. privileged access control;
  8. protection of e-mail and users when working with the Internet;
  9. protection of the Bank's web and mobile applications;
  10. antivirus defense in depth of the Bank's information technology infrastructure;
  11. monitoring changes on critical Bank hosts and monitoring applications.
- conducting penetration tests, social engineering and analysis of the source code of the Bank's critical applications to obtain a third-party view of the actual security of the Bank's assets.
  - implementation of a continuous search for potential malicious threats through automatic anomaly detection tools, the study of identified suspicious actions for a possible incident;
  - continuous analysis of the Bank's digital assets in order to identify vulnerabilities in accordance with CVE2 and CVE3 international standards by relevant specialized systems operated by the Bank;
  - proactive search and analysis of data to identify possible threats that will not be covered by existing security measures;
  - implementation of measures to prevent/localize threats to information security;
  - formation and assignment of tasks to localize and prevent threats to the relevant responsible units of the Bank;
  - conducting an analysis of alerts for new threats to determine the initial area of influence and severity.

To ensure information security, the Bank applies systems to protect against data loss, cyber-attacks, virus activity, unauthorized access to Bank resources, copying, unauthorized changes, and others.

In the reporting year, the Bank prevented more than 17 thousand cases of cyber-attacks. The number of data loss cases is 0. The total amount of fines paid in

connection with violations in the field of information security is 0.

In the future, to ensure information security, the Bank will carry out measures on updating and configuring systems, implementing antivirus software, and keep up-to-date rules, policies and protection systems in the field of information security.

## Expanding access to financial services

The Bank has an interest and bears social responsibility for providing access to financial services and raising awareness about the services provided to customers, including low-income customers, young people, women, etc.

The Bank carries out continuous active activity to popularize the housing savings system among the population and inform Kazakhstan citizens about the available opportunities offered by the Bank. For this purpose, large PR and marketing campaigns are held.

In total, in 2023, the bank prepared and published 120 press releases in the state and Russian languages on receiving a state award, calculating compensation for deposits of depositors of the bank, implementation of state programs, advantages of implementing a system of housing construction savings, and on the launch of youth programs and much more. As a result of these press releases, 810 materials were published in the media.





# THE ENVIRONMENTAL COMPONENT OF SUSTAINABLE DEVELOPMENT

VOICES FOR  
EQUAL RIGHTS  
AND OPPORTUNITIES



# The environmental component of sustainable development

The Bank's activities are not environmentally hazardous and do not involve high environmental risk. The Bank supports a precautionary approach to environmental issues and promotes the development and distribution of environmentally sound technologies.

No violations of environmental legislation were registered during the reporting year, and no penalties as well.

## Energy consumption and energy efficiency

The Bank is a financial institution with a wide network of branches. Therefore, in order to maintain its operations, the Bank needs significant amounts of electrical and thermal energy. The Bank takes energy-saving measures to minimize its environmental impact

and increase operational efficiency. In order to save financial resources and save electric energy, LED lamps with a capacity of 12-60 watts have been installed in the buildings of the Central Office and branches of the Bank.

**The energy consumption in the building of the Central Office of the Bank is presented in the following table:**

Type of energy	2021	2022	2023
Electric power (purchase), kWh	2,639,507.27	2,556,782.62	1,829,498.76
<i>including renewable sources</i>	0	0	0
<i>including non-renewable sources</i>	2,639,507.27	2,556,782.62	1,829,498.76
Thermal energy, Gcal	13,807.38	9,159.20	8,598.63

Electric power is supplied to the Bank by the city power line from TP 21-44, on the basis of an agreement with AlmatyEnerfoSbyt LLP. The heating of the building is carried out through district heating grids (HPP) by the heat supply company Almatinskiye Teplovye Seti LLP on the basis of an agreement.

In order to reduce the impact of its operational processes on the environment and the rational use of natural resources, in 2024 the Bank aims to install automatic lighting control systems in corridors (motion sensors) in the Central Office, in 2025 in 10 branches of the Bank, in 2026 in all 20 branches of the Bank.

# Water consumption

In its activities, the Bank strives to reduce water consumption, increase the efficiency of water resources use and minimize the impact on natural

water bodies. The Bank unconditionally accepts the importance of careful and rational treatment of the country's water resources.

**The water consumption in the building of the Central Office of the Bank is presented in the following table:**

Type of consumption	2021	2022	2023
Water consumption, m <sup>3</sup>	20,915.97	20,203.21	17,872.32
Sewerage, m <sup>3</sup>	20,915.97	20,203.21	17,872.32

The building of the Central Office of the Bank does not consume or use surface, underground, rain and wastewater of another organization as a source of water. Water supply and sanitation are carried out by

the central networks of Almaty Su Municipal State Enterprise on the right of economic management on the basis of an agreement

# Waste management

The Bank's main types of waste are paper, consumables and used office equipment. Since 2014, the Bank has been using the Documentolog electronic office document management system to reduce paper consumption in office work. This system made it possible to automate the entire internal document flow of the Bank and convert into electronic format such business processes as the formation, authorization, verification, approval of documents, control of their execution, mailing, search and archiving. At the same time, in recent years the Bank has been actively implementing the practice of minimized printing and double-sided printing. Digital forms of sessions/meetings of collegial bodies/working groups began to be used in the Bank's practice, that is, without spending paper, using LED screens, tablets to demonstrate materials – to make an additional contribution to the conservation of forests and trees, solving global environmental problems. Thus, in 2023, the Bank reduced the use of paper by 50% compared

to 2022 (the number of used paper in 2022 was 53,950 packs, in 2023 – 27,100 packs).

In addition, in 2019-2020, as part of the implementation of its Environmental Policy, the Bank implemented the Green Office project to unify the collection and disposal of solid household waste by using a system for separate collection of solid household waste and sorting into three groups in the Bank's buildings – glass and metal, plastic and paper (together with Eco Network company). In 2021-2022, this activity was temporarily suspended, and resumed in 2023. At the same time, the annual delivery of waste paper by the Bank for recycling continues. According to the results of 2023, the Central Office of the Bank handed over 222.5 kg of waste paper, 51.9 kg of glass, 62.0 kg of plastic for recycling and disposal by means of hydrodigestion in the Organization of secondary raw materials.

Waste management	2021	2022	2023
Total waste generation (tons)	112.43	113.34	114.45
<i>of these:</i>			
Hazardous waste	-	-	-
Non-hazardous waste	112.43	113.34	114.45
Recycled and reused waste (tons)	0	0	0.33485

*The Bank provides additional actual data on waste as part of the ESG Databook, which is posted on the Bank's website, in the Sustainable Development/ESG Reporting section.*

## Environmental protection

Due to the nature of its activities, the Bank does not have a direct significant impact on the environment. The main resources consumed by the Bank, as mentioned above, are electric power, thermal energy and water. The Bank applies principles and methods of rational use of resources that best ensure the prevention of adverse environmental impacts. The Bank does not pay for emissions into the environment, by the reason that the Bank is IV Category facilities operator with a minimal negative impact on the environment.

At the same time, the Bank regularly conducts activities aimed at increasing the level of environmental awareness of employees, as well as compliance with safety regulations, including fire safety. On an annual basis, the Bank's employees are trained in environmental policy, rational use of energy, water and other natural resources.

The Bank constantly promotes environmental values and a responsible lifestyle among its employees, thanks to which the Bank's employees were able to learn in detail about the importance of mandatory disconnection of computers and other electrical appliances from power sources after the end of the business day, turning off the lights after the end of the business day, about the principles and importance of waste sorting, they jointly learned to develop useful habits by refusing from disposable tableware, which helped to create an understanding of the enormous contribution of each employee to the preservation of the environment.

In its practice, the Bank conducts various environmental actions to green up the country's cities, plants trees in the courtyards of new buildings built in partnership with the Bank. In 2023, 30 employees of the Bank took part in a large-scale eco-clean-up Almaty Clean & Green. The Bank's employees planted about 30 trees in the park of the Auezov district of Almaty.

## Emissions of greenhouse gases and other pollutants into the atmosphere

The Bank is committed to the national goal of the Republic of Kazakhstan to become carbon neutral by 2060 and contributes to global efforts to mitigate and adapt global climate change.

In its operational activities, the Bank strives to reduce its carbon footprint and quantifies greenhouse gas emissions (hereinafter referred to as GHGs) generated as a result of its own activities based on the guidelines of the National Greenhouse Gas Inventories (IPCC, 2006), the GHG Protocol Scope 2 Guidance.

The Bank undertakes to annually monitor the consumption of fuel and energy resources, collect data, and publicly report on the assessment of GHG emissions.

The first step towards reducing the impact is the approval by the Bank of the Methodology for calculating greenhouse gas emissions in the reporting year, for quantifying GHG emissions (Scope 1, 2) from processes.

An operational control approach was used in the approach to GHG emissions assessment, in which the Bank takes into account all GHG emissions from facilities controlled by the Bank in terms of operations. GHG emissions from facilities in which the Bank has a participatory share but lacks operational control are not taken into account. The quantitative assessment of GHG emissions is carried out for the central office and all regional branches of the Bank.



**The following main indicators of environmental and climate impact are given:**

Greenhouse gas emissions	2023
Total direct GHG emissions in CO <sub>2</sub> equivalent (tons) for 2023 (Scope 1)	305.13
The volume of direct GHG emissions in CO <sub>2</sub> equivalent (tons) for 2023 per worker/employee	0.16
Total indirect GHG emissions in CO <sub>2</sub> equivalent (tons) for 2023 (Scope 2)	5,808.44
The volume of indirect GHG emissions in CO <sub>2</sub> equivalent (tons) for 2023 per worker/employee	2.96

The calculation of other indirect emissions (Scope 3) is scheduled by the Bank for 2024.

The Bank provides additional actual data on GHG emissions as part of the ESG Databook, which is posted on the Bank's website in the Sustainable Development/ ESG Reporting section.

## Climate change management

The Bank's Board of Directors is responsible for organizing and ensuring the effective functioning of the risk management and internal control system.

As potential risks are identified and adverse events are realized, the Risk Register and Risk Map are filled in by the Bank on an ongoing basis. The Risk Register and Risk Map are submitted for consideration and approval to the Bank's Board of Directors annually.

Currently, the Bank is working on inclusion of the climate change related risks to in the Register and Risk Map. The Bank plans to update and revise the Risk Register and Risk Map in 2024, taking into account the inclusion of the climate change related risks. Accordingly, disclosure of information on the results of the activities carried out is expected in subsequent reports of the Bank.



# Strategic direction

ESG-related issues are an integral part of the Bank's new Development Strategy for 2024-2033. Strategic key performance indicators (KPIs) cover not only operational and financial indicators, but also requirements in the field of sustainable development, namely, in terms of climate-related issues, the following KPIs are established:

1. Reduction of greenhouse gas emissions from the Bank's activities (Scope 1, 2) by 2026 – minus 5% of the indicator of the base year (2023), by 2033 – minus 10% of the indicator of the base year;
2. Installation of an automatic lighting control system in the corridors (motion sensors) in the Central Office in 2024, in 10 branches of the Bank in 2025, in 20 branches of the Bank in 2026;
3. Planting of green areas in 2024 – 150 trees, in 2025 – 250 trees, in 2026 – 350 trees;
4. Reduction of paper consumption by 5% annually during 2024-2026.

The Bank's objectives in reducing environmental impacts and global climate change:

- Environmental protection, including the rational use of resources, reducing the impact on global climate change;
- Compliance with mandatory legislative and other requirements adopted by the Bank;
- Application of environmentally friendly, energy- and material-saving technologies.

Thus, the Bank recognizes its responsibility for the environmental impact and contribution to global climate change. The Bank strives to reduce the impact by minimizing the contribution from activities, rational use of natural resources and reduction of greenhouse gas emissions, using a structured approach to managing the Bank's impact from operational processes, as well as as a result of the invested impact.

During 2023, PwC international consultants performed ESG diagnostics of the Bank, according to the results of which the Bank approved a Roadmap for further obtaining an ESG rating. As part of the Roadmap, new internal documents on the implementation of ESG in the Bank's activities are being updated and adopted.

In 2024, the Bank plans to work on climate risk issues, namely, to integrate climate risks into the Bank's risk management system, assess their impact on the business model, financial position, indicators of the Bank's loan portfolio, etc. As of today, the Bank recognizes the physical and transitional climate risks for itself when issuing mortgage loans and their collateral, in view of which the Bank understands the need for a more reliable and sustainable approach to loan underwriting.

In the reporting year, the Bank developed a Policy to reduce environmental and climate impacts, a methodology for greenhouse gas emissions, and other internal documents in the field of ecology.

# Risk management

In 2024, the Bank plans to develop processes to identify, assess, prioritize and manage climate risks and opportunities in the short, medium and long term, as well as processes to integrate them into the

Bank's overall risk management process. Accordingly, disclosure of this information is expected in the Bank's subsequent reports.

# Indicators and target values

The Bank is committed to the national goal of the Republic of Kazakhstan to become carbon neutral by 2060 and contributes to global efforts to adapt to global climate change. Due to the nature of its activities, the Bank does not have a direct significant impact on the environment. The main resources consumed by the Bank are electric power, thermal energy and water.

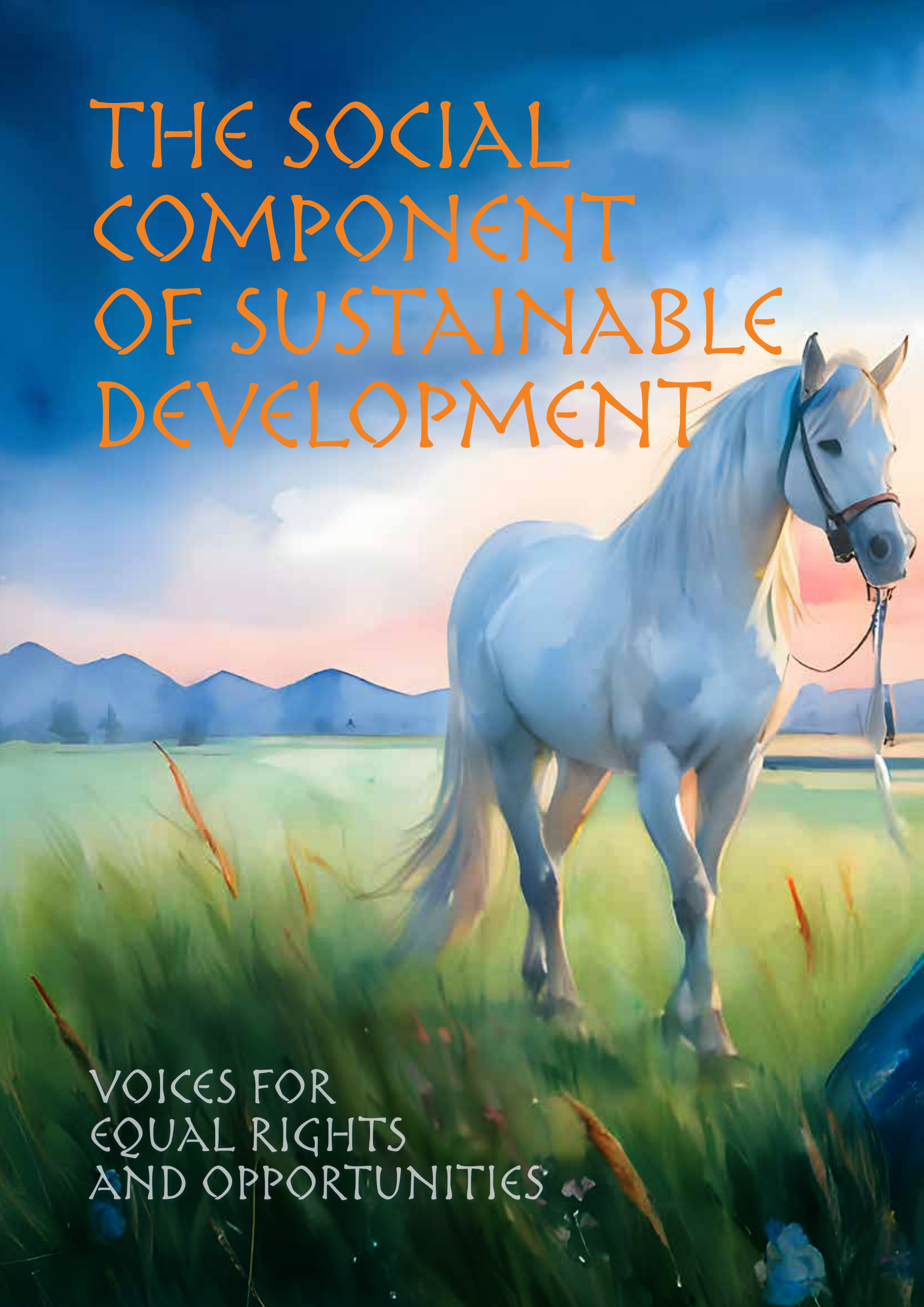
In its operational activities, the Bank strives to reduce its carbon footprint and quantifies greenhouse gas emissions generated as a result of its own activities based on the guidelines of the National Greenhouse Gas Inventories (IPCC, 2006), the GHG Protocol Scope 2 Guidance. The Bank undertakes to annually monitor the consumption of fuel and energy resources, collect data, and publicly report on the assessment of greenhouse gas emissions.

## The following main indicators of environmental and climate impact are given:

<b>Reporting coverage in % of FTE (Full-time equivalent employee)</b>	<b>100%</b>			
<b>Direct and indirect energy emissions of greenhouse gases scope 1, 2</b>	<b>Units</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Scope 1	CO <sub>2</sub> equivalent	305.13	350.21	375.16
Scope 2		5,808.44	4,806.54	4,596.27
<b>TOTAL</b>		<b>6,113.57</b>	<b>5,156.75</b>	<b>4,971.43</b>
<b>Greenhouse gas emission intensity factor</b>	<b>Units</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
GHG emissions/employee	tCO <sub>2</sub> /person	3.1	3.36	3.1

# THE SOCIAL COMPONENT OF SUSTAINABLE DEVELOPMENT

VOICES FOR  
EQUAL RIGHTS  
AND OPPORTUNITIES





## Employment status

One of the priorities of the Bank is the formation and maintenance of a routine staff who meet the qualification requirements of the Bank, aimed at achieving strategic goals and solving the objectives

facing the Bank. Labor relations are regulated by the Rules of Labor Relations and the internal labor regulations of the Bank in accordance with the legislation of the Republic of Kazakhstan.

## Staff composition and structure

The total number of employees of the Bank as of 01.01.2024, broken down by age group, gender and geographical region, is presented in the following table:

№	Region	Staff numbers, units.	Actual number, units.	Of these				
				Women, units	Men, units.	Up to 30 years old, units.	From 30 to 50 years old, units.	Over 50 years old, units.
1	Central Office	600	564	312	252	97	400	67
2	Abai Regional Branch	32	32	21	11	2	26	4
3	Akmola Regional Branch	25	24	10	14	2	19	3
4	Aktobe Regional Branch	55	53	36	17	8	42	3
5	Almaty Regional Branch	36	36	24	12	9	25	2
6	Atyrau Regional Branch	35	35	25	10	1	31	3
7	East Kazakhstan Regional Branch	41	40	31	9	4	32	4
8	Zhambyl Regional Branch	33	33	17	16	5	27	1
9	Zhetysu Regional Branch	17	17	10	7	4	10	3
10	West Kazakhstan Regional Branch	41	39	27	12	4	34	1
11	Karaganda Regional Branch	49	48	29	19	6	39	3
12	Kostanay Regional Branch	37	37	22	15	4	31	2
13	Kyzylorda Regional Branch	28	28	12	16	10	16	2
14	Mangystau Regional Branch	39	39	29	10	4	32	3
15	Pavlodar Regional Branch	41	41	23	18	5	31	5
16	North Kazakhstan Regional Branch	27	27	14	13	4	17	6
17	Turkestan Regional Branch	15	14	6	8	2	12	
18	The Branch in Almaty	121	121	81	40	32	87	2
19	The Branch in Shymkent	49	49	19	30	8	39	2
20	Central Branch	136	135	98	37	15	111	9
	Reserve for the opening of the Ulytau Regional Branch	7						
<b>Grand total</b>		<b>1,464</b>	<b>1,412</b>	<b>846</b>	<b>566</b>	<b>226</b>	<b>1,061</b>	<b>125</b>

The percentage of employees hired in the reporting year made up 49.2%. The competitive selection procedure for vacant positions of the Bank consists of several stages, including: determining the need for

personnel, selecting candidates and analyzing CVs, conducting a preliminary interview, and professional testing with candidates.

## Total number of new workers/employees hired during the reporting period

<b>Total new employees</b>	<b>240</b>
<b>Number of new employees by age</b>	
Employees under 30 years old	100
30-50 years old employees	134
Employees over 50 years old	6
<b>Number of new employees by gender</b>	
Men	117
Women	123

## Total number of new workers/employees hired during the reporting period, with a breakdown by region

Region	Number of new employees hired
Almaty (Central Office)	108
Akmola Oblast	2
Aktobe Regional Branch	3
Almaty Regional Branch	14
Atyrau Regional Branch	4
East Kazakhstan Regional Branch	6
Zhambyl Regional Branch	5
West Kazakhstan Regional Branch	5
Karaganda Regional Branch	7
Kostanay Regional Branch	3
Kyzylorda Regional Branch	4
Mangystau Regional Branch	6
Pavlodar Regional Branch	6
North Kazakhstan Regional Branch	0
Turkestan Regional Branch	4
Branch in Almaty	21
Branch in Astana	22
Abai Regional Branch	7
Branch in Shymkent	8
Zhetysu Regional Branch	5

*The average age of employees is 37 years.*

**Among the full-time and freelance employees, agents and consultants of the Bank, there are employees with disabilities. More detailed information is provided in the following table:**

№	Region	Total number of employees, units	Of these				
			Women, units	Men, units.	Up to 30 years old, units.	From 30 to 50 years old, units.	Over 50 years old, units.
1	Almaty (Central Office)	5	2	3		5	
2	Akmola Oblast	1		1		1	
3	Aktobe Regional Branch	1	1			1	
4	Almaty Regional Branch						
5	Atyrau Regional Branch						
6	East Kazakhstan Regional Branch						
7	Zhambyl Regional Branch						
8	West Kazakhstan Regional Branch	1		1			1
9	Karaganda Regional Branch	1	1			1	
10	Kostanay Regional Branch						
11	Kyzylorda Regional Branch	1		1		1	
12	Mangystau Regional Branch						
13	Pavlodar Regional Branch						
14	North Kazakhstan Regional Branch	1		1		1	
15	Turkestan Regional Branch						
16	Branch in Almaty						
17	Branch in Astana						
18	Abai Regional Branch						
19	Branch in Shymkent	1		1			1
20	Zhetysu Regional Branch						
<b>Total</b>		<b>12</b>	<b>4</b>	<b>8</b>		<b>10</b>	<b>2</b>

It is also noted that freelance employees work in various structural divisions of the Bank. The total number of freelance employees as of 01.01.2024 is 137 people (in 2022 – 148 people). Freelance

employees carry out their activities in accordance with the Instructions on the procedure for selecting contractors/assistants of employees and concluding contracts for the provision of paid services in the Bank.



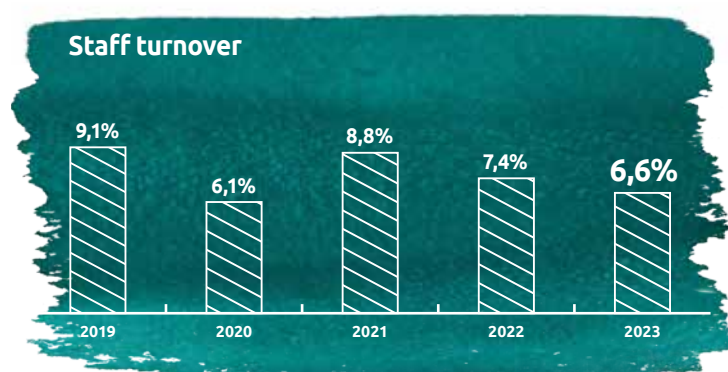
## Total number of workers/employees by type of employment

<b>The number of full-time workers/employees, units.</b>	<b>1,412</b>
of these, men, units.	566
of these, women, units.	846
of these, employees under 30 years old, units.	226
of these, 30-50 years old employees, units.	1,061
of these, employees over 50 years old, units.	125
<b>The number of part-time workers/employees, units.</b>	<b>0</b>
of these, men, units.	0
of these, women, units.	0
of these, employees under 30 years old, units.	0
of these, 30-50 years old employees, units.	0
of these, employees over 50 years old, units.	0

## Staff turnover in 2023 made up 6.6% (in 2022 it was 7.4%).

<b>Overall staff turnover</b>	
Voluntary staff turnover	6.6%
Forced staff turnover	11.9%
<b>Staff turnover by age</b>	
Employees under 30 years old	7%
30-50 years old employees	11%
Employees over 50 years old	0.5%
<b>Staff turnover by gender</b>	
Men	8.9%
Women	9.7%

Termination of the employment relationship: at the initiative of the employee – 6.6%, by agreement of the parties – 10.8%, and for other reasons (call to induction, death, court decision, employer's initiative, reduction, etc.) – 1.1%.



## Responsible working practice

Employees are the main value and the main resource, the results of the Bank's activities directly depend on the level of their professionalism and safety. The Bank builds labor relations with its employees based on the principle of legality and observance of generally recognized labor rights of the employee.

In the field of respect for human rights and building labor relations, the Bank is guided by the principles of the UN Global Compact, the Bank's Corporate Governance Code, and the Bank's Sustainable Development Policy.

There are no complaints filed against the Bank in the reporting year for violation of the practice of labor relations. In accordance with the legislation of the Republic of Kazakhstan and the terms of the employment contract, an employee has the right to apply for consideration of an individual labor dispute/ complaints to:

- **The Grievance Committee of the Bank;**
- **The Ombudsman of the Bank;**
- **The representative of the Bank's employees.**

The terms of application for consideration of individual labor disputes are regulated by the Labor Code of the Republic of Kazakhstan.

In 2023, the Bank conducted training on policies or procedures related to human rights aspects relevant to the Bank's activities. Namely, a distance learning course: "Raising awareness of Bank employees on gender equality"; this training covered 881 Bank employees, of which 862 employees successfully completed, which is 98% of the total number of appointments, the period of completion was 1 month, the number of hours for studying the training course was 1 hour.

There are no units using child and forced labor, and no cases of performing dangerous work by young workers.

## The relationship between employees and management

As part of the relationship between employees and management, the Bank regularly conducts:

1. weekly meetings with the participation of senior staff and heads of structural divisions on operational issues;
2. quarterly meetings of the Chairman of the Management Board with the heads of structural divisions on the issues of achieving the approved Target Maps for the reporting period.
3. constant free and effective working interaction between employees and the management of the Bank.

The Bank also hosts joint team-building corporate events, trainings and sports events with the participation of the Bank's management.

The regulation of working hours in the Bank proceeds from the fact that with a five-day working week, the duration of daily work (work shift) cannot exceed 8 hours with a weekly rate of 40 hours. The duration of daily work (work shift), the start and end time of daily work (work shift), and the time of breaks in work are determined in compliance with the established duration of a working week by the Rules of Labor Relations and internal labor regulations in the Bank, employment contracts and the collective bargaining agreement.

The collective bargaining agreement applies to the employer and employees of the Bank, on whose behalf the collective bargaining agreement was concluded, and employees who joined it on the basis of a written application. 100% of the total number of employees are covered by collective bargaining agreements in the Bank. The collective bargaining agreement was

concluded voluntarily on the basis of compliance with the norms of the legislation of the Republic of Kazakhstan, the competence of representatives of the parties, freedom of choice, discussion and resolution of issues constituting its content, the reality of ensuring the obligations assumed.

The Bank strictly adheres to the norms and requirements of the Labor Code of the Republic of Kazakhstan. In case of significant changes related to the Bank's activities, employees are notified in accordance with the established procedure (no later than fifteen calendar days in advance).

## Training and education

Taking into account that staff development is one of the components of the success of any organization, the Bank annually allocates funds for staff training and development.

During 2023, training events were hosted by the Bank on a regular basis for the Bank's employees on changes and additions made to regulatory documents, raising awareness of the Bank's employees in the field of sustainable development, innovations of the Bank within the framework of improving the IT infrastructure and introducing a new information system. Training events were also held in order to improve the professional qualifications and motivation of the Bank's employees, who are able to make effective decisions to achieve the goals and objectives facing the Bank. In addition, the Bank's employees were trained at external seminars, courses, and online trainings in various areas in order to develop professional skills and study world experience. The Bank's employees undergo mandatory specialized courses on a periodic basis in order to improve their professional qualifications and pass certification.

In 2023, 1,563 employees of the Bank completed external training, of which 979 employees completed unique training, which is 62.63% of the total number of trained employees. Of these, 365 people are employees of the Central Office and 614 people are employees of the Bank's branches. For comparison, 1,077 employees underwent external training in 2022, of them 687 employees completed unique one. Of the 1,563 employees who have completed external training, 802 are women and 761 are men.

202 employees, which is 34% of the employees of the Central Office of the Bank, completed external training

on topics in the field of sustainable development and ESG.

In 2023, 1,412 people were enrolled in internal training, which is 100% of the total number of employees, including 598 employees of the Central Office and 939 employees of the Bank's branches.

The total number of training hours (internal training) in 2023 amounted to 15,526 training hours, taking into account short-term training (webinar, technical study) and asynchronous training (e-courses). The average number of training hours (internal training) per 1 employee of the Bank in 2023 made up 11.1 training hours.

65 internal training events were held for employees of the Central Office and branches of the Bank, with 52 events planned for 2023. The topics of internal training were diverse: The internal Control System, Procurement of goods, works and services, Servicing legal entities, Raising awareness of the Bank's employees on information security issues, Countering fraud, the Bank's Development Strategy, the Consequences of non-compliance with banking secrecy, Corporate Conflict and Conflict of Interest Resolution Policy, Operational Risk and Business Continuity Management System, Countering the legalization (laundering) of proceeds from crime and the financing of terrorism, Compliance Risk Management System, Anti-corruption and others.

During the year, the library of electronic interactive training courses in the Mirapolis distance learning system, aimed at all employees of the Bank, was also regularly replenished and updated.

### Number of hours of employee training (external training)

Indicators	Total, hours	On average, per employee hours
	2023	
<b>Training hours, total</b>	<b>18,726</b>	<b>13.5</b>
including senior and middle managers	6,852	13.8
including employees of structural divisions	11,874	11.1
including men	8,329	10.9
including women	10,397	13.0

Within the framework of labor legislation, upon termination of an employment contract with an employee by agreement of the parties, a decision may be made to pay compensation in the amount of up to two established official salaries and/or with payment of a bonus based on the results of activities for the reporting period of actually worked time based on the provided report on the performance of the key performance indicators map. Also, upon termination of an employment contract, an employee may be provided with a letter of recommendation containing

information about the employee's qualifications and his attitude to work.

The Bank evaluates the effectiveness of employees of the Central Office of the Bank on a quarterly basis, by establishing efficiency coefficient for all employees, and reviewing their achievement by the collegial bodies of the Bank during the reporting period. In the reporting year, 100% of employees of the Central Office passed a quarterly efficiency assessment.

## Remuneration of Bank employees

The Bank provides its employees with equal opportunities to realize their potential in the course of their work, and an impartial and fair assessment of their results. In the field of establishing fair remuneration, the Bank is based on the recognition of the results of work and the achievement of key performance indicators, the level of qualifications and competencies, the complexity and quality of the work performed.

The remuneration system of the Bank's employees consists of a permanent part of the remuneration (salary, bonuses) and a variable part of the remuneration (bonus).

The amount of the official salary is determined on the basis of the grade structure and is established in accordance with the salary scheme and staffing schedule approved by the Bank's Management Board.

A salary range is set for each grade, which determines the minimum, average and maximum value.

The salary schedule reflects the value from the minimum to the maximum value of the salary level in the grade.

The salary schedule is formed taking into account compliance with the principle of internal fairness (payment for positions of similar value for the Bank in a given range) and external competitiveness (a sufficient level of basic remuneration to attract and retain Bank employees). There were no cases of discrimination in the reporting year.

In the reporting year, the ratio of the average basic salary of men and women by employee category in 2023 was 1:0.8. The ratio of the basic salary of senior management to the average level of remuneration in the Bank made up 1:0.2. By the end of 2023, the average wage increase was 21%.

In accordance with internal documents, the Bank covers staff costs and related deductions, which include salary costs, mandatory contributions to the social health insurance fund and the social insurance fund, social tax, accrued expenses for annual leave and paid sick leave, voluntary medical insurance, bonuses and social security assistance in monetary terms. The Bank does not have any legal or practice-based obligations to pay pensions or similar payments, other than payments under a government defined contribution plan.

# Diversity and equal opportunities

The Bank strives to create an atmosphere of goodwill and support in which all employees are valued, as well as representatives of all nationalities of Kazakhstan are provided with equal employment opportunities. The ratio of men and women, their remuneration, and the average age of employees are given in the section of the Bank's personnel report.

The Bank is distinguished by a huge ethnic and cultural diversity of employees. For example, representatives of the following ethnic groups work in the Bank: Kazakhs, Russians, Balkars, Jews, Azerbaijanis, Tatars, Koreans, Ukrainians, Uzbeks, Uighurs, Germans. At the same time, the Bank improves its culture by increasing the ethno-cultural diversity in the management staff, while strictly adhering to the rules of recruitment.

## Breakdown of employees by ethnic identity

	% of the total number of employees	% of the total number of all management positions, including junior, middle and senior management positions
<b>Kazakhs</b>	<b>93</b>	<b>19</b>
including men	36	9
including women	56	10
including employees under 30 years old	17	0
including 30-50 years old employees	53	10
including employees over the age of 50	5	3
<b>Other ethnic groups in the aggregate</b>	<b>7</b>	<b>1</b>
including men	3	1
including women	4	1
including employees under 30 years old	0	0
including 30-50 years old employees	7	1
including employees over the age of 50	0	0

Creating equal career opportunities, ensuring a fair assessment of the work for women and men and avoiding wage discrimination are essential for achieving gender equality and are one of the main components of decent work. The Bank adheres to the principle of equal remuneration for work of equal value.

The Bank has created proper conditions to ensure equal rights and opportunities for women and men in relation to:

- **employment – vacant jobs are used as much as possible for the employment of young professionals, both men and women;**
- **equal participation of women and men in**

**production and management decision-making;**

- **realization of career opportunities by women;**
- **participation of women in activities aimed at developing leadership skills;**
- **realization by both women and men of the right to parental leave until the child reaches the age of three.**

The ratio of the average basic salary of men and women by employee category in 2023 was 1:0.8.

In addition, the Bank strongly promotes women's initiatives and women's leadership. The Bank is affiliated to the UN Global Initiative on the Women's Empowerment Principles.

### Representation of women

Percentage of women in the total number of employees	60.31
The percentage of women in all senior positions, including junior, middle and senior management positions, in % of the total number of employees	10.61
The percentage of women in junior management positions, in % of the total number of employees	7.61
The v of women in senior management positions, that is, at most two levels below the Chairman of the Management Board, in % of the total number of employees	0.33
The percentage of women in senior positions in the Bank's income-generating activities, in % of the total number of employees	3.38

*No cases of discrimination against Bank employees were recorded during the reporting year.*

## Gender policy

The link between improving gender equality and accelerating economic development is widely recognized in the world by leading international financial institutions. Recognizing this, the Bank is committed to directing efforts and resources towards creating a society that values women and men equally.

The Bank cooperates with a number of international and foreign organizations, whose experience shows that the use of gender-sensitive approaches is important and contributes to the sustainable development of the country's economy. Moreover, many financial institutions are already declaring their readiness to support organizations such as the European Investment Bank and many others.

The Bank undertakes to take into account, analyze and address gender issues in the planning, implementation and evaluation of internal documents, projects and research in order to achieve the following objectives:

1. Promoting equality between women and men;
2. collection of high-quality information, taking into account the separation of data by gender;
3. creating a social, physical and psychological environment that promotes equal and fair treatment of men and women.

The Bank promotes women's initiatives and women's leadership. The Bank is affiliated to the UN Global Initiative on the Women's Empowerment Principles. The principles of women's empowerment were developed by UN Women and the UN Global Compact in 2010. The document is a practical guide developed for business and the corporate sector, and contains a set of recommendations for the promotion of gender equality, as well as the empowerment of women in three areas: in the workplace within the company; in dealing with the consumer market; in the community through the implementation of social projects and interaction with the civil sector. The signing of the

WEPs Principles is a public initiative of the Bank on its interest and active position in promoting gender equality and women's empowerment.

In addition, the Chairman of the Management Board of the Bank, Lyazzat Ibragimova, has been actively promoting the ideas of gender equality in Kazakhstan throughout her professional career. Under her leadership, the Damu Entrepreneurship Development Fund launched the first credit line in Central Asia as part of a measure to support women's entrepreneurship at the expense of the European Bank for Reconstruction and Development (EBRD). In 2016, the head of the EBRD, Suma Chakrabarti, awarded Lyazzat Ibragimova for promoting gender equality.

Since 2021, Otbasy Bank has been implementing the "Umai" women's mortgage program in cooperation with the Asian Development Bank, which helps women in Kazakhstan from different fields of activity and with different incomes to acquire their own homes.

In 2023, Otbasy Bank was the only one from Kazakhstan to receive an award from the Central Asian

Regional Economic Cooperation (CAREC) program for actively promoting gender equality in the country.

CAREC is a partnership of 11 countries (Afghanistan, Mongolia, Azerbaijan, Pakistan, China, Tajikistan, Kazakhstan, Turkmenistan, Kyrgyzstan, Uzbekistan) and development partners (Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Program, World Bank and Asian Infrastructure Investment Bank) working together to promote development through cooperation leading to faster economic growth and poverty reduction. The CAREC Award distinguishes leaders who have made significant contributions to the development of modern society.

At the same time, the Bank annually develops an Action Plan to ensure Gender Equality, as well as issues an annual report on the implementation of the above-mentioned Action Plan and publishes it on the Bank's official website. The report on the implementation of the Action Plan to ensure Gender Equality by the end of 2023 is published on the Bank's website [www.hcsbk.kz](http://www.hcsbk.kz).

## Non-discrimination

Equal opportunities and intolerance to discrimination and any harassment are ensured at all levels of the Bank's activities. The Bank provides jobs that are free from discrimination and harassment based on race, gender, skin color, ethnic or social origin, religion, age, disability, sexual orientation, gender identity, marital status or any other status.

The Bank does not accept physical, verbal, visual, sexual and psychological violence that leads to the formation of a hostile and unsafe atmosphere in the workplace, undermining and damaging the reputation of the worker/employee of the Bank, humiliation, intimidation and aggression.

The Bank provides all employees with equal opportunities for development, which depend on the results achieved, competence and qualifications. In turn, the Bank expects all employees of the Bank to be proactive, eager to gain new knowledge and willing to share this knowledge with colleagues.

The Bank's Personnel Policy, Sustainable Development Policy, as well as Code of Business Conduct regulate issues related to the prevention of discrimination based on gender, age, racial, political, religious and other similar motives. Recruitment and promotion of personnel implements the principle of equal opportunities and is based solely on an impartial assessment of professional knowledge and experience in accordance with the qualification requirements for the position, excluding any manifestations of discrimination and violations of workers' rights.

Senior and middle-level managers of the Bank, in their relations with subordinates, should take measures aimed at protecting labor, health, creating safe and necessary conditions for effective activity, as well as creating a favorable moral and psychological atmosphere that excludes any forms of discrimination and attacks on the honor and dignity of workers/employees.

In order to resolve individual labor disputes, the Bank has established a Grievance Committee for

the consideration of individual labor disputes. The Committee consists of an equal number of representatives of the employer and employees of the Bank, elected at the general meeting of the labor collective. The Committee is a permanent body for the consideration of individual labor disputes. A labor dispute is subject to consideration by the Committee if the employee has failed to settle the dispute during direct negotiations with the employer or his authorized

representative independently or with the participation of a representative.

In 2023, the Grievance Committee registered 3 applications from the Bank's employees: one of which was withdrawn by the Bank's employees in connection with the satisfaction of their issue. The rest were reviewed in accordance with the labor legislation of the Republic of Kazakhstan and internal documents of the Bank.

## Diversity and inclusion

The Bank adheres to and develops the principles of diversity and inclusion, recognizes their importance and universality, shares the belief that diversity and inclusion are significant factors in achieving the Bank's long-term development goals, contribute to attracting, developing, retaining talents, making the most effective decisions, and also make it possible to respond rapidly to dynamic changes in the external environment.

The Bank has approved the Regulation on Diversity and Inclusion in the 2023 edition, which is aimed at creating equal opportunities for all workers, employees of the Bank, overcoming all forms and manifestations of discrimination and building a process in which the needs of all categories of workers and employees are taken into account equally in any planned event or project. The Bank strives to create an inclusive culture

characterized by openness and constructive challenge, where workers/employees feel respect, value and support.

In order to comply with the principles of the Regulation, the Bank has planned actions for 2024 to implement tasks, the main of which is to ensure access to training and development for all workers/employees of the Bank in order to increase their awareness of issues of diversity and inclusion. The training will include conscious training in the field of intercultural understanding, awareness of stereotypes and prejudices, communication skills and the creation of an inclusive work environment; anonymous surveys will also be conducted to identify any forms of discrimination and workers/employees of the Bank will be inform about ways to report all types of discrimination.

## Respect for human rights

The Bank complies with the Constitution and legislation of the Republic of Kazakhstan, international norms and standards in the field of human rights protection, which are enshrined in the Universal Declaration of Human Rights of the United Nations dated December 10, 1948, the United Nations Global Compact, the Declaration of the International Labor Organization on Fundamental Principles and Rights at Work, the Guiding Principles on Business and Human Rights of the United Nations, in the field of human rights of the International Financial Institute International Finance Corporation, in the field of human rights of the International Financial Institute European Bank for Reconstruction and Development,

in the field of human rights of the International Financial Institute Asian Development Bank.

Otbasy Bank has developed a Regulation in the field of ensuring equal rights, labor protection, and freedom of association, which defines the basic minimum requirements for identifying, preventing, and tracking potential human rights violations. Compliance with the principles of this Provision is mandatory for all workers/employees of the Bank.

The main approach of the Bank is that all people are free and equal in dignity and rights, regardless of gender, language, age, religion, ethnic and racial origin,



social origin, property status or other features and characteristics.

An important factor in ensuring the long-term competitiveness and efficiency of the Bank's activities is the guarantee of socio-cultural diversity, equal opportunities and inclusivity for workers/employees of the Bank.

The Bank recognizes the risks of adverse effects on human rights, as well as the risks of conflict in all aspects of the Bank's activities, takes responsibility for the observance of human rights and takes measures to protect them – prevents the promotion and benefit from any form of human rights violations.

The Bank strives to create the safest and most favorable working conditions for all workers/employees of the Bank and its counterparties, and complies with all applicable laws and internal requirements in the field of occupational safety and health.

The Bank strives to implement the highest standards and procedures in terms of occupational safety and health in order to minimize risks to their health, and is also focused on protecting the health of citizens

and the environment by implementing programs in compliance with environmental standards for housing construction to minimize environmental impact, conducting environmental actions and activities to increase the level of environmental awareness of workers/employees of the Bank.

The Bank does not accept the use of any form of forced and bonded labor, any form of slavery and human trafficking. The Bank pays attention to the observance of children's rights and does not accept the use of child labor. The Bank complies with such norms of labor legislation as the working hours and rest time of employees. In this way, we ensure the right of employees to privacy while maintaining a balance between work and personal time.

We intend to improve corporate practices in support of human rights through an open dialogue with stakeholders, risk monitoring and the introduction of best practices.

The Bank welcomes the observance by customers, suppliers, business partners and other stakeholders of human rights, basic principles of diversity and equal opportunities.

## Social protection

The Bank's employee social support policy is aimed at stabilizing the team and taking care of each employee. The Bank provides employees with benefits and compensations that are part of an extensive social package, in accordance with the Rules for Providing

Social Support to Bank Employees. All payments are made within the funds of the relevant budget items of the Bank. Social support does not apply to employees who are employed on a temporary or part-time basis.

### The Rules provide for the following types of social support for Bank employees:

#### 1. Financial assistance;

Financial assistance is paid to employees in the following cases:

- **for health improvement when providing paid annual leave;**
- **in connection with the marriage;**
- **in connection with maternity leave, leave to adopt a newborn child (newborn children);**
- **in connection with the birth of a child/adoption of children;**

- **in connection with the treatment/surgery of an employee or persons who are members of his family;**
- **due to the death of the employee/family members of the employee.**

In 2023, 214 female employees were on parental leave (under the age of 3). In particular, 151 employees took parental leave during the year. 63 employees returned to work after parental leave in the reporting year.

## Parental leave

<b>The number of employees who took parental leave, in total</b>	
Men	1
Women	214
<b>The number of employees who returned to work in the reporting period after the end of parental leave in the reporting year, in total</b>	
Men	0
Women	63
<b>The number of employees who returned to work after the end of parental leave, who continued to work 12 months after returning to work, in total</b>	
Men	2
Women	44

### 2. Voluntary health insurance program (insurance in case of illness);

Employees and their family members are provided with health insurance in accordance with the voluntary health insurance program. Funds for medical insurance are spent in case of illness of an employee in accordance with contracts concluded with insurance organizations as required by the legislation of the Republic of Kazakhstan, or under contracts with

medical organizations for medical care. The cost of health insurance per employee should not exceed 100 MCI for the corresponding financial year.

In 2023, 2,064 people, including 1,408 employees and 656 family members used an opportunity of medical services under a voluntary health insurance contract.

### 3. Compensation payments;

The following compensation payments may be made to an employee in connection with a change of place of residence at the place of work in another locality, in case supporting documents for the expenses actually incurred are available:

- **payment of the cost of travel of invited/transferred employee and his family members by rail/road.**
- **payment for transportation of property of invited/transferred employee and his family members by rail/road.**

### 4. Assistance in solving housing issues.

Subject to the financial condition of the Bank assistance in solving housing issues may be provided to an invited/transferred employee by partial

reimbursement of the cost of housing rental (for a period of no more than 2 years).

# Ensuring occupational safety and health, civil defense and fire safety

Every year, the Bank implements a set of measures aimed at:

- **creation and provision of safe and healthy working conditions for employees, unconditional compliance by employees with safety and labor protection requirements;**
- **organizing exercises and trainings on civil defense, testing of plans to ensure the continuity of the Bank's activities;**
- **continuous improvement of the fire safety regime and compliance with fire safety requirements;**
- **conducting military registration of persons liable for military service and conscripts.**

## OCCUPATIONAL HEALTH AND SAFETY

The Bank ensures the rights of employees to safe working conditions, sets the priority of the life and health of employees in relation to any other work results. All employees are covered by the occupational health and safety management system.

In accordance with the provisions of regulatory legal acts and internal documents of the Bank in the field of occupational safety and health, constant measures are being taken to train, instruct and verify the knowledge of employees, responsible persons of the Bank, instruct employees of contractors who perform work and provide services under business contracts, temporary workers, students undergoing internships in the Bank's divisions.

The investigation of accidents is carried out in accordance with the labor legislation of the Republic of Kazakhstan. Identification of incidents in the investigation of accidents is not carried out, since the Bank does not belong to an organization with an increased risk to human health. No accidents were registered in 2023, including fatal ones. There were no fires in the buildings of the Bank, including in the adjacent to the Bank territories.

The following events were held in 2023:

- **online training of a responsible employee on safety and labor protection issues by a specialized organization, with passing an exam and granting a certificate – 27 people;**
- **introductory briefings for newly hired employees – 269 people.**

## HEALTH AND SAFETY IN THE WORKPLACE

The Bank regularly holds sports events in order to promote a healthy lifestyle among its employees. Outdoor recreation, participation in sports, medical insurance, as well as reimbursement of 50% of the cost of fitness club subscriptions – all this encourages employees to lead an active lifestyle, despite the sedentary lifestyle.

In addition to promoting physical activity, the Bank pays great attention to taking care of the health and safe activities of employees. In 2023, employees were regularly instructed on safety and labor protection at the workplace (in cases of emergency, fire, earthquake, etc.) – targeted, repeated and unscheduled. The buildings of residence of the Bank and its branches are equipped with primary fire extinguishing equipment in accordance with fire safety requirements (fire shields, fire extinguishers, hose stations), as well as first aid equipment.

Since May 28, 2023, coronavirus restrictions have been officially lifted in Kazakhstan, all regions are in the "green" zone. The COVID-19 coronavirus infection has not disappeared, the virus continues to circulate, but to a milder extent; in the future, the morbidity of the population of the Republic of Kazakhstan will be monitored on an ongoing basis along with other viral infections.

As of today, sanitary and epidemiological requirements for disinfection are observed daily in all offices of the Bank. In 2023, no COVID-19 infection was detected among the Bank's employees. The measures taken by the Bank to combat the spread of COVID-19 showed timeliness and effectiveness, the situation from 2020 to 2022 has been under control, there was no serious decline in key performance indicators, much less business stoppages or staff reductions, salaries were paid to employees on time.

The rate of absence from work due to illness made up 0.03%, in particular:

- **Lost Time Injury Frequency Rate (LTIFR) – 0 %;**
- **Lost Time Accident Frequency Rate (LTAFR) – 0 %;**
- **accident severity rate – 0 %;**
- **fatal accident rate – 0 %;**
- **occupational illness rate – 0 %;**
- **lost day rate – 0%.**

At the same time, the Bank also pays attention to the health of employees living in an environmental crisis zone and in an area with an increased radiation risk. As part of its current activities, the Bank ensures the implementation of the following activities:

- **employees of the Kyzylorda branch living in the zone of environmental crisis, the East Kazakhstan regional branch and the branch of the Bank in Semey, living in an area with increased radiation risk, are provided with additional paid leave.**
- **employees of the East Kazakhstan regional branch and the Bank's branch in Semey city, living in an area with an increased radiation risk, are provided with additional maternity leave.**
- **additional remuneration for employees living in an environmental crisis zone and in an area with an increased radiation risk is carried out in accordance with the Legislation of the Republic of Kazakhstan.**

## CIVIL DEFENSE

In the field of civil defense, according to the Bank's Business Continuity Response Plans, training exercises were conducted with the evacuation of employees, rescue operations and fire extinguishing. In the course of trainings, testing of the Business Continuity Response Plan of each unit (Central Office and branches of the Bank) was carried out, the result of which was reflected in the testing protocol.

## FIRE SAFETY

In the field of fire safety in 2023, the following activities were carried out:

- **in accordance with the provisions of the Instructions on Fire Safety measures for the buildings of the Central Office and branches of the Bank, inspections of the fire safety**

**condition of the buildings, premises and territories of the Bank were carried out, which are reflected in the checklists;**

- **during the year, online training of managers and responsible persons on fire safety was conducted according to the Basics of Fire Safety program and certificates were obtained - 42 people.**

## MILITARY REGISTRATION

Responsible persons in charge of military records of the Central Office and branches of the Bank were responsible for maintaining military records of the Bank's persons liable for military service and conscripts in army.

Violations of military registration by employees of the Bank in case of late receipt of military tickets were eliminated during 2023. The turnout of conscripts to the Department of Defense Affairs was provided in a timely manner upon their periodic requests.

## SECURITY PRACTICES

The role of the Security Department in achieving the Bank's goals is carried out by ensuring the safe functioning of the Bank, preventing internal and external threats to its security, protecting the legitimate interests of the Bank, its shareholders, management and staff from unlawful encroachments, as well as improving the image and profit growth by ensuring the quality of services and customer safety.

95% of the Department's employees have significant work experience in operational and investigative units of law enforcement agencies of the Republic of Kazakhstan, as well as financial organizations (second-tier banks), which speaks in favor of the qualitative composition of the unit.

Most employees of the Department have sufficient professional training in the field of economic, physical and information security. Thus, the leader of the unit has knowledge and experience in the field of combating terrorism and investigating terrorist cases, during his work in the national security agencies he was directly involved in the development, suppression, prevention and investigation of acts of terrorism and terrorist crimes in various regions of Kazakhstan.

The arsenal of the unit's employees includes knowledge and skills acquired in the course of

training in the field of economic (enterprise and business security), personnel and information security (IT auditor, information security management system, hacking, etc.), procurement, fire safety, as well as ensuring the physical security of protected facilities, including in emergency situations (banks, warehouses of goods and materials, archives, life support facilities (heat supply) and transport (air and railway facilities), facilities of special importance (warehouses of fuels and lubricants, ammunition, etc.).

The Bank also imposes similar requirements on ensuring the physical security of protected facilities to security service providers – Kuzet Motors LLP, whose employees regularly take appropriate courses on the basis of their security company.

In 2022, a new Anti-Fraud Department was introduced into the structure of the Security Department, the main task of which is to protect the Bank and its customers from fraud events in the process of using the Bank's digital products (Internet banking, remote account management, etc.), and to prevent operational risks associated with fraud in these systems.

These changes led to an increase in the list of tasks and functions of the unit, which consist in the organization and direct participation of the Department in the implementation of a set of measures to prevent fraud risks associated with possible material and reputational damage to the Bank, as well as measures aimed at protecting the economic interests of the Bank from various types of external and internal fraud threats. In this regard, employees of the Department have been trained in the Russian Federation in the field of anti-fraud and ensuring the smooth functioning of the Bank. In addition, all employees of the Security Department, without exception, were trained in the course "Fundamentals of Cybersecurity".

To effectively combat such type of deceptive practices as fraud, the newly created Anti-Fraud Department in 2022, as part of the implementation of measures to develop the IT infrastructure provided for in the Bank's Development Strategy until 2023, developed a Concept for the development of anti-fraud in the Bank for 2022-2024, which was approved by the decision of the Bank's Management Board.

Thanks to the Concept, the Bank is currently conducting preparatory work to strengthen anti-fraud by acquiring and implementing a special information system for fraud monitoring of online banking

transactions (anti-fraud system) to protect against external attacks.

Meanwhile, in 2023, timely and coordinated actions by employees of the Anti-Fraud Department and the Department of Economic Security made it possible to prevent Online fraudsters from stealing deposits from Bank customers totaling about 140 million tenge.

In 2023, the Security Unit of the Bank, which is an authorized operator for opening and maintaining special accounts for lump-sum pension payments (hereinafter - LPP) from the Unified Accumulative Pension Fund JSC (hereinafter – UAPF) for the purpose of improving housing conditions and/or paying for medical treatment, carried out extensive work to identify abuses in the implementation of the state program for the use of pension savings.

Thus, the opportunity provided by the state to use pension savings to pay for the treatment of the population has revealed a number of problematic issues related to the illegal activities of both depositors themselves and medical institutions, withdrawal from the UAPF, cashing out, and as a result, misuse of pension contributions.

To date, the Security Unit of the Bank has established a number of illegal schemes, according to which internal investigations have been conducted, followed by an appeal to law enforcement agencies of the Republic of Kazakhstan in order to bring the perpetrators to justice. These schemes are implemented by cashing out funds with the help of unfair dental clinics under the guise of payment for allegedly rendered services and subsequent misuse of funds.

For example, the dental clinics of Atyrau - M Golden Dent LLP, Kompaniya Guldena GGG LLP, Medkosmo LLP, Doctor Dent LLP, MB Stom LLP, Daniyal Dent LLP, Smile Hub LLP made 21,204 transactions totaling 28,853,882,575 tenge only for the period from May to October 2023.

The Bank's investigation revealed circumstances that raise suspicions about the legality of the activities of these clinics, the heads of which, in collusion with unknown persons, organized and directly participated in illegal schemes to cash out LPP funds of clients by deception, manufacture and use of forged documents (contracts for the provision of dental services and conclusions of medical advisory commissions) with the receipt of illegal rewards.

In addition, the voluntary transfer by UAPF depositors of their EDS to intermediaries of dental clinics served to commit a number of other crimes - embezzlement of funds from special accounts of individuals without their consent and participation.

So, on September 01, 2023, funds were stolen from the accounts of 46 Bank customers by transferring them to the account of Pacific Dental Group LLP, located in Atyrau oblast, allegedly for dental services rendered. All transactions were carried out without the participation and consent of customers. In total, from February to September 2023, 1,717 LPP transfer transactions totaling 1,044,215,663 tenge were made from special accounts of 1,603 clients in favor of Pacific Dental Group LLP for the purpose of "Dental Services".

The Bank's Security Unit has established that this dental clinic is not available at the specified address, and the director of Pacific Dental Group LLP is a citizen

who has previously been convicted several times in Kazakhstan and Russia.

Currently, the Security Unit, together with the Operating Division of the Bank, continue to identify new facts of falsification of medical documents and licenses of dental clinics during the verification of applications for the use of pension savings for the purpose of "Dental services".

Thus, as a result of internal investigations of the Bank, Sadvakasova IE and Yelyubaeva IE were identified, who, using fake state licenses for the provision of medical services, conducted 270 transactions for the transfer of LPP for a total amount of 421,474,933 tenge. Similarly, Aldiyar IE, Ayagoz IE, Kadess IE and Nurzhan IE conducted 195 transactions for the transfer of LPP for a total amount of 274,910,331 tenge using fake state licenses.

The Security Unit continues to take all necessary measures to ensure the safe functioning of the Bank, prevent internal and external threats to its security,

protect the legitimate interests of the Bank and its customers from unlawful encroachments and enhance the security of the Bank's personnel and property.

## Sponsorship and charity

Charity and sponsorship are part of the Bank's corporate culture and one of the traditional areas of participation in the life of society, ensuring the social, political and economic stability of the territory where the Bank operates.

For the Bank, charitable activities and sponsorship are important in terms of strengthening the Bank's business reputation and developing an internal corporate culture. The Bank considers all incoming requests for charitable and sponsorship assistance and develops a program for involving employees in charitable projects in various forms of participation: private monetary and other donations, each employee has the opportunity to make his personal contribution to the common cause.

Charitable, sponsorship and philanthropic assistance by the Bank is carried out in strict accordance with the Rules of the Bank's Charity.

In 2023, fundraising was organized by the Bank's employees as part of the "Asar" campaign:

- **for the treatment of the child of an employee from the Bank's Remote Service Department;**
- **for the father of an employee from the Central Branch of the Bank for the treatment of cancer.**

In May 2023, the campaign "Victory Day" WWII aid was held, within the framework of which the employees of the Central Bank provided assistance to veterans of the Great Patriotic War.

On August 31, 2023, as part of the "Road to School" campaign, charitable assistance was provided to families raising disabled children, as well as large families registered with the Akimat of the Auezov district, to purchase 15 sets of stationery at the expense of the Bank's own funds.

On December 15, the Bank took part in the charity event "Baiterek – Open Hearts", by analogy with the "Ainalaiyn" campaign, the Bank's employees put their products on sale, and the Holding provided assistance to orphaned children with the collected amount.

At the end of December 2023, a charity event "Ainalaiyn" was held, where employees provided their products for sale, and sweet gifts in the amount of 163 pieces were purchased with the proceeds (100 pieces for the SOS Children's Village, 60 pieces for the support center for children with serious illnesses, 3 sweet gifts for children of the technical staff of the Central Bank). For the remaining amount, 13 social packages were purchased (grocery basket, meat, cereals, etc.). Sweet gifts were sent on December 27, 2023 to children from the centers, and products were sent to poor families, as well as to the "Kamkor" social home, where lonely veterans of the Great Patriotic War and pensioners live.

In total, in the reporting year, the Bank's employees raised funds in the amount of about 1.8 million tenge for charity.

# APPENDIX



VOICES FOR  
EQUAL RIGHTS  
AND OPPORTUNITIES





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<b>2-28 Member Associations</b>			
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<b>2-29 Approach to stakeholder engagement</b>			
2-29 a	Approach to stakeholder engagement, including categories of stakeholders it engages with and how they are identified; purpose of stakeholder engagement; meaningful stakeholder engagement	Interaction with stakeholders	21
<b>2-30 Collective agreements</b>			
2-30 a	Percentage of the total number of employees covered by collective bargaining agreements		
2-30 b	Organization of labor conditions and conditions of employment for employees not covered by collective bargaining agreements	Staff composition and structure	52
<b>GRI 3: Material issues 2021</b>			
<b>3-1 The process of determining the material issues</b>			
3-1 a	Process of identifying material topics, including identifying the actual and potential, negative and positive impacts on the economy, the environment and the social environment as part of its activities and business relationships; prioritizing impacts for reporting based on their significance.	About the Report	4
3-1 b	Stakeholders and experts whose opinions influenced the process of identifying material topics		
<b>3-2 List of material issues</b>			
3-2 a	List of material issues		
3-2 b	Changes in the list of material topics compared to the previous reporting period	About the Report	4
<b>3-3 Management of material issues</b>			
3-3 a	Actual, potential, negative and positive impacts on the economy, environment and social environment	Economic performance, Environmental component of sustainable development, Social component of sustainable development	44, 50
3-3 b	Association of the organization with negative impacts as a result of its activities or as a result of its business relationships		
3-3 c	Policy or commitment regarding the topic of the material		
3-3 d	Actions taken to manage the topic and associated impacts		
3-3 e	Tracking the effectiveness of actions taken	About the Report	4
3-3 f	Influence of stakeholder engagement on actions taken (3-3 d) and communication on the effectiveness of actions (3-3 e)		

Standard Number	Indicator	Report Section/Comment	Page
<b>GRI 201: Economic Performance 2016</b>			
<b>201-1 Direct economic value generated and distributed</b>			
201-1 a	Direct economic value generated and distributed on an accrual basis, including the main components for the organization's global operations	Economic performance	33
201-1 b	Direct economic value at the country, region, or market level, as well as the criteria used to determine significance		
<b>201-2 Financial implications and other risks and opportunities due to climate change</b>			
201-2	Risks and opportunities associated with climate change that have the potential to lead to material changes in operations, income or expenses	Climate change	47
<b>201-3 Defined benefit liabilities and other pension plans</b>			
201-3 a	The estimated value of liabilities that are covered by the organization's total resources		
201-3 b	Fund for payment of pension liabilities	Remuneration of Bank employees. All employees of the Bank are covered by the State Defined Contribution Pension System	58
201-3 c	The Fund's coverage of pension liabilities		
201-3 d	Percentage of the salary contributed by the employee or employer		
201-3 e	The level of participation in mandatory and voluntary, regional or country pension schemes or schemes that have a financial impact		
<b>201-4 Financial assistance received from the Government</b>			
201-4 c	The presence of any government in the shareholder structure, the degree of presence	About the Bank	10
<b>GRI 202: Market Presence 2016</b>			
<b>202-1 Ratio of standard entry-level wages by gender compared to the local minimum wage</b>			
202-1 a	The time of receipt of wages by a significant part of employees in accordance with the minimum wage rules, the ratio of entry-level wages, broken down by gender in the principal place of employment to the minimum wage	Remuneration of Bank employees	58
202-1 b	The time of receipt of wages of other employees (with the exception of employees) performing the activities of the organization, in accordance with the rules of the minimum wage, actions taken to receive salaries above the minimum wage by employees	Remuneration of Bank employees	58
<b>GRI 204: Procurement Practices 2016</b>			
204-1	Proportion of spending on local suppliers	Procurement	33
<b>GRI 205: Anti-corruption 2016</b>			
205-1	Transactions assessed for risks related to corruption		
205-2	Communication and training about anticorruption policies and procedures	Anti-corruption	35
205-3	Confirmed incidents of corruption and actions taken		
<b>GRI 206: Anti-competitive (antimonopoly) behavior 2016</b>			
206-1	Lawsuits for anti-competitive behavior, antitrust and monopoly practices	Anti-corruption	35

Standard Number	Indicator	Report Section/Comment	Page
<b>GRI 207: Tax 2019</b>			
207-1	Approach to taxation	Information on taxes is disclosed in the full version of the Bank's financial statements, which is posted on the Bank's website <a href="http://www.hcsbk.kz">www.hcsbk.kz</a> , in the "Reporting" section	-
207-2	Tax administration, control and risk management		
207-3	Involvement of stakeholders and solving problems related to taxation		
207-4	Reporting by country		
<b>GRI 301: Materials 2016</b>			
301-1	Materials used by weight or volume	Waste management	45
301-2	Recycled input materials		
301-3	Recycled products and their packaging materials		
<b>GRI 302: Energy 2016</b>			
302-1	Energy consumption within the organization	Energy consumption and energy efficiency	44
302-2	Energy consumption outside the organization		
302-3	Energy intensity		
302-4	Reduction of energy consumption		
302-5	Reductions in energy requirements of products and services		
<b>GRI 303: Water and Effluents 2018</b>			
303-1	Interaction with water as a shared resource	Water consumption	45
303-2	Management of water discharge-related impacts		
303-3	Water intake facilities		
303-4	Water discharge		
303-5	Water consumption		
<b>GRI 305: Emissions 2016</b>			
305-1	Direct (Scope 1) greenhouse gas emissions	Emissions of greenhouse gases and other pollutants into the atmosphere	46
305-2	Indirect greenhouse gas emissions in the energy sector (Scope 2)		
305-3	Other indirect (scope 3) greenhouse gas emissions		
305-4	Intensity of greenhouse gas emissions		
305-5	Reducing greenhouse gas emissions		
305-6	Emissions of ozone-depleting substances (ODS)		
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions		
<b>GRI 306: Waste 2020</b>			
306-1	Waste generation and significant waste-related impacts	Waste management	45
306-2	Management of significant waste-related impact		
306-3	Waste generated		
306-4	Waste diverted from disposal		
306-5	Waste directed to disposal		
<b>GRI 401: Employment 2016</b>			
401-1	Recruitment of new employees and staff turnover	Staff composition and structure	52
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		
401-3	Parental leave (Maternity leave)		

Standard Number	Indicator	Report Section/Comment	Page
<b>GRI 402: Labor/Management Relations 2016</b>			
402-1	Minimum time limits for notification of changes in work	Responsible working practice	56
<b>GRI 403: Occupational Health and Safety 2018</b>			
403-1	Occupational health and safety management system		
403-2	Hazard identification, risk assessment and incident investigation		
403-3	Labor protection services		
403-4	Employee participation, consultation and information on occupational health and safety		
403-5	Employee training on occupational health and safety	Ensuring occupational safety and health, civil defense and fire safety	65
403-6	Promotion of employee health		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		
403-8	Employees covered by the occupational health and safety management system		
403-9	Work-related injuries		
403-10	Work-related ill health		
<b>GRI 404: Training and Education 2016</b>			
404-1	Average hours of training per year per employee		
404-2	Employee training and education and transition assistance programs	Training and education	57
404-3	Percentage of employees receiving regular performance and career development reviews		
<b>GRI 405: Diversity and Equal Opportunity 2016</b>			
405-1	Diversity of governance bodies and employees	Diversity and equal opportunities. Staff composition and structure	59,
405-2	The ratio of basic wages and remuneration for women and men		52
<b>GRI 406: Non-discrimination 2016</b>			
406-1	Incidents of discrimination and corrective actions taken	Non-discrimination. Gender policy	61, 60
<b>GRI 408: Child Labor 2016</b>			
408-1	Operations and suppliers at significant risk for incidents of child labor	Responsible working practice	56
<b>GRI 409: Forced or Compulsory Labor 2016</b>			
409-1	Operations and suppliers at significant risk of forced or compulsory labor	Responsible working practice	56
<b>GRI 410: Security Practices 2016</b>			
410-1	Security personnel trained in human rights policies or procedures	Ensuring occupational safety and health, civil defense and fire safety	65
<b>GRI 415: Public Policy 2016</b>			
415-1	Political contribution	It is disclosed in the Annual Report of the Bank, in the sections: State policy of the housing savings system, Work within the framework of strategic objectives	5, 12
<b>GRI 418: Customer Privacy 2016</b>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Privacy protection	37



# SASB Table

**Table 1. Topics and indicators of disclosure of information on sustainable development**

Metrics	Category	Units	Code	Data for 2023
<b>LENDING PRACTICES</b>				
1. The number and volume of loans granted for the purchase of housing, including by combined fixed and floating rates;	Quantitative	units, million tenge	FN-MF-270a.1	1. Quantity: 62,640 Amount: 1,050,453 The Bank does not issue loans at a floating rate.
2. The total amount of the penalty for early loan repayment.				2. Amount: 105.8
3. The number and total value of residential properties that are collateral for restructured mortgages;	Quantitative	units, million tenge	FN-MF-270a.2	1. Quantity: 208 Cost: 4.919
4. The number and total value of residential properties that are collateral for loans repaid through the sale of collateral by the client;				2. Quantity: 7 Cost: 116.4
5. The number and total value of residential properties that are collateral for loans repaid through the sale of other property.				3. Missing
Total monetary losses from litigation related to customer interactions or creditor fees *	Quantitative	million tenge	FN-MF-270a.3	0.002  (The Bank's client filed a lawsuit against the Bank and the "Department of Housing and Housing Inspection of Astana" State Institution due to the fact that the "Department of Housing and Housing Inspection of Astana" State Institution untimely provided a housing certificate to Otobasy Bank JSC, namely, provided after the conclusion of a housing loan, and the Bank in violation of the rules for the provision of housing certificates, unreasonably returned during the trial and consideration of the plaintiff's complaint the housing certificate of the "Department of Housing and Housing Inspection of Astana" State Institution. By the decision of the Inter-District Court for Civil Affairs of Astana city, it was decided to assign the obligation to the Bank to recalculate the client's loan, taking into account the housing certificate provided by the "Department of Housing and Housing Inspection of Astana" State Institution and to collect from the Bank in favor of the client the amount of the paid state fee when filing a claim in the amount of 1,725 (one thousand seven hundred twenty-five) tenge. Currently, the specified court decision on the part of the Bank has been executed in full).
Description of the structure of the mortgage loan remuneration	Discussion and Analysis	n/a	FN-MF-270a.4	Interest rates on housing loans range from 2% to 5% per annum (annual effective rate of return from 2.1% per annum).  Interest rates on an interim loan range from 2% to 12% per annum, (annual effective rate of return from 2.1% per annum).  The interest rates on the preliminary loan range from 2% to 14.4% per annum (annual effective rate of return from 2.1% per annum).

Metrics	Category	Units	Code	Data for 2023
<b>DISCRIMINATORY LENDING</b>				
The number of loans, the cost of loans and LTV, broken down by the ethnic origin of the borrower (Kazakhs, Russians, others).	Quantitative	units., million tenge, %	FN-MF-270b.1	There is no breakdown by ethnic origin of borrowers at this stage.
Total monetary losses from due to litigation related to discriminatory mortgage lending (litigation with borrowers from national minorities) **	Quantitative	million tenge	FN-MF-270b.2	Missing
Description of policies and procedures to ensure non-discriminatory mortgages	Discussion and Analysis	n/a	FN-MF-270b.3	Missing
<b>ENVIRONMENTAL RISK MORTGAGED SPECIFICATIONS</b>				
The number and volume of mortgage loans in the 100-year flood zones	Quantitative	units, million tenge	FN-MF-450a.1	Quantity: 40.668 Volume: 325,443
Cumulative expected loss as a result of natural disasters and LGD on loans issued in regions where natural disasters occurred.	Quantitative	units., million tenge, %	FN-MF-450a.2	Missing
Description of the inclusion of climate change and other environmental risks in mortgage lending and underwriting	Discussion and Analysis	n/a	FN-MF-450a.3	Missing

\* Note to FN-MF-270a.3. The organization should briefly describe the nature, context and any corrective actions taken in connection with monetary losses.

\*\* Note to FN-MF-270b.2. The organization should briefly describe the nature, context, and any corrective actions taken due to the monetary loss.

**Table 2. Activity index**

Activity index	Category	Units	Code	Sections of the annual report
The number and cost of mortgage loans issued by category: residential and commercial	Quantitative	units, million tenge	FN-MF-000.A	Quantity: 62,640 Amount: 1.050,453 <i>(The Bank does not issue loans for the purchase of commercial real estate).</i>
The number and cost of mortgages repurchased by category: residential and commercial	Quantitative	units, million tenge	FN-MF-000.B	Missing

# Contact information

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SUSTAINABLE  
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2023