

**Approved by the decision of  
"KAZ GREEN ENERGY"  
LLP Supervisory Board  
of 26.11.2020  
Minutes No. 1**

**GREEN BOND FRAMEWORK  
"KAZ GREEN ENERGY" LLP**

**Karaganda, 2020**

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## **INTRODUCTION**

## **BUSINESS OVERVIEW**

### **Company Brief**

Limited Liability Partnership "KAZ GREEN ENERGY" was established on December 22, 2014.

Participants of "KAZ GREEN ENERGY" LLP:

- Kazakhmys Power Projects B.V. - 70%.
- Dzhumanbayev Vladimir Viktorovich. - 30%.

### **Achievements**

We have successfully implemented a project for the construction of a solar power plant 10 MW in Zhezkazgan

### **Goals**

- Ensuring business stability;
- Business development and increase in the value of the authorized capital;
- Ensuring energy saving and increasing energy efficiency;
- Implementation of environmentally oriented projects in the field of alternative electricity.

To ensure the stability of the business, the following tasks are defined:

1. Organization of reliable operation and operation of assets;
2. Sustainable development;
3. Guaranteeing industrial safety;
4. Improving the principles of corporate governance.

To develop the business and increase the value of the authorized capital, the following tasks are determined:

1. Sustainable technological development;
2. Introduction and development of advanced technologies and new directions;
3. Issue, green bonds, their subsequent placement and circulation;
4. Increasing public confidence in the company's activities and its products.

The following tasks have been identified to ensure energy saving and energy efficiency:

1. Reducing energy consumption through the introduction of energy-saving technologies;
2. Development of green energy;
3. Reducing CO2 emissions.

For the implementation of environmentally oriented projects:

1. Ensuring a transparent and unbiased selection process for green projects;
2. Portfolio management of green projects;
3. Monitoring of indicators of impact on the environment.

### **Mission**

Environmentally friendly and sustainable development for the long term and preservation of a favorable environment for current and future generations.

### **Description of activities**

The main activities of "KAZ GREEN ENERGY" LLP are:

Electricity production by solar power plants, creation of a complex for the reception and disposal of all types of waste and their conversion into electricity, processing and disposal of non-hazardous waste, production of heat and electricity, etc.

The following benefits are expected to be achieved as a result of the projects implementation:

- reduction of greenhouse gas emissions;
- creation of new jobs;
- development of technologies for obtaining energy from alternative energy sources;
- generating electricity by processing solid waste;
- preserving the environment and reducing the negative impact on it;
- promotion of the green economy;
- increasing the number of partners with the adopted Environmental Policy<sup>1</sup>;
- efficient use of natural resources in production activities;
- promoting the transition to a green economy and sustainable development.

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<sup>1</sup> Environmental Policy of "KAZ GREEN ENERGY" dated November 26, 2020.



### **Joining the Green Bond Principles**

Realizing its responsibility for its production activities and impact on the environment and in order to reduce greenhouse gas emissions and responsibility to future generations "KAZ GREEN ENERGY" LLP has decided to adhere to the recommendations specified in the *Green Bond Principles*.

The Green Bond Principles are intended for use by market participants to stimulate the provision of the information necessary to increase investment to eligible projects. With a focus on the targeted use of proceeds from the placement of green bonds, the Green Bond Principles aim to support issuers changing their business models towards improving environmental sustainability through specific projects.

A bond issued in accordance with the Green Bond Principles should provide an investment opportunity with transparent environmental performance. By encouraging issuers to provide reports on the earmarked use of proceeds from the issuance of green bonds, the Green Bond Principles are helping to progressively increase transparency, making it easier to track funds flowing into environmental projects while improving understanding of the expected results.

The Green Bond Principles provide only a general list of categories of eligible environmental projects, due to the diversity of existing opinions and the continuing development of understanding of environmental issues and their consequences. At the same time, the Green Bond Principles draws on the experience of third parties, if necessary, to develop additional definitions, standards and classifications to determine the environmental sustainability of projects. The Green Bond Principles encourage all market participants to use them as a basis for developing their own sustainable practices, citing a wide range of complementary criteria that can be applied as needed.

"KAZ GREEN ENERGY" LLP made a decision to join the Green Bond Principles in accordance with Order No.1 dated December 24, 2020,

### **Basic principles**

The Green Bonds Framework of "KAZ GREEN ENERGY" LLP has been developed to formalize the approach to raising funds through the issuance of green bonds and using them for the implementation of acceptable projects consistent with the goals and principles of the company in the implementation of environmentally oriented projects.

Green Bonds can be issued in different currencies, for different periods with different terms, including covenants, in accordance with the commercial terms agreed between the Issuer/Investor.

### **Green Bonds Framework**

The Green Bond Framework has been developed in accordance with the 2018 ICMA Green Bond Principles (GBP) and is designed to ensure transparency in our Green Bond issuance and reporting processes.

For each Green Bond Issue and management of funds raised from the sale of green bonds, "KAZ GREEN ENERGY" LLP undertakes to adhere to the key four elements of the Principles of Green Bonds:

1. Use of proceeds
2. Evaluation and selection process
3. Proceeds management
4. Reporting

The Green Bond Framework is applicable for the implementation of the main activity projects of "KAZ GREEN ENERGY" LLP regarding the production of electricity by solar power plants and for the creation of a complex for the reception and disposal of any types of waste and converting them into electricity, but is not limited to them.

"KAZ GREEN ENERGY" LLP plans to implement the projects "Balkhash Solar Power Plant with a capacity of 100 MW" and "Kengir Bioelectric Power Plant with a capacity of 5 MW" by 2023. This list is subject to change, the update will be formalized as an addition to the Green Bond Framework.

1. Solar "Solar power station "Balkhash" with a capacity of 100 MW"

Project implementation period: 12 months, starting the 4th quarter of 2020.

Commissioning is planned in 2 stages

- The first stage of 50 MW is planned for July 2021;
- The second stage 50 MW is planned for December 2021.

Main project indicator:

- Electricity generation 165,610.11 MWh per year on average over 15 years.

Place of project implementation: Republic of Kazakhstan, Zhezkazgan city.

2. "Bioelectric power station "Kengir" with a capacity of 5 MW"

Project implementation period: starting in 2021.

The main indicator of the project: the use of a unique innovative technology for processing solid waste using a pyrolysis thermochemical system to obtain the main product - synthetic gas with subsequent generation of electricity.

Place of project implementation: Republic of Kazakhstan, Karaganda region, Zhezkazgan city, s. Kengir.

### **Use of proceeds**

The proceeds from the green bonds will be used exclusively to finance or refinance eligible projects (eligible assets) that provide specific environmental benefits and reduced environmental impacts that can be measured quantitatively and qualitatively.



All eligible projects are implemented in strict compliance with the Environmental Policy<sup>2</sup> and the Policy Regarding Energy and Emissions<sup>3</sup>.

The assets must meet the Criteria to qualify as Projects (assets) eligible for green financing (Eligible Assets).

Eligible projects (eligible assets) must meet the following criteria:

- **renewable energy sources** (including production, transmission, equipment and products);
- **energy efficiency** (for example, energy efficiency in new and renovated buildings, energy storage, district heating, smart grids, equipment and products);
- **pollution prevention and control** (including projects to reduce atmospheric emissions, control of greenhouse gases, restore soil, prevent pollution, minimize pollution, process waste, efficiently process waste into electricity, produce value-added products from waste and as a result of processing and related to the specified areas environmental monitoring);
- **environmentally friendly transport** (for example, electric, hybrid, public, railway, non-motorized, multimodal transportation, infrastructure for environmentally friendly vehicles and reduction of harmful emissions);
- **adaptation to climate change** (including information support systems such as climate monitoring systems and early warning systems);
- **environmentally efficient and/or adapted products of a non-waste economy, production technologies and processes** (such as the development and implementation of environmentally friendly products, eco-labelling or environmental certification, economical packaging and distribution).

#### **Project evaluation and selection process**

Control over the Green Bonds Framework implementation is carried out by the Committee for Green Projects of "KAZ GREEN ENERGY" LLP<sup>4</sup>, which is a collegial body.

All members of the "KAZ GREEN ENERGY" LLP Committee for Green Projects are responsible for compliance with this Green Bonds Framework, Environmental Policy, and Policy Regarding Energy and Emissions.

The Committee is formed by an odd number (at least three) from among the Partnership employees, at least one representative of the Kazakhmys Power Projects B.V. Partnership. and at least one independent expert. The decisions of the Committee for Green Projects of "KAZ GREEN ENERGY" LLP are subject to execution by all employees, structural divisions, branches and representative offices of the company.

Employees of the company search and evaluate projects based on the criteria specified in the Management of Proceeds Section.

Promising projects must have a Conclusion of the internal/external environmental expert regarding the project's greenness before being sent to the Committee for Green Projects of "KAZ GREEN ENERGY" LLP.

Promising projects are submitted for consideration to the Committee for Green Projects of "KAZ GREEN ENERGY" LLP, which checks for:

- description of the project and implementation plan to achieve a specific environmental effect (quantitative and qualitative indicators) from the project;
- certificates, examinations, licenses and other documents confirming compliance with the necessary standards or requirements;
- conclusions on the greenness of the project from the internal/external environmental expert.

If a project is recognized as meeting the Green Bonds Framework's criteria, it is approved by the Executive Body for project approval and further implementation.

The approved projects are included in the list of eligible assets for further accounting on the sub-account. On a quarterly basis, the internal/external environmental expert will report on the

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<sup>2</sup> Environmental Policy of "KAZ GREEN ENERGY" dated November 26, 2020.

<sup>3</sup> Policy Regarding Energy and Emissions of "KAZ GREEN ENERGY" dated November 26, 2020.

<sup>4</sup> Rules of work of the Committee for Green Projects of "KAZ GREEN ENERGY" dated November 26, 2020.

compliance of assets with the Green Bonds Framework to the Committee for Green Projects of "KAZ GREEN ENERGY" LLP.

### **Management of Proceeds**

"KAZ GREEN ENERGY" LLP manages the proceeds from green bonds in strict accordance with the Green Bond Principles.

The process of managing the proceeds from green bonds in "KAZ GREEN ENERGY" LLP is carried out in accordance with the Regulations for accounting for funds on green bonds of "KAZ GREEN ENERGY" LLP.

The proceeds from green bonds will be credited to a special subaccount "Green Bonds" (hereinafter referred to as the Sub-account), which will monitor compliance with eligible projects.

Reporting on this Sub-account will allow interested parties, including Participants, Investors, regulatory authorities and the public to monitor the intended use of proceeds from green bonds.

The Committee for Green Projects of "KAZ GREEN ENERGY" LLP will monitor the total amount of eligible assets on the Sub-account on a quarterly basis to ensure that it is equal to or greater than the total amount of proceeds received from the green bonds.

If, for any reason, the aggregate amount of assets on the Sub-account of "KAZ GREEN ENERGY" LLP is less than the total amount of outstanding green bonds issued, "KAZ GREEN ENERGY" LLP will hold the unallocated amount in cash or liquid securities in accordance with the money management policy of "KAZ LLP GREEN ENERGY" until the number of eligible assets is equal to the number of proceeds from green bonds.

If the decision of the Committee for Green Projects of "KAZ GREEN ENERGY" LLP recognizes an acceptable asset for any reason unacceptable, it will be excluded from the register of eligible assets as soon as possible. If possible, the excluded asset is replaced by another eligible asset in accordance with the criteria for eligible assets<sup>5</sup>.

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<sup>5</sup> Rules of work of the Committee for Green Projects of "KAZ GREEN ENERGY" dated November 26, 2020.



## **Reporting**

"KAZ GREEN ENERGY" LLP intends to disclose information on the use of proceeds from green bonds, investment directions and the impact of activities on the environment on an annual basis on the official website <https://kge.kz> in the manner specified in the Regulations on Information Disclosure of "KAZ GREEN ENERGY" LLP.

"KAZ GREEN ENERGY" LLP adheres to the following principles in the process of disclosing information:

- 1) regularity and timeliness of disclosure.
- 2) openness and accessibility.
- 3) the reliability and completeness of the content.
- 4) promptness of disclosure.
- 5) balance.

The reporting will include, but not be limited to:

### ***Report on the distribution of proceeds on green bonds***

- Net proceeds received from each Green Bond;
- The cumulative amounts of funds allocated for each eligible asset;
- Balance of retained earnings at the end of the reporting period.

### ***Environmental impact report,***

- volumes of generated electricity;
- reduction of greenhouse gas emissions;
- the volume of processed solid waste.

To conduct an external assessment of the compliance of processes and reports with this Framework, "KAZ GREEN ENERGY" LLP engages independent external consultants.

If possible, "KAZ GREEN ENERGY" LLP will provide additional information and examples of eligible projects financed or refinanced through green bonds, including quantitative performance indicators.

**External review**

"KAZ GREEN ENERGY" LLP will receive an External Review prepared by an independent consultant to confirm compliance of the Green Bonds Framework with the Green Bonds Principles. The external review will be published on the website of KAZ GREEN ENERGY LLP [www https://kge.kz](https://kge.kz).

"KAZ GREEN ENERGY" LLP has the right to adopt the Green Bonds Framework without receiving any additional audit, as well as to make changes and additions to the Policy. When changing and/or supplementing its Green Bonds Framework, "KAZ GREEN ENERGY" LLP will ensure the update of the External Review with the involvement of an independent consultant, taking into account the adopted changes and/or additions.