

APPROVED
by the decision of the Board of Directors
of "Kazakhstan Center of Industry
and Export "QazIndustry" JSC
dated July 15, 2022
(Protocol No. 06/22)

PREVIOUSLY APPROVED
by the decision of the Management
Board "Kazakhstan Center of Industry
and Export "QazIndustry" JSC
dated July 07, 2022
(protocol No. 19)



**Report on the activities
of JSC "Kazakhstan Center of Industry and Export
"QazIndustry" for 2021**

Nur-Sultan, 2022

Content

Address of the Chairman of the Board of Directors of the Company	4
Address of the Chairman of the Management Board of the Company	5
I. On the Company	7
1.1 Company name, legal address and location of the Company	7
1.2 Information on state registration, functions of the Company in accordance with the current legislation of the Republic of Kazakhstan and the Charter of the Company	7
1.3 The structure of the authorized capital, including information on the number and nominal value of the issued shares, a description of the rights granted by the shares, the number and nominal value of the declared but outstanding shares, the Sole shareholder, the number of ordinary shares owned by him	10
1.4 On the mission, vision, strategy of development of the Company	11
1.5 On the results of the implementation of the Company's Development Strategy	13
1.6 Organizational structure	14
II. Results of the Company's activities for 2021 in strategic areas	17
2.1. Expert and analytical activity as a "think tank" for the development of industry and related sectors of Kazakhstan	17
2.1.1. Information and analytical support of SPIID 2020-2025	17
2.1.2. System analysis of modern industrialization and global trends	20
2.2. Provision of systemic and direct measures of state incentives in the manufacturing industry	24
2.2.1. Participation in the implementation of systemic measures to support the development of the manufacturing industry	24
2.2.1.2. Improving the competitiveness of processed goods	24
2.2.1.2. Stimulating the implementation of digital technologies in industry	25
2.2.1.3. Development of territorial clusters	27
2.2.1.4. Development of the domestic market of processed goods	28
2.2.1.5. Assistance in attracting foreign direct investment	31
2.2.1.6. Support of industrial development within the framework of integration processes in Kazakhstan	32
2.2.2. Provision of direct government incentive measures to manufacturing enterprises	34
2.2.2.1. Reimbursement of costs for improving labor productivity and development of territorial clusters	35
2.2.2.2. The partial reimbursement of the costs for promoting domestic processed goods to foreign markets	37
2.2.2.3. Reimbursement of costs for the promotion of goods, works and services in the domestic market	37
2.2.2.4. Provision of industrial grants	38
2.3. Assistance in the development of industries and economic spheres related to the manufacturing industry	38
2.4. Coordination of development of special economic and industrial zones of the Republic of Kazakhstan	39
2.4.1. Coordination functions and interaction with authorized state bodies	39
2.4.2. Promotion of special economic and industrial zones of the Republic of Kazakhstan and improvement of management quality	40
2.5. Institutional development of Qazindustry	41

2.5.1. Improving corporate governance.....	41
2.5.2. Competence development	41
2.5.3. Improving operational efficiency	42
2.5.4. Human capital development.....	42
2.5.5. Increasing transparency in the activities of Qazindustry	44
III. Results of financial and operational activities	45
3.1. On the implementation of operational and financial performance indicators ...	45
3.2. On the main significant corporate events and achievements	46
3.3. On the major transactions and obligations with related parties.....	47
3.4. On any financial support, including guarantees received from the state and any obligations to the state and society assumed by the Company	48
IV. Asset structure	48
V. Purposes and plans for future periods	48
VI. Main risk factors and risk management system	50
VII. Corporate governance	52
7.1. Corporate governance structure, composition of the Board of Directors, report on the activities of the Board of Directors and its committees	52
7.2. Information on the compliance of corporate governance practices with the principles of the Company's Corporate Governance Code, and in case of non-compliance - explanations of the reasons for non-compliance with each of the principles	56
7.3. Composition of the Management Board of the Company, report on the activities of the Management Board of the Company	62
7.4. Remuneration policy for officials.....	63
VIII. On sustainable development	64
Appendix No. 1 Report on the implementation (monitoring) of indicators of the Company's Development Strategy for 2021.....	68
Appendix No. 2 Report on the implementation (monitoring) of the indicators of the Company's Development Plan for 2021	71
Appendix No. 3 Auditor's Report and basic forms of financial statements for 2021	73

Address of the Chairman of the Board of Directors of the Company

DEAR COLLEAGUES!

The past year has been characterized by work on further transformation of the economy in the face of increasing challenges in the global economy.

Today it is clear that the changes affected many areas, and everyone was forced to adapt their activities to meet the rapidly changing rules and requirements. It is quite natural that significant changes are necessary for the recovery of the world economy, which are accompanied by changes in the established patterns, forming a new type of industrial relations, generating new requirements for the organization of production activities, thereby changing the management system and macroeconomic regulation.

Kazakhstan's manufacturing industry, like other sectors of the economy, was forced to adapt to new conditions in a short time. This prompted the Company to optimize the processes of interaction with the industrial sector of the country and allowed it to continue the course of further diversification of the economy.

As part of the execution of the instructions of the Head of State Kassym-Jomart Tokayev, an active part was taken in the development of the draft Law of the Republic of Kazakhstan "On Industrial Policy" and the National Project "Sustainable economic growth aimed at improving the welfare of Kazakhstanis", approved in 2021. Within the framework of legislative acts, measures to support the manufacturing industry have been revised in order to ensure effective support for domestic producers.

All these efforts could not but affect the results of Qazindustry. During the reporting year, almost all the main financial and operational indicators increased, and their significant over-fulfillment was ensured in certain categories.

Global trends dictate tough new conditions, under which it is necessary to adjust to ensure the safety of all citizens. I believe that QazIndustry managed to achieve its goal by completing the tasks set, ensuring uninterrupted operation and cooperation with industrial enterprises.

In conclusion, I would like to express my gratitude to all employees of the Company for their conscientiousness, creativity and professionalism. Each employee, and therefore a member of the large Qazindustry family, makes a personal contribution to the common goal – to promote the competitiveness of the manufacturing industry and related sectors of the economy of Kazakhstan.

**Sincerely, Chairman of the Board of Directors
"Kazakhstan Center of Industry
and Export "Qazindustry" JSC**

M. Karabaev

Address of the Chairman of the Management Board of the Company

DEAR COLLEAGUES, CLIENTS AND PARTNERS!

JSC "Kazakhstan Center for Industry and Export "QazIndustry" is a national institute in the field of industrial development and intra-country value, a single coordination center for special economic and industrial zones of the Republic of Kazakhstan.

In 2021, QazIndustry continued to provide state incentive measures to reimburse part of the costs of enterprises aimed at increasing labor productivity.

As part of the development of industrial cooperation, the Company organized the "Subcontract Exchange – 2021". Following the results of the Exchange, 3 memorandums of mutual cooperation were signed between Kazakhmys Corporation LLP and domestic producers. Also, with the assistance of the Company, 35 long-term contracts worth 30.4 billion tenge and 5 offtake contracts totaling 709.1 million tenge were concluded.

It should be noted that we have continued cooperation with the World Bank on the creation of a Supplier Development Service to expand the market relations of SMEs with large local and international corporations in Kazakhstan. In 2021, 33 companies received the status of an accredited supplier from such large customers as KPO, TCO, NCOC, ArcelorMittal, Kazakhmys.

More than 250 employees of 150 enterprises have been trained at the QazIndustry site to improve the skills of employees of enterprises for the implementation of Industry 4.0. Partners were such companies as the International Technology Concern Siemens, the world's leading supplier of robotics Kuka, experts in the field of information security Kaspersky Lab.

Thus, the past year was marked not only by the growth of quantitative and qualitative performance indicators, but also by the transformation of QazIndustry. Here is the Annual Report for 2021, which reflects the main indicators by which the Company's activities are evaluated – financial, industry indicators and performance analysis.

The tasks of our daily operational activities remain unchanged, we will also work closely with the business, and we will continue to make efforts to improve the efficiency of QazIndustry.

In 2022, we will continue to work to strengthen the competitiveness of the manufacturing sectors of the economy and increase the domestic value. To do this, we will continue to build effective coordination of industrial infrastructure, interact with industrial enterprises and develop strategies for technological transformation, scale up work on the Supplier Development Service project, expand the analytical direction in favor of the Company's business and customers.

In conclusion, I would like to thank every employee of the Company for their fruitful and effective work, as well as our customers, partners and Sole Shareholder represented by the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan for their support, which will allow us to reach new heights and look to the future with optimism.

Sincerely,
Chairman of the Management Board "Kazakhstan Center of Industry and Export
"Qazindustry" JSC B. Bekenov

I. On the Company

1.1 Company name, legal address and location of the Company

Full name:

in the official language: "QazIndustry" Kazakstandyk industry zhane export ortalygy" aksionerlik kogami;

in Russian: Akcionernoye Obstshestvo "Kazakstanskiy Centr Industrii i Exporta "QazIndustry";

in English: "QazIndustry" Kazakhstan Industry and Export Center" Joint Stock Company.

Abbreviated name: in the state language: "QazIndustry" KIEO" AK; in Russian: AO "KCE "QazIndustry"; in English: "KIEC "QazIndustry" JSC.

Legal address: Republic of Kazakhstan, 010000, Nur-Sultan city, Yesil district, Kabanbai Batyr Ave., 17, block E.

1.2 Information on state registration, functions of the Company in accordance with the current legislation of the Republic of Kazakhstan and the Charter of the Company

JSC "Kazakhstan Institute of Industry Development" (hereinafter – JSC "KIRI") was registered with the Department of Justice of Astana city on June 24, 2010 for No. 37161-1901-JSC.

In accordance with the resolutions of the Government of the Republic of Kazakhstan dated December 13, 2018 No. 830 "On some measures to optimize the management system of development institutions" and dated February 20, 2019 No. 75 "On Amendments to Some Decisions of the Government of the Republic of Kazakhstan", JSC "KIRI" was *reorganized* by joining the joint-stock company "National Agency for development of local content "NADLoC".

By Resolutions of the Government of the Republic of Kazakhstan dated April 19, 2019 No.215 and dated July 29, 2019 No. 546, JSC "KIRI" was renamed into **JSC "Kazakhstan Center for Industry and Export"**, and then into **Joint Stock Company "Kazakhstan Center for Industry and Export "QazIndustry"** (hereinafter - *the Company or QazIndustry*) (*certificate of state re-registration of a legal entity dated August 29, 2019*).

By the Resolution of the Government of the Republic of Kazakhstan dated July 30, 2016 No. 450 "On approval of the list of national development Institutions and other Legal entities, fifty or more percent of voting shares (participation shares in the Authorized Capital) of which directly or indirectly belong to the state, authorized to implement measures of state support for industrial and innovative activities", the Company is determined by **the National Development Institute in the field of industry development, technological development, local content development, export development and promotion.**

By the Decree of the Government of the Republic of Kazakhstan dated July 3, 2019 No. 469, the Company was defined as **a Single Coordination Center for special Economic and Industrial Zones** in the Republic of Kazakhstan.

According to the Decree of the Government of the Republic of Kazakhstan dated December 23, 2019 No. 959 "On Amendments to the Decree of the Government of the Republic of Kazakhstan dated June 3, 2010 No. 508 "On the

Establishment of the Joint Stock Company "Kazakhstan Institute of Industry Development" and dated July 30, 2016 No. 450 "On approval of the list of national development institutes and other legal entities, fifty and more than percent of the voting shares (participation shares in the authorized capital) of which directly or indirectly belong to the state, authorized to implement measures of state support for industrial and innovative activities" in 2020, **the functions of the national institute in the field of technological development of JSC "Center for Engineering and Technology Transfer" were transferred to QazIndustry.**

In accordance with the Decree of the Government of the Republic of Kazakhstan dated September 06, 2019 No. 663 "On the renaming of the joint-stock company "Center for the Development of Trade Policy" into the joint-stock company "Center for the Development of Trade Policy "QazTrade", **the functions of the Company for the analysis of foreign markets, development and promotion of non-commodity exports within the "single Window" were transferred** to JSC "Development Center trade policy of "QazTrade".

In accordance with the decision of the Eurasian Intergovernmental Council of January 31, 2020, JSC "QazIndustry" was designated **the national operator of the Eurasian Network of Industrial Cooperation, Subcontracting and Technology Transfer** in the Republic of Kazakhstan. In the reporting year, the Company chaired the Board of the International Eurasian Industrial Fund.

According to **the Charter of the Company**, approved by the Order of the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan dated August 28, 2019 No. 670, the main objectives of the Company's activities are to participate in providing assistance in the field of industrial and innovative development, development of local content, development and promotion of exports, special economic and industrial zones and the provision of state support measures for industrial and innovative activities.

The Company carries out **activities** in the following main areas:

1) assistance in the formation of industrial policy, including the provision of:

- information, analytical and consulting services in the field of development of economic sectors, including the development of priority sectors of the economy and industrial and innovative development of regions;
- services for the development and updating of a Single map of priority goods and services (hereinafter - SMPGS);
- services for the maintenance of the Industrialization Map;
- support services for the development of territorial clusters;
- analytical and expert support services for the activities of the advisory body in the field of industrial development under the Government of the Republic of Kazakhstan;
- services for the management of state programs in the field of industrial and innovative activities, providing for the analysis of statistical information and data on the implementation of state programs in the field of industrial and innovative activities received from government agencies and legal entities, as well as the development of proposals and expert opinions;

2) development of in-country value:

- formation and maintenance of a database of goods, works, services (hereinafter - GWS) and their suppliers - IS the Internet Portal "Kazakhstan content";
- provision of information, analytical and consulting services in the field of local content development;
- provision of services to analyze the effectiveness of the implementation of state support measures for domestic suppliers of GWS in the domestic market;
- implementation of expertise on local content;
- provision of services within the framework of the subcontracting center;
- service support of subjects of industrial and innovative activity in the domestic market, support of information systems for the development of local content and the acquisition of GWS - "Register of goods, works and services used in conducting operations on subsurface use, and their manufacturers" IS;
- analysis of the share of local content in the procurement of labor organizations and government agencies;
- organization and holding of conferences, business forums, trainings, presentations, seminars, exhibitions and exhibition events on local content;

3) export promotion¹:

- analysis of foreign markets;
- provision of information and consulting services to domestic exporters on the search for potential export markets and promotion of their goods and services to foreign markets;
- carrying out activities to promote the export of domestic processed goods and services;
- participation in the analysis and monitoring of export promotion, including through the development of transit potential and transport logistics;

4) provision of services for the provision of state support measures:

- aimed at increasing the labor productivity of subjects of industrial and innovative activity,
- in the development of territorial clusters,
- to reimburse part of the costs of promoting the labor of subjects of industrial and innovative activity in the domestic market;
- to reimburse part of the costs of subjects of industrial and innovative activities for the promotion of domestic processed goods;

5) coordination of the development of the industrial infrastructure of the SEZ, IZ:

- interaction with government agencies, participants (shareholders) of management companies, management companies of special economic (hereinafter referred to as SEZ) and industrial zones (hereinafter referred to as IZ), their participants on registration of participants, financing and infrastructure development;
- making proposals to improve the legislation of the Republic of Kazakhstan on SEZ/IZ;
- trust management of shares in the authorized capital (shares) of

¹ Since 2021, the functions are performed by JSC "Center for the Development of Trade Policy "QazTrade"

management companies of SEZ/IZ owned by the state;

- maintaining a unified register of SEZ participants;
- issuance of a certificate certifying the registration of a person as a SEZ participant;

- maintaining a unified register of;

- monitoring of the fulfillment of the terms of agreements on the implementation of activities in the territories of the SEZ/IZ, the state of the infrastructure facilities of the SEZ/IZ, the achievement by the management companies of the SEZ/IZ of the target indicators laid down in the development strategies;

- provision of services for the development and promotion of SEZ/IZ (*development and implementation of management models, internal business processes and corporate documents in management companies, development of recommendations, criteria for the selection of projects for SEZ, targeted marketing, project analysis, promotion on the international market, information support for the activities of potential participants, assistance in attracting potential investors etc.*);

6) assistance in achieving the target indicators of strategic documents of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan.

1.3 The structure of the authorized capital, including information on the number and nominal value of the issued shares, a description of the rights granted by the shares, the number and nominal value of the declared but outstanding shares, the Sole shareholder, the number of ordinary shares owned by him

The amount of the authorized capital of the Company: 217,971,000 tenge.

The Company placed and paid for 204,932 ordinary shares, which were assigned the international identification number (ISIN code) KZ1C00005982:

- 100,000 ordinary shares with a par value of 1,000 tenge;

- 104,932 ordinary shares with a par value of 1,124.26 tenge.

There are no declared but outstanding shares of the Company.

According to the Law "On Joint-Stock Companies", a simple share grants a shareholder the right to participate in the general meeting of shareholders with the right to vote when resolving all issues put to the vote, the right to receive dividends if the Company has net income, as well as part of the company's property upon its liquidation in accordance with the procedure established by the legislation of the Republic of Kazakhstan.

The rights of the **Sole shareholder** of the Company are vested in **the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan** (BIN 141040005090, located at the address: Republic of Kazakhstan, 010000, Nur-Sultan city, Yesil district, Kabanbai Batyr Avenue, building 32/1, "Transport Tower".

1.4 On the mission, vision, strategy of development of the Company

The Development Strategy of Kazakhstan Industry and Export Center "QazIndustry" JSC for 2020-2024 was approved by the Board of Directors on March 30, 2020 (hereinafter – the QazIndustry Strategy)².

The QazIndustry strategy defines the mission, vision, strategic directions and objectives of QazIndustry for a 5-year period, as well as activities that contribute to the achievement of the set strategic goals and objectives, and is focused on contributing to the achievement of strategic and program documents of the Republic of Kazakhstan in the field of industrial and innovative development of the country.

The Company's mission is contributing to the growth of competitiveness of the manufacturing industry and related sectors of the economy of Kazakhstan.

The Company's vision by 2025 is to become a national Think Tank ("think tank") for the development of industry and related industries in Kazakhstan, as well as an effective operator for providing state incentives to manufacturing enterprises.

Strategic directions of Qazindustry activity:

1. Expert and analytical activity as a "think tank" for the development of industry and related industries in Kazakhstan.
2. Provision of systemic and direct measures of state incentives in the manufacturing industry.
3. Promoting the development of industries and spheres of the economy related to the manufacturing industry.
4. Coordination of the development of special economic and industrial zones of the Republic of Kazakhstan
5. Institutional development of Qazindustry.

For 2020-2024, within the framework of these strategic directions, the Company has set **15 tasks**:

- 1) Information and analytical support of the State Program of Industrial and Innovative Development of the Republic of Kazakhstan for 2020-2025** (hereinafter - SPIID 2020-2025)³, including regular monitoring and analysis of the results of the implementation of the SPIID 2020-2025, support of projects of the Industrialization Map and entrepreneurship support maps of the regions, development of proposals for improving industrial policy and the system of state incentives for industrial and innovative activities;
- 2) System analysis of modern industrialization and global trends, including analysis of domestic and foreign experience of modern industrialization:** successful country strategies of innovative and industrial development of the economy, system analysis of root problems of industrial development of the country, including by regions of Kazakhstan.
- 3) Participation in the implementation of systemic measures to support the development of the manufacturing industry,** including measures to increase the competitiveness of processed goods, stimulate the introduction of digital technologies in industry, the development of territorial clusters, the development of the domestic market of processed goods, to support the

² Внесены изменения решением Совета директоров от 23.12.2020г. (протокол № 10)

³ Due to the change in the State Planning System of the Republic of Kazakhstan in 2021, state programs will be put on loss

development of industry within the framework of integration processes in Kazakhstan.

- 4) **Providing direct measures of state stimulation of manufacturing enterprises**, including reimbursement of labor productivity improvement costs, promotion of processed goods, works and services in the domestic market, provision of state support measures aimed at supporting territorial clusters.
- 5) **Informational, analytical and expert support for the development of individual industries and spheres of the economy**, including analytical studies of domestic and foreign markets in the field of transport with the preparation of expert opinions and proposals for the balanced development of transport infrastructure with the development of proposals and recommendations as necessary;
- 6) **Implementation of measures to support domestic exporters in the field of transport and logistics**, including the preparation of a comprehensive program for containerization of containerized cargo, taking into account the increase in the efficiency of all modes of transport.
- 7) **Coordination functions and interaction with authorized state bodies for the development and promotion of SEZ and IZ**, including participation in the coordination of the completion of infrastructure facilities, auditing and analyzing the effectiveness of existing SEZs built and planned for construction from the potential of engineering and digital infrastructure, the quantity and quality of available human capital, opportunities for integration into global VCs, development of proposals to improve their effectiveness.
- 8) **Improving the quality of management in the SEZ and IZ**, including proper corporate governance, developing recommendations for the development of a strategy for the development of the SEZ and IZ, criteria for selecting projects for the SEZ, developing and establishing business processes and internal procedures, creating mechanisms for solving problematic issues of activity and development, protecting interests, training employees, attracting consultants.
- 9) **Promotion of special economic and industrial zones (hereinafter - SEZ and IZ) of the Republic of Kazakhstan** to attract investors to the sites of existing SEZ and IZ.
- 10) **Improvement of QazIndustry corporate governance** through the Company's Corporate Development Code approved by the Sole Shareholder.
- 11) **Development of QazIndustry competencies** by creating new industry competencies, development of research tools, continuous training of employees, cooperation with specialized organizations and the expert community, etc.
- 12) **Commercialization of certain types of services** (information-analytical and consulting, marketing research).
- 13) **Improving operational efficiency**, including digital transformation of the Company (implementation of a project office, automation of business processes, integration of digital systems), improvement and reengineering of business processes.

14) Development of human capital through the implementation of personnel policy, improvement of working conditions and safety, maintenance of a favorable microclimate.

15) Increasing transparency in the activities of QazIndustry through timely and full disclosure of information, coverage of activities in the media, on the Company's website, in social networks, interaction with business, government agencies, development institutions and the public, organization of feedback channels (Call Center) and response to incoming signals.

Taking into account the approval at the end of 2021 of the National Project "Sustainable Economic Growth aimed at improving the welfare of Kazakhstanis" and the adoption of the Law of the Republic of Kazakhstan "On Industrial Policy" for the successful participation of Company in the implementation of the country's industrial policy in 2022, the strategic directions of activity, goals, objectives and targets of QazIndustry defined in the Strategy will be adjusted.

For the successful implementation of strategic goals and objectives, the Company is interested in active support from the Sole Shareholder and the Board of Directors of the Company, close cooperation with authorized state bodies and development institutions, large-scale involvement of business in the processes of industrial and innovative development.

1.5 On the results of the implementation of the Company's Development Strategy

In 2021, **13 out of 20 targets (65%)** of the QazIndustry Strategy were **achieved or exceeded**.

Within the framework of the strategic area **"Expert and analytical activity as a "think tank" for the development of industry and related industries"**:

- **3** reports on the implementation of the State Program of Industrial and Innovative Development of the Republic of Kazakhstan based on the results of monitoring and analysis of information were prepared and sent to the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan (plan - **2**);

- proposals to the draft Law of the Republic of Kazakhstan "On Industrial Policy" and the accompanying draft law of the Republic of Kazakhstan "On Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan on Industrial Policy", the Concept of Industrial and Innovative Development of the Republic of Kazakhstan and the Action Plan for its implementation, the National Project **"Sustainable Economic Growth aimed at improving the welfare of Kazakhstanis"** have been developed and sent to the MIID on industrial and innovative development of the Republic of Kazakhstan for 2021-2025.

When implementing the strategic area **"Provision of systemic and direct measures of state incentives in the manufacturing industry"**:

- **35** long-term contracts were concluded with domestic manufacturers totaling 30.4 billion tenge (plan - **35**);

- **33** companies received the status of an accredited supplier from such large customers as KPO, TCO, NCOC, ArcelorMittal, Kazakhmys (plan – **30**);

- a draft Register of cluster initiatives has been formed (plan - **1**);

- the share of large and medium-sized enterprises in the manufacturing

industry using digital technologies in 2021 amounted to **7.8%** (the plan is **7%**),

- received state support measures by reimbursing labor productivity costs totaling **445.4 million** tenge – **46** enterprises (the plan⁴ is **46**);

- **44** enterprises that received support measures to increase labor productivity ensured the achievement of an indicator for a double increase in income by 1 tenge invested by the state (plan – **27**).

As part of **the coordination of the development of the SEZ and IZ**, the volume of products produced in the territory of the SEZ in 2021 amounted to **1,244.8 billion** tenge (plan – **1,244.7 billion** tenge).

As part of **the institutional development of QazIndustry**:

- published in the mass media and on the Company's website more than **250** materials (articles, interviews, plots and TV programs) on the issues of industrial and innovative development of Kazakhstan (indicators of Kazakhstan's industry, integration processes, world experience of industrial policy, development of SEZ/IZ) and the Company's activities (plan – **60**);

- the degree of customer satisfaction with the quality of operator services provided by the Company was **78%** (plan – **60%**);

- the Company's staff turnover decreased to **2.1%** from 8.3% in 2020 (the plan is **20%**);

- the degree of satisfaction of the Company's employees was **83.7%** (the plan is **80%**);

- the average output of one employee of the production staff amounted to **13.2 million** tenge (plan – **14 million** tenge /person);

- income from the main activities of the Company amounted to **1,619.7 million** tenge (plan – **1,827 million** tenge).

Due to the lack of budget funding in 2021, the indicators for:

- updating of the Unified Map of priority goods and services,
- reimbursement of costs for the promotion of processed goods, works and services in the domestic market,

- provision of services to authorized state bodies for the analysis and/or development of industries and spheres of the economy related to the manufacturing industry;

- implementation of projects of pilot territorial clusters were not fulfilled.

Considering that the operator of the state incentive measure for the promotion of domestic processed goods since 2021 is JSC "Center for the Development of Trade Policy "QazTrade", the target indicator for the number of enterprises that received this measure of support has not been fulfilled.

Information on the achieved results of activities for each strategic area of the Company's development is provided in section II of this report and Appendix No. 1 to this Report.

1.6 Organizational structure

In 2021, **the organizational structure of the Company** changed twice:

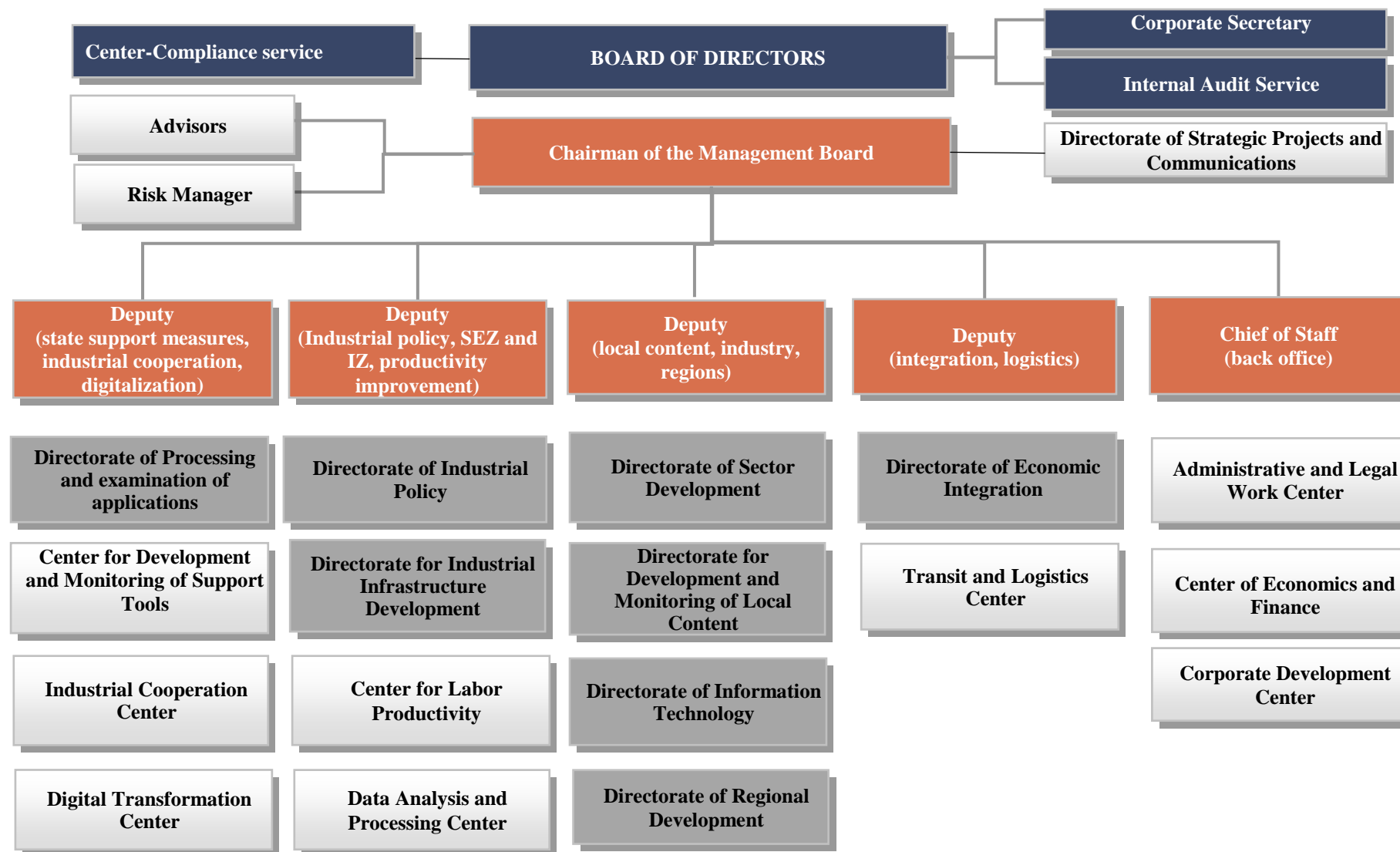
⁴ Taking into account the budget financing provided for 2021

- by the decision of the Management Board dated March 29, 2021 in order to effectively allocate labor resources in connection with changes in the directions of ongoing projects,

- by the decision of the Management Board dated December 30, 2021 in order to implement subparagraph 1) of paragraph 3 of the Decree of the President of the Republic of Kazakhstan No. 633 dated July 28, 2021 "On some issues of optimizing the staffing limits of state bodies and quasi-public sector entities" and the Law of the Republic of Kazakhstan dated November 18, 2015 "On Combating Corruption" (*Fig. 1*), which made it possible to optimize the organizational structure by reducing the staffing from 170 units in 2020 to 166 units in the reporting year.

Figure 1

Organizational structure of the Company (as of 31.12.21)



Total - 169 units,
including 3 freelancers

II. Results of the Company's activities for 2021 in strategic areas

2.1. Expert and analytical activity as a "think tank" for the development of industry and related sectors of Kazakhstan

2.1.1. Information and analytical support of SPIID 2020-2025

QazIndustry constantly and regularly **monitors and analyzes the results of the implementation of the SPIID for 2020-2025**, and also provides information, analytical and consulting services *in the field of development of manufacturing industries, cluster and regional development, support of projects of the Industrialization Map*.

Analytical reports were prepared based on the results of **monitoring, analysis and evaluation of the development of priority sectors of the economy during the reporting period as part of the implementation of the SPIID** for 2020-2025:

1) *On the progress of the implementation of the SPIID by the end of 2020*, taking into account the requirements of the state planning system in the Republic of Kazakhstan, approved by the Decree of the Government of the Republic of Kazakhstan dated November 29, 2017 No. 790, including the analysis of target indicators, indicators of results and effectiveness of the implementation of state support measures affecting the development of competitive advantages in the manufacturing industry, implemented in 2020, as well as forecasts, problematic issues, risks for 2021 for the implementation of the SPIID, including by region.

2) *On the implementation of the SPIID for 2020-2025 based on the results of 9 months of 2021*, which provides an analysis of the target indicators and indicators of the results of the program that affect the development of competitive advantages in the manufacturing industry, as well as the effectiveness of the implementation of state support measures, including information on the inclusion and fulfillment of counter obligations.

3) *On information, analytical and consulting services in the field of development of priority sectors of the economy for the first 10 months of 2021*.

In 2021, development support was provided for:

- The Law of the Republic of Kazakhstan "On Industrial Policy in the Republic of Kazakhstan" (adopted on December 27, 2021 No. 86-VII ZRK);
- the accompanying Law of the Republic of Kazakhstan "On Amendments and Additions to Certain Legislative Acts on Industrial Policy" (adopted on December 27, 2021 No. 87-VII ZRK).

Taking into account *the new edition of the State Planning System in the Republic of Kazakhstan*, approved by the Decree of the Government of the Republic of Kazakhstan dated February 26, 2021 No. 99:

- a *cross-factor analysis* of the Concept of industrial and Innovative Development of the Republic of Kazakhstan for 2020-2025 was sent, including the purpose, vision, main directions of industrial and innovative development, target indicators, indicators and conclusions on the implementation of the concept;
- developed *direction 1. "Industrial and innovative development" of the National project "Sustainable economic growth aimed at improving the welfare of*

Kazakhstanis", approved by the Decree of the Government of the Republic of Kazakhstan dated October 12, 2021 No. 730;

- The Decree of the Government of the Republic of Kazakhstan dated December 30, 2021 No. 965 amended and supplemented *the Concept of Industrial and Innovative Development of the Republic of Kazakhstan* for 2020-2025. The changes affected the analysis of the current situation of industrial development, the section on international experience was revised, taking into account the developed Law of the Republic of Kazakhstan "On Industrial Policy", the approaches of industrial development were updated, data on achieving target indicators of expected results were updated, and an Action Plan for the implementation of the Concept of Industrial and Innovative Development for 2021-2025 was included.

- proposals have been sent to the National Project for the Development of Trade of the Republic of Kazakhstan for 2021-2025 regarding the issues of concluding an Agreement on stimulating entrepreneurship in the Republic of Kazakhstan and monitoring the fulfillment of obligations under Agreements on stimulating entrepreneurship in the Republic of Kazakhstan.

As part of the development and support of the above projects, more than 80 presentation materials and abstracts for them, about 150 units of reference materials have been prepared.

In general, as part of the information and analytical support of the country's leadership (the Presidential Administration, the Office of the Prime Minister of the Republic of Kazakhstan), on behalf of the Sole Shareholder, the Company has prepared about 1000 information and analytical materials (draft reports, presentations, references and information) on the issues of industrial and innovative development of Kazakhstan.

As part of *the support of the Industrialization Map and Entrepreneurship support maps of the regions*, analytical information was generated in the regional context on *1,552 projects commissioned in 2010-2020 and 9 months of 2021*, totaling more than 9.4 trillion tenge, which created *about 223.2 thousand jobs*.

According to the results of 9 months of 2021, these projects in the manufacturing industry *produced products worth about 4.1 trillion tenge or 34% of the total volume*, including in the sectoral context:

- metallurgy – 1.9 trillion tenge or 36%;
- mechanical engineering – 670.1 billion tenge or 43%;
- construction industry – 99.6 billion tenge or 16%;
- chemical industry – 201 billion tenge or 51%;
- pharmaceutical industry – 125.5 billion tenge or 78%;
- light industry – 20 billion tenge or 20%.

Based on the results of the analysis, proposals are presented:

- remove from monitoring projects that are not related to the manufacturing industry, as well as those that have stopped further implementation;

- develop Roadmaps together with local executive bodies and project initiators, providing for step-by-step actions in order to resume the activities of idle projects;

- to work out with the applicants of projects and the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of

Kazakhstan the issue of obtaining consent for the dissemination of primary statistical data for the prompt provision of information on the projects introduced and responding to current implementation problems.

In preparation for the meeting of *the Investment Headquarters chaired by the Prime Minister of the Republic of Kazakhstan* (March 19, 2021), together with the akimats of the regions, Almaty, Nur-Sultan and Shymkent, consolidated materials on investment projects planned for implementation for 2021-2025 were formed.

As a result, *a pool of investment projects was formed, consisting of 490 projects totaling 13.3 trillion tenge*, including:

- MMC – 119 projects (8.5 trillion tenge);
- construction industry and woodworking – 199 projects (1.3 trillion tenge);
- mechanical engineering – 71 projects (1.4 trillion tenge);
- chemical industry – 55 projects (2 trillion tenge);
- pharmaceutical industry – 20 projects (61.2 billion tenge);
- light industry – 26 projects (41 billion tenge).

In addition, *4 projects were examined* for inclusion in the Industrialization Map for the following projects:

- construction of a gas chemical complex for the production of methanol with a capacity of 130 thousand tons in the West Kazakhstan region,
- increasing the capacity of the complex for the production of wheels for the railway" to 300,000 wheels per year in the Pavlodar region,
- creation of a forging and bandaging complex" in the Pavlodar region;
- construction of a cement plant with a capacity of 1.2 million tons in the Aktope region.

In order *to assess and analyze regional development*, taking into account specialization, the possibilities of production and distribution chains, the Company conducted a comprehensive analysis of the industrial potential of *4 regions - North Kazakhstan, Kostanay, West Kazakhstan and Almaty regions*, based on a quantitative and qualitative assessment of the current economic concentration of manufacturing industries with the identification of causal relationships.

In order to identify the production potential of the regions, indicators of economic diversification were used - *the index of economic concentration and the index of localization of production*. Thus, the index of economic concentration in the three regions is moderate, in the West Kazakhstan region – high (*due to the decline in the mining industry since 2018*). The localization index of Kostanay region indicates that the structure of the region is closest to the structure of the country's economy.

To determine the industrial concentration, the method of calculating the "*Index of Revealed Comparative Advantage*" (RCA) was used, which determines the comparative trade advantages of the region in relation to industrial products that most fully correspond to the comparative advantages available in the country.

According to the analysis of the concentration of production, the most attractive groups of goods for industrial cooperation of the border regions with the Russian Federation and the People's Republic of China (XUAR) have been identified, based on the needs of the market of both states and the production potential. Thus, the potential of industrial cooperation of the Kostanay region with the border territories

of the Russian Federation for 57 groups of goods, the North Kazakhstan region for 121 groups of goods, the West Kazakhstan region for 68 groups of goods and the Almaty region with the Xinjiang Uygur Autonomous Region (PRC) for 21 groups of goods in mechanical engineering, light industry, metallurgy and the production of finished metal products.

The level of technological complexity of the production of goods is determined using the "Product Complexity Index" (PCI), which showed niche areas in the manufacturing industry that contribute to the deepening of specialization of the region, industrial diversification, as well as the expansion of supply chains. Thus, the analysis of 4 regions of Kazakhstan showed that there is a production potential for the development of new niche areas, and most of the product groups are low-tech; but despite the relatively low product complexity of these goods, they are identified as important for the diversification of regional production.

2.1.2. System analysis of modern industrialization and global trends

The Company constantly conducts *a comprehensive analysis of the development of the manufacturing industries of Kazakhstan*: chemical and pharmaceutical industries, ferrous metallurgy, production of basic precious, non-ferrous and rare metals, furniture and light industry, production of building materials and mechanical engineering.

Based on the results of the analysis, the Company regularly sends up-to-date information on the development of these industries:

Monthly summaries by industry, including an analysis of the current situation of the industry (*production volume, factors influencing the industry, the dynamics of the PVI, data on investments in fixed assets*) and the forecast of the development of the industry by the end of the year (*taking into account changes in the current situation*).

Monthly summaries of exports and imports by industry: dynamics of trade volume, identification of causes and factors of changes; TOP 10 main export and import goods; main countries-suppliers and consumers of products.

Monthly information on the dynamics of prices for non-ferrous and ferrous metals, including on the world market.

Monthly brief information in the regional context (dynamics of volumes and PVI of production of industries).

Based on the results of the research, prospects were identified and recommendations for the development of industries were developed, taking into account the analysis of the current situation, domestic and global trends, monitoring of state support measures provided through the existing instruments of development institutions.

In order to identify promising areas of industrial cooperation within the framework of *the development of bilateral relations* of Kazakhstan in the reporting period, analytical work was carried out on *16 requests*, in particular, materials were prepared:

- analysis of the potential of *production opportunities* with more than *15 countries*: Finland, Czech Republic, Macedonia, Bashkiria, Indonesia, Udmurtu,

Astrakhan, South Korea, Algeria, South Africa, Egypt, Turkmenistan, Russia, Germany, Uzbekistan, Central Asian states;

- on the potential of Kazakhstan's *investment opportunities* with such partner countries as China, India, the USA, France.

As part of the execution of the order of the Head of State to conduct an additional analysis of the effectiveness of the SEZ, *a detailed audit of each SEZ* was carried out.

Based on the analysis carried out, which exposed the problem areas, as well as the conclusion of the Accounts Committee, a number of proposals were developed to improve the activities of the SEZ, including:

- revision of the validity period of the SEZ regime;
- improving the processes of administration and conditions for obtaining benefits provided to participants on the territory of the SEZ, while also focusing on the export-oriented model of economic development, in particular on manufacturing products;

- improvement of PPP mechanisms in the construction of both basic infrastructure and ready-made production facilities on the territory of the SEZ;

- other provisions regulating the main aspects of the functioning of the SEZ have been improved, in terms of strengthening control over the implementation of projects in the territories of the SEZ, as well as simplifying and clarifying existing administrative procedures.

In general, as part of *the improvement of Kazakhstan's legislation* on industrial and innovative development in 2021, *about 200 proposals have been developed to amend existing and develop new regulatory legal acts*, including:

- Draft Law of the Republic of Kazakhstan "On amendments and additions to some legislative acts of the Republic of Kazakhstan on the development and improvement of exchange trading";

- Decree of the President of the Republic of Kazakhstan "On Amendments to the Decree of the President of the Republic of Kazakhstan dated January 27, 2009 No. 733 "On certain issues of Kazakhstani content in the procurement of goods, works and services purchased by organizations and state bodies";

- Resolution of the Government of the Republic of Kazakhstan "On approval of the list of organizations whose purchases of goods, works and services are subject to monitoring of in-country value";

- Resolution of the Government of the Republic of Kazakhstan "On Amendments to the Order of the Minister for Investment and Development of the Republic of Kazakhstan dated April 20, 2018 No. 260 "On approval of a Unified Methodology for calculating Local Content by organizations when purchasing goods, works and services";

- draft *Methodology for the development of the National Development Plan of the Republic of Kazakhstan*, the Territorial Development Plan of the country, the development concept, development plans of state bodies, development plans of the region, cities of republican significance, the capital;

- draft *Methodology for the development, implementation and monitoring of national projects*;

- a draft Methodology for *monitoring projects of the Industrialization Map and Entrepreneurship Support Maps of the regions*, which provides for the main tasks, stages, initial data for monitoring projects, as well as the application of project performance indicators at each stage;
- draft Methodology for assessing Industrial development;
- Rules for the formation and maintenance of the *register of domestic producers of goods, works and services*, as well as the issuance of an industrial certificate;
- Rules for the formation and maintenance of a database of goods, works, services and their suppliers;
- Rules for planning and concluding contracts aimed at the development of industry, as well as monitoring their execution;
- Rules for the acquisition by subsoil users and their contractors of goods, works and services used in operations for the extraction of solid minerals;
- Rules for conducting an examination of in-country value;
- Draft Order of the Ministry of Foreign Affairs of the Republic of Kazakhstan "On amendments to the Order of the Deputy Prime Minister of the Republic of Kazakhstan - Minister of Industry and New Technologies of the Republic of Kazakhstan dated October 25, 2013 No. 331 "On approval of forms for providing information by organizations on local content in the procurement of goods, works and services";
- draft order of the Ministry of Foreign Affairs of the Republic of Kazakhstan "On approval of the procedure for concluding, amending and terminating the *Agreement on stimulating Entrepreneurship of the Republic of Kazakhstan*, as well as monitoring the implementation and standard form", within which 445 draft agreements on stimulating entrepreneurship of the Republic of Kazakhstan were developed and 70 signed;
- draft order of the Ministry of Foreign Affairs of the Republic of Kazakhstan "On amendments to some orders of the Ministry of Investment and Development of the Republic of Kazakhstan" in connection with the need to switch the procurement of subsoil users to a new Unified Nomenclature Directory of goods, works and Services for the transfer of procurement information from the Register to the "*Single Procurement Window*";
- Rules for providing state support to subjects of industrial and innovative activities aimed at increasing labor productivity and the development of territorial clusters, approved by the Order of the Minister of Industrial Development of the Republic of Kazakhstan dated December 9, 2015 No. 1194, on the *reengineering of state support measures to increase labor productivity*;
- Rules for reimbursement of part of the costs of subjects of industrial and innovative activities for the promotion of domestic processed goods, works, and services in the domestic market, approved by Order No. 1164 of the Acting Ministry of the Republic of Kazakhstan dated December 4, 2015 *to improve existing and include new measures of state support* for the promotion of domestic processed goods, works and services in the domestic market (new types cost recovery, revision of the package of documents);

- draft Rules on *the provision of an industrial grant* (a new support tool for manufacturing enterprises);
- draft Rules for the conclusion and termination of *agreements on improving competitiveness*;
- draft Rules on the definition and application of *counter obligations* in the provision of state incentives to industry;
- draft Methodology for assessing *the effectiveness of the implementation of state incentives for industry*.

More than 70 recommendations on industrial and innovative development have been prepared, formed and sent to the Ministry of Foreign Affairs of the Republic of Kazakhstan within the framework of the documents of *the State Planning System of the Republic of Kazakhstan*:

- cross-factor analysis of the Concept of industrial and innovative development of the Republic of Kazakhstan for 2020-2025;
- proposals for the inclusion of activities in the Schedule for the implementation of the National Industrial and Innovative Development Project;
- suggestions and comments on the National Project "Competitive Economy";
- proposals for the Concept of industrial and innovative development of the Republic of Kazakhstan and the Action Plan for the implementation of the Concept;
- proposals for the National Project "Industrial and innovative development of the Republic of Kazakhstan for 2021-2025";
- proposals for the draft Concept of Trade Development until 2025;
- proposals on the decomposition of points and strategic indicators of the National Project "Sustainable economic growth aimed at improving the welfare of Kazakhstanis".

Materials have been prepared, initiatives of deputies of the Majilis of the Parliament of the Republic of Kazakhstan have been worked out *for the meetings of the Working Group* on draft laws "On Industrial Policy" and the accompanying draft law "On amendments and additions to some legislative acts on industrial policy" in the Majilis of the Republic of Kazakhstan.

In addition, during the development of direction 1. "Industrial and innovative development" of the National Project "Sustainable economic growth aimed at improving the well-being of Kazakhstanis", QazIndustry prepared presentation and reference materials for a number of meetings chaired by Prime Minister Mamin A.U., the expert group on "Development of the real sector and industrialization" of the Interdepartmental Commission of the Security Council of the Republic of Kazakhstan on economic Security in the direction of industrial and innovative development of the Republic of Kazakhstan for 2021-2025, on the issues of the National Project with the participation of ASPR, MNE, MF.

To solve problematic issues on digital standards, proposals have been sent to the list of 16 standards required for development, as part of stimulating industrial enterprises to introduce elements of "Industry 4.0", providing opportunities and recommendations on standardized areas of process automation adopted at the international level. A list of 16 standards is included in the National Standardization Plan for 2021, 14 of which have been approved.

2.2. Provision of systemic and direct measures of state incentives in the manufacturing industry

2.2.1. Participation in the implementation of systemic measures to support the development of the manufacturing industry

2.2.1.2. Improving the competitiveness of processed goods

The Company constantly conducts analytical research of *manufacturing industries in order to increase competitiveness*.

In 2021, within the framework of information, analytical and consulting services in the field of development of priority sectors of the economy to support the industrial development of the country, *an analysis of manufacturing industries was carried out to increase competitiveness*:

- the analysis of the development of manufacturing enterprises was carried out;
- the world experience of creating cooperative ties has been studied;
- the analysis of risks and barriers hindering inter-industry cooperation was carried out;
- the factors influencing the cooperative relations of enterprises are identified, as well as the analysis of the advantages of their development is carried out;
- proposals have been developed regarding the development/creation of cooperative ties in the manufacturing industry in the Republic of Kazakhstan.

In addition, a draft *Action Plan has been developed for the development of cooperation between industries and manufacturing enterprises until 2025*.

The Company provides information and analytical support to the MIID on the development of manufacturing industries on an ongoing basis. So, in 2021, materials were prepared (references, analytical information, abstracts, reports and presentations) on the development of the manufacturing industry during the pandemic; the development of aluminum products in the Republic of Kazakhstan; carbon tax, cooperation with South Korea, the development of pharmaceuticals, the development of a mechanism to provide processors with raw materials at a competitive price, methods and pricing mechanism etc.

Within the framework of the *Supplier Development Services project*, work has been carried out on the accreditation of domestic enterprises in order to interact with large buyers. The project aims to increase the capacity of Kazakhstani SMEs to participate in the supply of local operations of multinational corporations and large local firms that seek to increase the use of local resources. Within the framework of the Project, *53 suppliers have been accredited* in the Databases of large customers.

For 2021:

- *33 companies have received the status of an accredited supplier* from such large customers as KPO, TCO, NCOC, ArcelorMittal, Kazakhmys;
- *5 offtake contracts were signed for a total amount of 709.1 million tenge*.

In order to increase competitiveness and promote *the development of the market of professional services* of domestic suppliers:

- 4 meetings were organized and held, the conference "Procurement of professional services by customers: problems and prospects", as well as 2 trainings with the participation of foreign service providers for domestic suppliers;

- developed jointly with foreign experts Euroconsultants "Methodological recommendations for companies in the field of IT services, engineering, consulting and exploration" based on EFQM (European Foundation for Quality Management) for companies providing professional services in the field of IT services, engineering, consulting and exploration;

- 3 contracts for the provision of professional services have been concluded: NPO "Defectosopia" with "Caspian Pipeline Consortium" LLP for the provision of non-destructive testing services, as well as North Caspian Operating Company (NCOC) with LLP "Gormontazhproekt" for the examination of industrial safety for a period and LLP "Kazakhstan Institute for Industrial Assistance" for the inventory of greenhouse gases;

- The Optimum Design Institute LLP company was selected, which, with the assistance of the Company, signed a cooperation agreement with the international company HATCH.

The work carried out by the Company *contributes to the development of Kazakhstani business, the workload of domestic suppliers, the strengthening of cooperative ties, the disclosure of the potential of enterprises in the domestic market, and the increase in domestic value.*

2.2.1.2. Stimulating the implementation of digital technologies in industry

In the reporting year, QazIndustry carried out work within the framework of stimulating the introduction of digital technologies in industry and providing information, analytical and consulting services in terms of **digital transformation of economic sectors** supervised by the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan.

As part of *the development of recommendations for digitalization strategies of technological processes of enterprises (including the introduction of domestic IT solutions)*:

- *a methodological approach* has been developed *for the selection of enterprises* to carry out work on the development of recommendations for digitalization strategies of technological processes of enterprises;

- an analysis was carried out and *a list of 20 enterprises was formed for further work on the formation of digitalization strategies.*

Work has been carried out to develop recommendations for digitalization strategies of technological processes of enterprises, including:

- departure to the regions for enterprises and analysis of their current state of the enterprise (analysis of enterprise processes);

- definition of a pool of recommendations for enterprises on digital transformation to solve the problems of the enterprise;

- development of recommendations taking into account the current state (*120 decisions*), with a plan for the phased implementation of strategies, including personnel and competencies;

- development of cost recovery tools available in Kazakhstan for enterprises during the transition to digital transformation on the basis of developed strategies for further support and consultations of enterprises.

The company has developed a *Concept for the mechanism of in-depth analysis and diagnostics of enterprises for digital transformation*, on the basis of which ***the analysis and diagnostics of enterprises*** is carried out.

The work is aimed at creating conditions for the interaction of organizations (IT companies, research institutes) and industrial enterprises for effective interaction and development of digital transformation at enterprises, including the promotion of domestic solutions, to form an ecosystem of digital transformation in Kazakhstan.

QazIndustry has implemented the functionality of an *electronically accessible* digital transformation platform for enterprises, namely::

- collection, processing and analysis of enterprise data, including taking into account the formation of a digital profile of each (more than 100);

- a single platform for interaction between organizations (IT companies, research institutes) and enterprises for effective interaction and promotion of domestic digital solutions in the Kazakh industry;

- accessible and up-to-date information on digital transformation for enterprises, taking into account international successful solutions (cases) for enterprises, on the implementation of new solutions for the management of industrial enterprises, including obtaining state support;

- operational access (in real time) to training materials and open data on digital transformation for enterprises;

- digital solutions efficiency calculator that allows you to calculate financial indicators of projects (*return on investment, internal rate of return, net discounted income, increased productivity, resource savings and reduction of monthly costs*).

In order to inform enterprises about innovative technologies in the field of Industry 4.0, to analyze the current state of digital transformation of industry and the formation of measures to stimulate and support the introduction of digital technologies into production processes, field events were organized at enterprises of the Karaganda region (*Boehmer Armature LLP, Recycling Company LLP, Polymet Solutions Corporation LLP*). Following the results of the field events, meetings were held with enterprises to develop appropriate proposals for the provision of state support measures and the introduction of elements of Industry 4.0.

Within the framework of the proposed digital projects of digitalization strategies of technological processes of enterprises, *Demoday was conducted*:

- for Mimioriki LLP with SmartSolution LLP, Profi Soft LLP, CRM Expert LLP, Pupil LLP, Mindsales LLP;

- for Ust-Kamenogorsk Flour Mill LLP with Face Plate LLP, ARTA Almaty LLP, ArtaSoftware LLP and Korkem Technologies LLP;

- for Mega Smart LLP with Brussels Capital LLP, Bintech company LLP, Mobius group LLP and Korkem Technologies LLP;

- for LLP "RECYCLING COMPANY", with LLP "Mobius group".

In order to stimulate the introduction of domestic industrial IT solutions, and to give impetus to the import substitution of foreign digital technologies, together with JSC "National Agency for the Development of Innovations "QazInnovations", work was carried out to amend the Rules for the provision of innovative grants for the technological development of existing enterprises.

To increase the share of enterprises using digital technologies, popularize Industry 4.0, develop human capital and understand the potential benefits of digitalization among employees and top management of industrial enterprises, work has been carried out *to create a knowledge base in the field of Industry 4.0* for the engineering and metallurgy industries.

The knowledge base consolidates expertise adapted to the needs of domestic industrial enterprises to improve the efficiency of enterprise processes through the introduction of digital technologies and information about implemented projects, which are publicly available to all interested organizations on the Company's website.

Together with foreign expert organizations (Kuka, Siemens, Kaspersky and PJSC Magnitogorsk Iron and Steel Works), *a series of online training webinars on the topic of Industry 4.0* for employees of industrial enterprises *was held*. The event was attended by more than 250 people from 150 organizations. The materials are posted on the Company's Internet resources.

In order to expand the coverage of the dimension of enterprises implementing Industry 4.0 technologies, in cooperation with Nazarbayev University, studies were conducted to determine the level of readiness of enterprises for digitalization in order *to develop digitalization roadmaps for more than 100 companies with a focus on small and medium-sized enterprises*.

2.2.1.3. Development of territorial clusters

QazIndustry provides *information, analytical and consulting support* for the development of territorial clusters, including *6 selected pilot territorial clusters*:

- flour milling cluster of Kostanay region;
- milk processing cluster of Akmola region;
- construction cluster of the Karaganda region;
- pharmaceutical cluster of Turkestan region and Shymkent;
- furniture cluster of Almaty;
- tourist cluster of Almaty region and Almaty city.

The purpose of the development of cluster initiatives is to develop the competitiveness of the domestic manufacturing industry through the creation and localization of technological chains, cooperation, development of integration and acceleration of innovative development.

To determine the current state of 6 pilot territorial clusters (*the composition of participants, the vision of further cluster development, cluster projects*), as well as to understand the future prospects of cluster policy on the part of business, a series of meetings were held in the regions with cluster participants, local executive bodies and other interested organizations.

For cluster participants, new approaches to the implementation of cluster policy in Kazakhstan have been developed and presented for discussion, which involve the use of the project method in the implementation of the cluster project pool.

The legal framework for territorial clusters has been defined: the Law of the Republic of Kazakhstan "On Industrial Policy", the National Project "Sustainable economic Growth aimed at improving the welfare of Kazakhstanis", the Concept of Industrial and Innovative Development of the Republic of Kazakhstan for 2020-2025.

To form the register of territorial clusters, the identification of territorial clusters in the regions of Kazakhstan was carried out using calculations of the ratio of labor productivity and labor concentration (data on the economic impact on the region/region).

In the course of the study, according to the method of analyzing competitive advantages, *50 manufacturing sectors were identified in 17 regions of Kazakhstan*, which are potentially of interest for stimulating the development of territorial clusters. As a result of detailing for each of the 50 identified sectors for the presence of a geographically concentrated group of enterprises, the number of potential cluster initiatives has been reduced to 33.

In the sectoral context, the construction industry/production of building materials (9) and food production (7) are leading in the number of cluster formations. Cluster formations are also present in railway, agricultural engineering, electrical equipment, metallurgy.

The formed draft *register of cluster initiatives* in the context of regions includes *18 cluster initiatives*. Concentrated groups of industrial enterprises focused on the production of competitive products or services are being formed in the regions on the basis of cluster initiatives.

2.2.1.4. Development of the domestic market of processed goods

In order to develop domestic value, the Company provides on an ongoing basis:

- *collection and processing of reports on the Kazakh content* in the procurement of public procurement entities, subsoil users, concessionaires, according to the list of organizations approved by the Decree of the Government of the Republic of Kazakhstan dated March 20, 2009 No. 366, national companies, holdings;

- *analysis of the degree of fulfillment of contractual (license) obligations* by subsoil users of the mining complex for local content.

As part of the collection and processing of reports on the Kazakh content, the total volume of purchases of goods, works and services of monitoring subjects for 2021 amounted to KZT 19,370.0 billion, the intra-country value (hereinafter referred to as ICV) amounted to KZT 10,868.5 billion (56.1%). At the same time purchased:

- goods worth 6,722.2 billion tenge, the share of ICV – 41.0% in the amount of 2,753.4 billion tenge;

- works for 6,721.1 billion tenge, the share of the ICV – 58.9% in the amount of 3,691.5 billion tenge;
- services for 5,926.7 billion tenge, the share of ICV – 70.1% in the amount of 4,153.6 billion tenge.

According to the results of 2021, compared with 2020, there is an increase in the share of ICV by 3.8%, as well as an increase in the volume of purchases of goods, works and services in value terms by 1,737.3 billion tenge (from 17,632.7 to 19,370.0 billion tenge), the share of ICV increased by 3.8%.

According to the analysis of the degree of performance of contractual (license) obligations by the subsoil users of the mining complex under the ICV for 2021, the total volume of the purchase of GWS by the subsoil users of the GRC engaged in the extraction of SM amounted to 1,901.36 billion tenge, including the ICV 962.55 billion tenge (50.62%). In particular, the purchase:

- goods amounted to 1,055.91 billion tenge, the share of the ICV was 19.3% in the amount of 204.13 billion tenge;
- works amounted to 385.96 billion tenge, the share of the ICV was 84.6% in the amount of 326.38 billion tenge;
- services amounted to 459.49 billion tenge, the share of the ICV was 94.03% in the amount of 432.04 billion tenge.

Based on the results of the analysis of purchases *for 2021*, subsurface users engaged in operations for the extraction of solid minerals, with the exception of uranium (hereinafter referred to as SM subsurface users), *violations* of the Rules for the Acquisition by subsurface Users and their contractors of goods, works and services used in conducting operations for the extraction of SM, dated May 21, 2018 No. 355 *from 29 SM subsurface users were established* for a total amount of 49.6 billion tenge (61 purchases).

As part of the consulting support, the Company organized and conducted a *training seminar* on the provision of information on the forms of Public procurement Rules for the programs "Nurly Zher", "Nurly Zhol" and "Employment Roadmap" in terms of procurement of construction and installation works, which was attended by more than 120 representatives of local executive bodies.

The Company's work *to assist in the conclusion of long-term contracts* is focused on conducting analytics, identifying the list of the most popular goods and determining the list of domestic manufacturers to conduct spot work with interested parties on the development of domestic value and industrial cooperation.

In general, *65,000 commodity items* were analyzed, of which the most popular goods (201), works and services (65) were identified, and a list of 733 potential domestic supplier enterprises was determined.

On September 24, 2021, the **"IV Subcontract Exchange" and the conference "Procurement of professional services by customers: problems and prospects"** were organized and held. The main purpose of the Exchange is to organize effective B2B meetings between customers and suppliers to establish cooperative relations on the production and supply of goods, works and services that contribute to increasing the share of local content, the development of Kazakhstani business and the disclosure of their potential in the domestic market.

Following the results of the Exchange-2021, *memoranda of cooperation on the development of local content* were signed between Kazakhmys Corporation LLP and domestic producers Interrin NPP LLP, Kazenergocabel JSC, Inkar-1 LLP.

The Company held *6 online meetings on the development of local content*, as a result of which ***35 long-term contracts worth 30.4 billion tenge were concluded***. Long-term contracts with domestic manufacturers are concluded mainly for the supply of textile industry products (workwear, technical fabric), metal products (liners, rollers, rolls), mechanical engineering (filters, spare parts) and others. This will allow domestic producers to expand the range of products and create conditions for the sustainable development of competitive goods, works and services.

Comprehensive information technology and *technical support of state information systems* has been continued:

- ***"Register of Goods, Works and Services used in conducting Subsurface Use Operations and their producers"*** (hereinafter referred to as SIS "Register"), designed to control and monitor purchases of goods, works and services used in conducting subsurface use operations, as well as electronic procurement and the formation of a list of GWS used in conducting subsurface use operations.

As part of the execution of the instructions of the Head of State dated September 1, 2020 on the need to switch all regulated purchases through a Single procurement Window, the instructions of the First Deputy Prime Minister of the Republic of Kazakhstan A.A. Smailov dated January 6, 2021 and the KID of the Ministry of Finance of the Republic of Kazakhstan dated March 10, 2021, QazIndustry carried out work *on the modernization of the SIS "Register"*.

In the process of modernization, the main works of the SIS "Register" procurement process were carried out, adjustments and additions were made to the program code regarding the transition to a new procurement classifier. Information *interaction with 10 systems* is carried out: www.e-proc.kz; www.e-port.kz; www.i-tender.kz; www.spod.kz; www.reestr.com.kz; www.trc.kz; www.tradem.kz; www.mining.ccx.kz; www.sic.kz; www.eoz.kz (Single window of purchases).

In 2021, *14,384 purchases were carried out for a total amount of 1,688 billion tenge*;

- the technical support received *more than 5,500 requests* in electronic form (63% are explanatory in nature).

- ***"The Internet portal "Kazakhstani Content"*** (hereinafter - IPCS), designed for a single automated software and hardware complex that provides placement, publication, download of information about GWS produced /provided by Kazakhstani manufacturers, procurement plans of enterprises, as well as conducting a comparative analysis of demand and supply of GWS in the market of the Republic of Kazakhstan.

SIS "Portal includes 7 modules: "Registration", "Register of CT-KZ certificates", "GWS database", "Catalog of manufacturers", "Register of domestic producers of building materials, equipment, products and structures", "Loading of reports on local content", "Loading of purchase plans".

For 2021:

- information on *more than 724 thousand certificates* has been uploaded to the CT-KZ Certificate Registry;
- *about 23.5 thousand goods, works and services* are registered in the GWS database;
- *about 2.6 thousand commodity items* are registered in the Catalog of commodity producers;
- 382 companies and 1,803 construction positions are registered in the Register of Domestic Producers of building materials, equipment, products and Structures.

On a quarterly basis, *more than 1000 subjects* upload reports on local content and plans for the purchase of GWS to SIS Portal:

- 34 national companies and holdings and 475 of their subordinate companies;
- 112 system-forming enterprises;
- 946 state bodies.

Informational interaction with the public procurement system is carried out www.goszakup.gov.kz according to the transfer of ST-KZ.

Technical support received more than 1,000 requests, 78% of which are explanatory in nature. There were no complaints about the work.

2.2.1.5. Assistance in attracting foreign direct investment

As part of assistance in attracting foreign investments, on June 25, 2021, QazIndustry held a meeting with the management and representatives of Kazakh Invest National Company JSC, at which issues and areas of possible cooperation were discussed.

As a result of the meeting, a joint order was signed between QazIndustry and JSC NC Kazakh Invest "On the establishment of a Working Group on attracting investment and developing the manufacturing industry in the Republic of Kazakhstan", an action plan was developed, including:

- formation of a list of demanded goods of monitoring subjects (SOP, subsoil users of NGS and MP, national companies);
- determination of the list of investment projects for their support and effective study of related issues;
- identification of local partners for cooperation with foreign investors;
- formation of comments on teasers developed by JSC NC KAZAKH INVEST for potential foreign investors;
- sending requests to potential foreign investors;
- interaction with industry associations to support local producers;
- carrying out information and explanatory work among DP on measures of state support;
- presentation of the list of investment projects commissioned and planned

for implementation (since 2017);

- submission of contact data (for direct interaction) for employees of organizations, including foreign and regional representatives.

In order to stimulate the inflow of investments into the manufacturing industry in 2021, 5 *passports for goods/commodity items of the manufacturing industry* have been developed for potential investors:

- for the production of medium-density wood-fiber boards, with a thickness of more than 5 mm, but not more than 9 mm;
- automatic switches;
- shoes with a sole made of rubber, plastic, natural or composite leather and with a top made of genuine leather;
- locks intended for installation in doors of buildings;
- jewelry and parts thereof made of other precious metals, whether or not electroplated, clad or not clad with precious metals.

2.2.1.6. Support of industrial development within the framework of integration processes in Kazakhstan

The Company on an ongoing basis provides assistance in the development of domestic industries, taking into account national interests within the framework of *integration associations – the Eurasian Economic Union (EAEU) and the World Trade Organization (WTO)*.

The analysis of customs and tariff regulation within the framework of the Eurasian Economic Union (hereinafter referred to as the EAEU) with consideration of possibilities for changing import customs duties in order to support domestic producers, in particular:

- the issues of changing the rates of import customs duties in relation to the following industries were considered: metallurgy (manganese ores and concentrates, titanium waste and scrap, vanadium oxides and hydroxides), light industry (raw materials and semi-finished products from sheepskin, certain types of cotton fabrics, flame retardants, synthetic aramid fibers, latex for carpet production), mechanical engineering (separate types of transformers for microwave ovens, motor vehicles with electric motor), construction industry and woodworking (separate types of timber, semi-bleached or bleached hardwood pulp, concrete mixers or mortar mixers), aviation industry (aircraft engines, parts and components for civil cargo aircraft);
- the positions of the Kazakh side regarding the application of special protective, anti-dumping and countervailing measures in relation to third countries are presented: the actions of the anti-dumping measure against Chinese manufacturers of welded pipes and hollow profiles made of corrosion-resistant (stainless) steel, leaf springs for trucks, seamless steel pipes used for drilling and operation of oil and gas wells, tracked bulldozers, truck tires, graphite electrodes originating from *China* and imported into the customs territory of the EAEU;

ferrosilicon manganese from *Ukraine and Georgia*, seamless pipes originating from Ukraine; primary polyethylene from the *Republic of Uzbekistan* and imported into the customs territory of the EAEU, through wedge valves as part of the planned anti-dumping investigation;

- the draft decision of the EEC was considered, which provides for the introduction of automatic licensing (supervision) of imports of aluminum and products made from it on the territory of the EAEU, certain types of steel pipes;

- proposals are given for inclusion and exclusion from the list of goods within the framework of the draft Procedure for the application of the tariff benefit established by subparagraph 7.1.11 of paragraph 7 of the decision of the Customs Union Commission of November 27, 2009 No. 130;

- positions have been prepared for the agenda of the 67th Subcommittee on Trade Policy, 82nd, 84th, 85th, 86th and 87th Subcommittee on Customs Tariff, Non-tariff regulation and Protective Measures of the Advisory Committee on Trade; for items of the Interdepartmental Commission on Foreign Trade Policy and Participation in International Economic Organizations.

The analysis of the feasibility of concluding agreements on free trade zones (FTA) and other agreements on trade and economic cooperation between the EAEU and third countries has been carried out:

- lists of exemptions and lists of export interest of the Republic of Kazakhstan for industrial goods have been formed, taking into account the availability of production in Kazakhstan;

- risks and opportunities for the industry of Kazakhstan from the conclusion of FTA agreements with potential countries have been identified.

The results made it possible to build an optimal position for the Kazakh authorized bodies responsible for negotiations both within the EAEU and as part of the EEC working group at the international level. In total, *10 requests were analyzed for 4 potential FTA countries: Egypt, Israel, India and Iran.*

QazIndustry, as a co-founder and national operator of the Eurasian Network of Industrial Cooperation, Subcontracting and Technology Transfer (hereinafter referred to as the Project) in the Republic of Kazakhstan:

- prepared comments and suggestions on amendments to the final documents of the Project (Top-level plan, passport, technical task);

- participated in the implementation of the activities of the Upper-level Action Plan and meetings of the EEC Coordination Group for the implementation of the Project;

- the points of the Upper-level Action Plan for the implementation of the Project have been worked out, taking into account the comments and suggestions of the Republic of Kazakhstan, draft documents on the Project (requirements for the basic, national, integration component, draft model for the accession of third countries, draft Regulations on the Eurasian Network) have been sent to the EEC;

- a number of meetings of the Board of Trustees and the Board of the International Eurasian Industrial Fund (hereinafter - MEIF) were organized and

held, in which the *Company chairs from March 10, 2021 to March 9, 2022*⁵;

- IEIF *internal documents* have been developed (Regulations on the Management Board, Regulations of the Board of Trustees);

- official correspondence is being conducted with the EEC, national operators of the EAEU member states, sectoral state bodies of the Republic of Kazakhstan (MIIR, MDDIAI, JSC "NIT", JSC "Holding "Zerde") in order to work out issues of Project implementation;

- prepared positions (*abstracts, memos, letters, references, presentations*) for the heads of the Ministry of Foreign Affairs of the Republic of Kazakhstan on the implementation of the Project, including for referral to the EEC and higher authorities of the Republic of Kazakhstan;

- draft budget applications have been prepared to address financing issues for the development of the national component of the Project;

- proposals have been formed in a number of the legal acts of the Republic of Kazakhstan being developed for the possibility of further implementation of the Project (in the draft Law "On Industrial Policy" and the National Project "Digital EI").

Thus, by the end of 2021, QazIndustry JSC **fully fulfilled its obligations as a national operator within the framework of the Action Plan, and as chairman of the Board of the IEIF.**

2.2.2. Provision of direct government incentive measures to manufacturing enterprises

This year, work has continued **to improve the conditions and procedures for providing state incentives** to industry.

Since 2020, applications for state support measures of the Company have been accepted on-line via the official website qazindustry.gov.kz . This has significantly increased the ability to receive and process applications under the constraints of the new coronavirus pandemic and has reduced the time required to review applications for cost recovery support measures.

As part of the study of business processes for the automation of subject-to-subject monitoring of the IHL, together with representatives of the Ministry of Finance of the Republic of Kazakhstan, work was carried out on the implementation of *a unified system of subject-to-object monitoring mgp.ecc.kz*. Summary information on reimbursed applications for the period from 2015 to 2020 has been prepared, which formed the basis of this system (in pilot mode).

In order *to implement the norms of the Law of the Republic of Kazakhstan "On Industrial Policy"*⁶, the Company has developed and submitted to the authorized body *drafts of new regulatory legal acts*:

- Rules for concluding and terminating agreements on improving competitiveness;

⁵ transferred by the national operator of the EEC member states on a rotational basis for a year

⁶ adopted on December 27, 2021

- Rules for the definition and application of counter obligations in the provision of state incentives to industry;
- Methodology for assessing the effectiveness of the implementation of state incentives for industry;
- Rules for the provision of an industrial grant (*a new instrument of state support*).

In addition, in order *to update and reengineer existing business processes*, the Company has developed *proposals to optimize the conditions for the provision of state incentives* (to attract a foreign employee, for the development and/or examination of a comprehensive plan for an industrial and innovative project, others), as well as *the inclusion of new types of reimbursable costs* (for digitalization of production) and the exclusion of unclaimed types.

2.2.2.1. Reimbursement of costs for improving labor productivity and development of territorial clusters

Since 2011, QazIndustry has been *an operator for providing state incentives to industry to reimburse the costs of increasing labor productivity*.

At the beginning of 2021, the Company was considering *54 applications* of subjects of industrial and innovative activity for reimbursement of costs.

Based on the results of the work carried out by QazIndustry in the reporting period:

- *562 applications were received* for reimbursement of labor productivity costs;
- *reimbursed on 111 applications from 46 subjects* of industrial and innovative activity for a total amount of *445,425.8 thousand tenge*, including at the expense of the republican budget funds allocated for the reporting year *422,834 thousand tenge (100% development)* and funds returned by court decision by entities that previously received support measures (CEGRO LLP, Kazpetrolengineering LLP, Maxvidl LLP),
- *22 591.8 thousand tenge*;
- *received a refusal* (notifications were sent about the impossibility of reimbursing part of the costs) – *492 applications*;
- at the end of the reporting period, there were *13 applications under consideration*.

The most popular tools are cost recovery for:

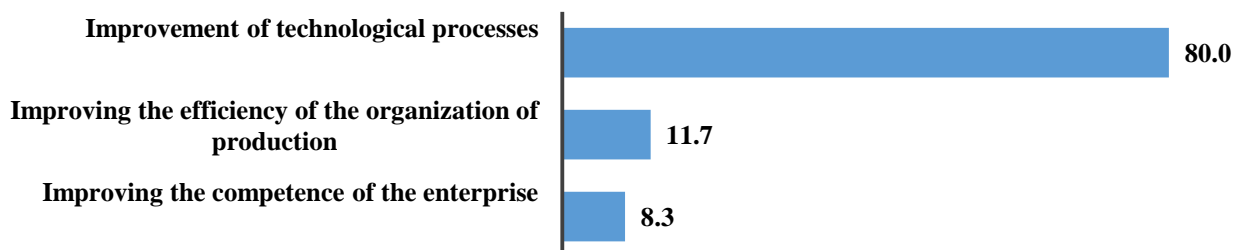
- *improvement of technological processes* (46.8% of the total number of reimbursed applications), which demonstrates the interest of domestic enterprises in introducing new technologies and increasing the level of automation of production processes;
- *increasing the competence of the enterprise* (44.1% of the number of reimbursed applications), which is associated with the active conduct of training, professional development of employees and the involvement of foreign employees introducing new technologies in production.

Reimbursement of costs for the development and/or examination of a comprehensive plan of an industrial and innovative project was not in demand among the subjects of industrial and innovative activity.

The reimbursement structure is also dominated by the costs of improving technological processes - 80% of the total amount reimbursed in 2021 (Fig.2).

Figure 2

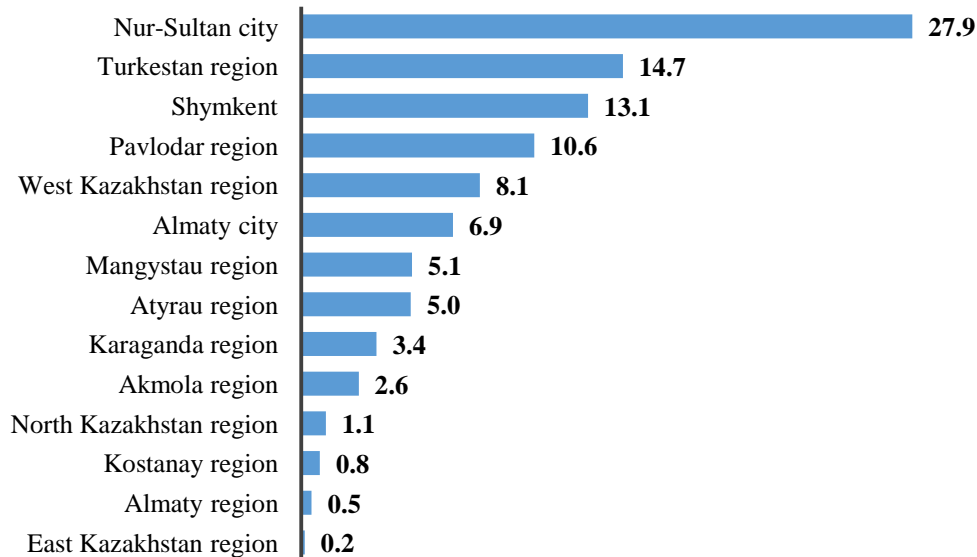
The structure of reimbursed costs for increasing labor productivity in 2021 by tools, %



Applications for increased labor productivity were reimbursed to enterprises from **14 regions of the country** (with the exception of Aktobe, Zhambyl and Kyzylorda regions). The capital's enterprises were the most active, accounting for almost half of the reimbursed applications (44.1%). The main volume of compensation (27.9%) also falls on the enterprises of Nur-Sultan (Fig. 3).

Figure 3

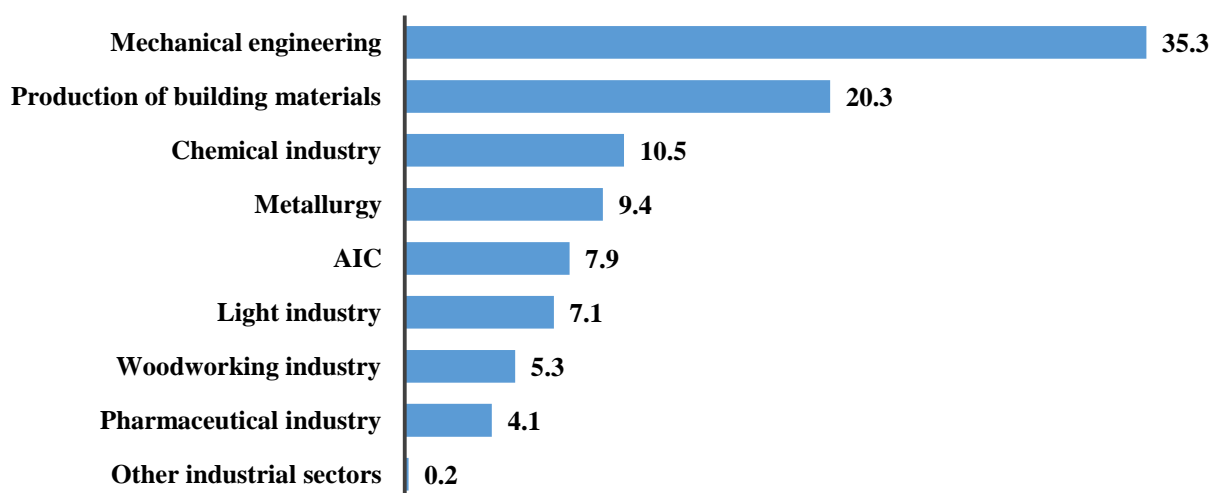
Regional structure of reimbursed labor productivity costs in 2021, %



In the sectoral context, the main volume of reimbursed costs (35.3% of the amount of reimbursement) still falls on machine-building enterprises. Their share in the total number of applications placed also prevails (54.1%) (Fig. 4).

Figure 4

Industry structure of reimbursed labor productivity improvement costs in 2021, %



According to the monitoring results, *the target indicator* for increasing the volume of income by at least 2 times compared to the volume of state support **reached 44 enterprises or 69.8%** of those who received cost recovery in 2019 (63).

2.2.2.2. The partial reimbursement of the costs for promoting domestic processed goods to foreign markets

The Company *provided state support measures to reimburse part of the costs of subjects of industrial and innovative activities for the promotion of domestic processed goods* (advertising, exhibitions, delivery of goods) **in 2019-2020**.

Since 2021, in accordance with the Decree of the Government of the Republic of Kazakhstan dated September 6, 2019 No. 663, *the functions of the operator for the provision of state support measures to reimburse part of the costs of subjects of industrial and innovative activities for the promotion of domestic processed goods are performed by JSC "Center for the Development of Trade Policy "QazTrade"*.

2.2.2.3. Reimbursement of costs for the promotion of goods, works and services in the domestic market

The Company has been providing state support measures *to reimburse part of the costs of promoting goods, works and services on the domestic market since 2019*⁷.

Due to the lack of republican budget funds allocated for 2021 for the provision of this support tool, *applications were not accepted in the reporting period*.

At the same time, proposals have been developed and sent to the authorized body to the Rules for reimbursement of part of the costs of subjects of Industrial and Innovative Activities for the promotion of domestic processed goods, works, services in the domestic market, approved by the order of the Acting Minister for Investment

⁷ Until 2019, this measure of state support was provided by JSC NARMS NADLoC, reorganized by merging with JSC KIRI

and Development of the Republic of Kazakhstan dated December 4, 2015 No. 1164, which provide:

- the inclusion of new types of costs aimed at increasing the competitiveness of manufacturers (reimbursement of costs for verification of measuring instruments, for the development of national standards according to which subjects produce products for labeling pharmaceutical products, for conducting clinical and preclinical tests (studies), for the delivery of manufactured goods and other costs necessary to promote products),

- improvement of the conditions for the provision of state support measures and the inclusion of counter obligations, etc.

During the development of the project, online discussions were repeatedly held with representatives of the business community with the participation of representatives of NCE "Atameken", business associations, government agencies, etc.

2.2.2.4. Provision of industrial grants

According to the Law "On Industrial Policy", QazIndustry is defined as the *operator for providing a new measure of state stimulation of subjects of industrial and innovative activity - industrial grants*.

In order to regulate the provision of a new tool, the Company has developed a draft Rules for the provision of industrial grants, which provides for self-financing of projects to subjects of industrial and innovative activity on:

- 1) purchase of technological equipment and/or technological line for the purpose of technical and technological re-equipment of the enterprise by updating fixed assets to improve the quality of products, to expand production and scale products;

- 2) supervision of installation and/or commissioning, as well as training of personnel on the use of purchased equipment.

In addition, a draft Methodology of the Company has been developed regulating the conduct of technological, financial, economic, and legal examinations of applications for industrial grants.

After the approval of these documents, work will be carried out to allocate funds from the republican budget for the provision of industrial grants.

2.3. Assistance in the development of industries and economic spheres related to the manufacturing industry

The Company provides *analytical support and preparation of materials* for the authorized body for *the development of transit potential and transport logistics* in the Republic of Kazakhstan within the framework of the task of information-analytical and expert support for the development of certain industries and spheres of the economy, including:

- presentation on the results of transport for 2020 and development plans for 2021;

- analytical reports on the development of the Almaty agglomeration in terms of transport and logistics (reference) and the development of a transport model of the Almaty agglomeration;

- a brief analysis on the development of containerization in Kazakhstan, including the localization of container production;
- analytical report on the development of the Transport model of the Almaty agglomeration.

The Company has prepared proposals for the draft Law of the Republic of Kazakhstan "On amendments to the Law of the Republic of Kazakhstan "On Transport in the Republic of Kazakhstan".

2.4. Coordination of development of special economic and industrial zones of the Republic of Kazakhstan

Since July 2019, the Company has been performing **the functions of a Single Coordination Center for SEZ and IZ** (hereinafter referred to as the SCC). The competence of the unified coordination center is defined by Article 37 of the Law of the Republic of Kazakhstan dated April 3, 2019 "On Special Economic and Industrial Zones" (hereinafter – the Law).

2.4.1. Coordination functions and interaction with authorized state bodies

QazIndustry in 2021 conducted:

- *monitoring the fulfillment of the terms of agreements* on the implementation of activities on the territory of eight SEZs (SEZ "Astana-Technopolis", SEZ "Turkistan", SEZ "Qyzyljar", SEZ "ICPS "Khorghos", SEZ "Astana-new City", SEZ "Park of Innovative Technologies", SEZ "Saryarka", SEZ "Pavlodar");
- *on-site monitoring of the state of infrastructure facilities* in six industrial zones (IZ "Almaty", IZ "Taldykorgan", IZ "Kostanay", IZ "Aktobe", IZ "Ondiris (East Kazakhstan region)", IZ "Turkistan").

A register of SEZ and IZ participants is maintained on an ongoing basis. During the reporting period, 226 participants were registered operating in the territories of the SEZ, of which almost half (more than 42%) are in the SEZ "Astana – New City".

In order to analyze and objectively evaluate the activities of the SEZ ECC, *hearings of the management companies of the SEZ* were held, according to the results of which *more than 70 problematic issues and proposals* for improving the activities of the SEZ were recorded.

The main issues, mainly of a systemic nature, are identified:

- restrictions related to the validity period of the SEZ;
- barriers related to the right of secondary land use, which creates the following restrictions at local levels:

refusal to register projects introduced under PPP with the judicial authorities in order to transfer them to the ownership of the state;

the impossibility of transferring a land plot as collateral to the STB to attract additional funds;

waiting for the participants implementing construction projects for the end of the SEZ to obtain ownership of the land plot;

- restrictions related to the complexity and duration of procedures for expanding priority activities;

- duration and complexity of VAT refund procedures;
- excessive costs and complexity of customs declaration procedures for raw materials and energy resources;
- complexity of procedures regulated by migration legislation for foreign investors;
- issues related to infrastructure development.

2.4.2. Promotion of special economic and industrial zones of the Republic of Kazakhstan and improvement of management quality

In order to analyze the effectiveness of the SEZ/IZ in the reporting period, information was *collected on international experience in the management and development of the SEZ/IZ*, the state of infrastructure facilities, as well as reports of the management companies of the SEZ/IZ.

According to the information of management companies by the end of 2021:

- **the total volume of production in the territory of the SEZ amounted to 1,244.8 billion tenge,**
- **the volume of attracted investments is 905.3 billion tenge.**

More than 387.1 billion tenge has been allocated from the state budget for the construction of infrastructure in the territories of the SEZ. However, the creation of the necessary infrastructure in the territories of the SEZ is at different stages. In general, the infrastructure is fully completed in 6 SEZs (PIT, Saryarka, Ontustik, Khorgos-Eastern Gate, Taraz Chemical Park, Aktau Seaport No. 1, 3 subzones). The development of the territory of the SEZ is 47%.

Based on the results of the analysis, *proposals have been developed to improve the efficiency of the SEZ/IZ.*

In order to further develop the SEZ and bring them to a higher quality level, work is being carried out and measures are being taken to:

- revision of the validity period of the SEZ regime;
- improving the processes of administration and conditions for obtaining benefits provided to participants on the territory of the SEZ, while also focusing on the export-oriented model of economic development, in particular on manufacturing products;
- improvement of PPP mechanisms in the construction of both basic infrastructure and ready-made production facilities on the territory of the SEZ;
- integration of the AIFC and SEZ and IZ regimes in terms of the possibility of applying the court and arbitration of the AIFC by the participants of the SEZ and IZ;
- improvement of the provisions of the RLA regulating the main aspects of the functioning of the SEZ, in terms of strengthening control over the implementation of projects in the territories of the SEZ, as well as simplification and clarification of existing administrative procedures.

As part of the development and promotion of SEZ/IZ, *meetings were held with representatives of manufacturing companies from foreign countries (Hungary, the*

Republic of Turkey, Azerbaijan and France).

2.5. Institutional development of Qazindustry

2.5.1. Improving corporate governance

As part of the work to improve the corporate governance of the Company in the reporting year:

- by the decision of the Board of Directors of the Company dated February 23, 2021 (Protocol No. 02/21), a new version of *the Regulation on the Assessment of Activities and conditions of Remuneration to senior employees and employees accountable to the Board of Directors* of the Company was approved;

- By Order of the Sole Shareholder No. 267 dated May 27, 2021, *the Corporate Governance Code and the Regulations on the Board of Directors of the Company* were approved in a new edition;

- By Order No. 50 of the Chairman of the Management Board of the Company dated June 22, 2021, the Risk Management Committee under the Management Board of the Company was established.

In addition, in order to form professional and effective personnel, build a highly effective model of human resource management of the Company, capable of ensuring timely and qualitative achievement of strategic goals and objectives, the *Personnel Policy of QazIndustry JSC* was approved in 2021, defining a system of principles, values, key areas of development of the company's human resources, as well as the main processes and methods of human resource management.

To ensure the successful implementation of the main provisions of the Code, a *Plan for Improving the Company's Corporate Governance for 2022* was developed and approved by the decision of the Board of Directors of the Company dated December 6, 2021 (Protocol No. 08/21).

The Plan includes *32 measures* aimed at improving the Company's corporate governance practices, including internal control and audit processes, risk management, information disclosure, corporate culture development and others.

2.5.2. Competence development

The participation of QazIndustry in the implementation of international projects contributes to the development of employee competencies.

In 2021, **cooperation with the World Bank** continued within the framework of the implementation of the component of the project "Improving the competitiveness of SMEs in Kazakhstan" on the creation of a Supplier Development Service to expand market relations of SMEs with large local and international corporations operating in Kazakhstan.

In June 2021, an agreement was signed to extend the validity of the memorandum with *JSC "Euroconsultants S.A. branch in Kazakhstan" (Greece)* until August 31, 2021. As a result of joint work, a database of 200 domestic suppliers was created, 35 of which reimbursed the costs of international certification totaling 371

million tenge. Within the framework of the project, *33 suppliers have been accredited* by large subsoil user companies.

In order to ensure that *the Company's experts have access* to current and historical databases to improve the effectiveness of analytical research, contracts have been concluded with international companies Bloomberg LP, Factiva LTD, Argus Media Limited.

2.5.3. Improving operational efficiency

In 2021, the Company concluded *12 profitable contracts for the performance of services totaling 1,814,079.1 thousand tenge*, including:

- 5 contracts with the Industrial Development Committee of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan for a total amount of *1,328,778 thousand tenge*;
- 4 agreements with the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan for a total amount of *469,835 thousand tenge*;
- 3 agreements with third-party organizations (Alaigyr Joint Venture LLP, TNK Kazchrome JSC, Kostanay Minerals JSC) for a total amount of *KZT 15,466.1 thousand*.

The Company's **income** for 2021 amounted to **1,620.4 thousand tenge**, including income from core activities - 1,619.7 thousand tenge.

The average output per employee of the production staff amounted to **13.2 million tenge/person**.

According to the results of the survey of subjects of industrial and innovative activity who applied to QazIndustry for state support measures, there is **a high level of consumer satisfaction with the quality of operator services** in 2021 - **78%**.

2.5.4. Human capital development

According to the analysis of the Company's personnel composition, as of December 31, 2021, *the actual number* of employees amounted to **138 people**, of which 113 people (81.9%) were the main production personnel and 25 people (100%) were administrative and managerial personnel.

The staffing of the Company in the amount of **166 units** was approved by the decision of the Board of Directors of the Company dated December 30, 2021 (Minutes No. 42).

The structure of personnel for the reporting period *by category*:

№	Personnel category	2021	
		plan	Actually
1	Administrative and managerial staff	25	25
2	Main production staff	141	113
	TOTAL:	166	138

The majority of the Company's personnel are employees *aged 25 to 40 years* (58.7%), while *the average age of employees is 37 years*.

Staff structure ***by age***:

	up to 25 лет, %	from 25 to 40 лет, %	from 41 to 50 лет, %	Over 51, %	Total, %
2020	2,2% (3 people)	67,2% (92 people)	19% (26 people)	11,6% (16 people)	100 % (137 people)
2021	2,9% (4 people)	58,7% (81 people)	29% (40 people)	9,4% (13 people)	100 % (138 people)

Staff turnover in the Company has significantly ***decreased*** - **from 8.3%** in 2020 **to 2.1%** by the end of 2021. During the reporting period, 20 employment contracts were terminated, 16 of them by agreement of the parties, 2 on the initiative of the employee, 2 after the expiration of the employment contract, and none upon reaching retirement age.

The qualitative composition of the Company's employees according to the level of education by the end of 2021:

- 45.7% of employees have two or more higher educations;
- 3 candidates of sciences;
- 1 Doctor of Science;
- 52 undergraduates;
- 10 graduates of the International Scholarship of the President of the Republic of Kazakhstan "Bolashak".

It should be noted that one employee of the Company is enrolled in the Presidential Youth personnel Reserve and industry leaders of the project of the Foundation of the First President "El Umiti".

In order ***to increase the level of competence of employees***, the Company annually develops a schedule of measures for training and advanced training of employees. In 2021, 30 employees of the Company were trained and retrained on the issues of "Fundamentals of TOGAF 9.2"; "Study of applied methods of macroeconomic analysis and forecasting using econometrics and statistics approaches, including the study of the technique of applying a general linear model to analysis"; training on the ACCA DipIFR international diploma; "Tax Consultant"; Microsoft Power BI; "In-depth study of Microsoft Excel Data analysis"; "Risk management and internal control"; "Training in labor legislation for the Conciliation Commission"; "Public speaking" under the program "Master of the Word"; "Innovations in labor legislation in 2021"; Public procurement of the Republic of Kazakhstan.

The level of staff satisfaction is determined annually by interviewing the Company's employees. Thus, at the end of 2021, according to the analysis of the survey results, ***the satisfaction level of the Company's employees amounted to 83.7%***.

2.5.5. Increasing transparency in the activities of QazIndustry

In order to increase awareness, transparency in the activities of QazIndustry and the formation of a holistic brand, the Board *adopted a PR strategy of the Company* on February 26, 2021, which defines:

- key areas for building the reputation of QazIndustry among the target audience and potential customers;
- the target audience of QazIndustry and the existing problems of bringing information to a wide audience;
- the most effective PR tools and the main steps of implementing a PR strategy to further achieve the goals set.

To implement this PR strategy, *a Media plan for information support of the Company's activities for 2021 (about 60 events)* was formed and approved.

During the reporting year, *more than 160 materials* were published in the media, *more than 90* on the official Internet resource. The main emphasis was placed on the placement of analytical materials, thematic reviews on economic sectors with comments from QazIndustry experts.

In addition, *two briefings with the participation of QazIndustry were held on the site of the Central Communications Service* on the implementation of industrial policy and the provision of state support measures to subjects of industrial and innovative activity. The briefings widely covered projects that reimbursed the costs of industrial enterprises, new support tools, the implementation of the Supplier Development Service project, the digital transformation of domestic enterprises and others.

In order to get acquainted with the activities of the SEZ, *an exit press tour* was organized *to the industrial enterprises of the SEZ "Astana - New City"* with the involvement of business publications and television media.

The Company has launched a special section on domestic producers *on the social network* Instagram under the motto *#we can #we produce*, where posts about consumer goods produced in Kazakhstan are published. In general, *more than 400 posts have been published* on the official pages of QazIndustry on social networks in 2021.

A council of experts has been established from representatives of business, industry public organizations, the quasi-public sector and government agencies. During the year, discussions were held on the QazIndustry platform on draft RLA on state support measures and others. Along with this, a pool of QazIndustry public experts has been formed.

On the QazIndustry website www.qazindustry.gov.kz work has been carried out *to update the headings and sections*. Sections on the main areas of activity have been opened, information about the heads of structural divisions has been posted, new, regularly updated headings have been added.

So, in the reporting year, the headings "Top in industries" and "Metal price quotes" were updated *on a weekly basis*. *On a monthly basis*, statistical bulletins "Industry in numbers", digests on 7 sectors of the economy (77 digests), success stories supported by QazIndustry, enterprises in the field of labor productivity improvement, in the direction of Supplier Development Services, in the organization

of production (joint ventures, localization of production, subcontracting, investment projects) were posted.

In order *to clarify and discuss the conditions and mechanisms for the provision of state support measures* provided by the Company to subjects of industrial and innovative activity in the reporting period:

- 19 *webinars* (in the state and Russian languages) were organized and conducted for business entities on the topic "Measures of state stimulation of JSC "QazIndustry", in which more than 1,260 representatives took part;
- visited and held meetings with representatives of *19 industrial enterprises*;
- 7 *events* were organized and conducted with interested state bodies and organizations on the conditions and mechanisms for providing new instruments of state incentives and reengineering of existing ones;
- consultations were provided to more than 340 enterprises.

Taking into account the transition of QazIndustry employees to a remote mode of operation as a result of quarantine restrictions imposed in the Republic of Kazakhstan as part of countering the spread of coronavirus infection, work on explaining to subjects of industrial and innovative activity the conditions and mechanisms for providing state support and assistance in processing applications was carried out, including remotely.

Information *about the possibility of submitting applications and receiving on-line consultations* on obtaining state support measures, indicating the personal contact details of consultants, is published on the website and social pages of QazIndustry.

Work continues to provide advice on measures of state support in the created chat rooms in WhatsApp messengers (about 230 participants), Telegram (more than 650 participants), where business representatives on an ongoing basis promptly receive detailed consultations.

III. Results of financial and operational activities

3.1. On the implementation of operational and financial performance indicators

The Company's **income** for 2021 amounted to **1,620,413 thousand tenge**, including **1,619,713 thousand tenge** from its core activities.

The Company's **expenses** for 2021 amounted to **1,574,009 thousand tenge**. The cost of products sold is 1,288,735 thousand tenge, administrative expenses – 284,727 thousand tenge, other expenses – 547 thousand tenge. The main items of the Company's expenses are the costs of outsourcing services, labor costs, rental of premises, taxes and other expenses.

The authorized capital of the Company is **217,971 thousand tenge**.

Equity at the end of 2021 - **380,637 thousand tenge**.

Financial indicators of the Company for 2021 in comparison with 2020,
in thousands of tenge

Indicators	Actually for 2020	Plan for 2021	Actually for 2021
Income, total including:	1 300 227	1 626 798	1 620 413
Income from the sale of products and services	1 290 434	1 626 604	1 619 713
Income in the form of rewards			
Other income	9 793	194	700
Expenses, total including:	1 274 417	1 608 102	1 574 009
Cost of goods and services sold	1 015 497	1 320 821	1 288 735
Administrative expenses	256 168	287 281	284 727
Sales expenses			
Financing costs			
Other expenses	2 752	0	547
Profit before tax	25 810	18 696	46 404
Corporate income tax expenses	9 679	3 739	7 143
Total profit (loss) for the period	16 131	14 957	39 261

Information on the indicators of *the Company's Development Plan and performance indicators for 2021* is provided in Appendix No. 2 to this report.

According to the decision of the Sole Shareholder dated July 1, 2022 No. 383, the following procedure for the distribution of the Company's net income in the amount of 39,261,000 (thirty-nine million two hundred and sixty-one thousand) tenge received by the end of 2021 was approved:

- 70% in the amount of 27,482,700 tenge - for the payment of dividends on the state block of shares of the Company in income the republican budget;
- 30% in the amount of 11,778,300 tenge - for the development of the Company.

The Auditor's report and the main forms of the Company's financial statements for 2021 are presented in Appendix No. 3 to this Report.

3.2. On the main significant corporate events and achievements

It is customary to call significant corporate events (actions) the commission by the Company of a number of actions that can lead to fundamental corporate changes, including changes in the rights of shareholders. When performing such actions, the Company should be guided by the principles of trust and openness enshrined in the Corporate Governance Code.

The following corporate events took place in the reporting year:

- election of new independent directors *to the Board of Directors* of the Company Daukey S.Zh., Izbaskhanov K.S. (decision of the Sole Shareholder dated February 19, 2021, Order No. 78);

- election of M.K. Karabaev *to the Board of Directors*, decision of the Sole Shareholder dated July 27, 2021, Order No. 391);

- election of M.D. Bopazov *to the Management Board* from January 18, 2021 (decision of the Board of Directors dated January 13, 2021, No. 01);

- *the annual financial statements* of the Company and the procedure for the distribution of net income were approved (Order of the Sole Shareholder No. 317

dated June 21, 2021);

- *payment of dividends* on the state block of shares has been carried out (payment order No. 400 dated June 23, 2021);

- approved the Regulation on Performance Assessment and Conditions of Remuneration to Senior employees and Employees accountable to the Board of Directors of the Company (decision of the Board of Directors dated February 23, 2021, No. 02/21);

- *The Corporate Governance Code and the Regulations on the Board of Directors of the Company* were approved in a new edition (Order of the Sole Shareholder No. 267 dated May 27, 2021);

- approved the *Regulation on the payment of remuneration to independent directors of the Company* (Order of the Sole Shareholder dated May 27, 2021 No. 267);

- *A Risk Management Committee has been established* under the Company's Management Board (Order No. 50 of the Chairman of the Management Board dated June 22, 2021);

- The term of office of the Company's Management Board has been extended *until December 31, 2023* (decision of the Board of Directors dated December 23, 2020).

3.3. On the major transactions and obligations with related parties

In 2021, services were provided *to related parties* in the amount of **1,605,904 thousand tenge**:

Related party	Description of the subject of the contract	2020, thous. tenge	2021, thous. tenge
Ministry of Investment and Development of the Republic of Kazakhstan SI	Information and analytical research and consulting services in the field of development of priority sectors of the economy	263 206	419 496
Industrial Development Committee of the Ministry of Foreign Affairs of the Republic of Kazakhstan RSI	Information and analytical research and consulting services in the field of development of priority sectors of the economy; services of the operator of the Productivity 2020 Program; Analytical and research services in the field of state support of industrial and innovative activities for the development of unified map of priority goods and services	839 467	1 186 409
Итого		1 102 673	1 605 904

By the decision of the Board of Directors dated December 29, 2020, the Company *approved the conclusion* of 8 transactions for the purchase of services in 2021 with the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan and the Industrial Development Committee of the Ministry of Industry

and Infrastructure Development of the Republic of Kazakhstan, the cost of each of which exceeds 10% of the Company's equity.

Key management personnel consists of members of the Management Board and members of the Board of Directors. The total amount of remuneration to key management personnel for the reporting period amounted to **68,612 thousand tenge**⁸:

	2020, thous. tenge	2021, thous. tenge
Chairman of the Management Board	16 874	16 290
Deputy Chairmen of the Management Board	53 557	47 066
Remuneration to members of the Board of Directors	6 355	5 255
Total	76 786	68 612

3.4. On any financial support, including guarantees received from the state and any obligations to the state and society assumed by the Company

In the reporting year, financial support, including guarantees, from the State and any obligations to the state and society assumed by the Company **were not implemented**.

IV. Asset structure

As of *December 31, 2021*, the Company's **assets** amounted to 676,592 thousand tenge, including:

- short-term assets - 632,897 thousand tenge:

- cash – 483,708 thousand tenge;
- short-term accounts receivable - 116,891 thousand tenge;
- current income tax – 12,340 thousand tenge;
- reserves – 6 294 thousand tenge;
- other short-term assets - KZT 13,664 thousand.

- long-term assets - 43,695 thousand tenge:

- fixed assets – 26,309 thousand tenge;
- intangible assets – 8,400 thousand tenge;
- deferred tax assets – KZT 8,986 thousand.

V. Purposes and plans for future periods

Since 2020, the Company's activities have been carried out in accordance with the **Development Strategy for 2020-2024**, developed taking into account strategic and program documents of the Republic of Kazakhstan, including the Strategic Plan of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan for 2017-2021, the National Project "Sustainable Economic Growth aimed at improving the welfare of Kazakhstanis", the State Program of Industrial and Innovative Development of the Republic of Kazakhstan for 2020-2025.

The key *objective* of the Company's activities is to increase the competitiveness of manufacturing enterprises and related industries and sectors of the economy,

⁸ including salaries, bonuses, vacation pay, allowances and bonuses

within the framework of which the Company faces the following main tasks for the period from 2020 to 2024:

1) **participation in the implementation of the SPIID 2020-2025** in terms of providing systemic measures to support the stimulation of manufacturing enterprises, including measures to increase the competitiveness of processed goods, stimulate the introduction of digital technologies in industry, the development of territorial clusters, support projects of the Industrialization Map and entrepreneurship support maps of regions, the development of the domestic market of processed goods and local content, the development of the Supplier Development Service, support of the development of Kazakhstan 's industry within the framework of integration processes, implementation of coordination activities for the development and promotion of SEZ and IZ, etc.;

- performance of **operator functions for the provision of direct state incentives to manufacturing enterprises**, as well as participation in the **reengineering** of existing state support measures and **the implementation** of new tools (industrial grants, reimbursement of product labeling costs);

- **monitoring and analysis of information on the implementation of the SPIID 2020-2025**, the state programs "Digital Kazakhstan" and "Nurly-Zhol" with the development of proposals and recommendations;

- conducting research and analytical work **in the field of industrial development and related industries and economic spheres**;

- participation in the development of **the National Project and the Concept of Industrial and Innovative Development of the Republic of Kazakhstan for 2021-2025** in connection with the change in the System of state planning in the Republic of Kazakhstan.

Taking into account the changes in the State Planning System in the Republic of Kazakhstan, the approval at the end of 2021 of the National Project "Sustainable economic Growth aimed at improving the welfare of Kazakhstanis" and the adoption of the Law of the Republic of Kazakhstan "On Industrial Policy", the goals and objectives and strategic directions of the Company *will be adjusted in 2022*.

Following *the hearing of the report on the results of the Company's activities for 2020 and plans for 2021*, the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan, B.B. Atamkulov, issued a number of instructions to QazIndustry on January 21, 2021, including:

- analysis of transport logistics and transit for 2020;
- ensuring timely consideration and provision of high-quality responses to user requests on the Open Dialog portal, timely updating of open data on the Open Data portal, as well as the fullness of the Internet resource in accordance with the Law of the Republic of Kazakhstan "On Access to Information";
- reduction of staffing and selection of candidates for vacant positions to give preference to applicants with specialized (technical) education;
- compliance with the moratorium on the purchase of motor vehicles and office furniture;
- strengthening of the QazIndustry digitalization unit, etc.

Most of these instructions (85%) *have been executed* in 2021.

The non-fulfillment of 3 instructions is due to:

1) the lack of allocated budget funds for 2021 for:

- the development of *a knowledge base in electronic format on the initiatives of the Republic of Kazakhstan within the framework of the Eurasian Economic Union in the sectors supervised by MIID*,

- the purchase of equipment and services to ensure compliance with information security for *the implementation of an information system into commercial operation in accordance with the established procedure "Internet portal "Kazakhstani content"*;

2) suspension of the release of World Bank Logistics Performance Index (LPI) reports due to the adjustment of the rating assessment methodology.

VI. Main risk factors and risk management system

Risk management in the Company is an ongoing and continuous process and is designed to ensure timely identification of potentially risky events and the adoption of measures to minimize risks that may negatively affect the Company's activities and the achievement of its goals. In cases where the occurrence of such events is inevitable, the Company takes all necessary measures to minimize the negative consequences.

The Company operates a corporate risk management system (CSMS) based on generally accepted conceptual risk management models and recommendations.

The organizational structure of CSMS in the Company is represented by risk management at several levels involving the following bodies and divisions of the Company: The Board of Directors of the Company (the Audit Committee of the Board of Directors), the Internal Audit Service, the Management Board of the Company (the Risk Management Committee under the Management Board), the employee responsible for risk management issues in the Company, the Compliance Center Service, structural units (risk owners).

Structure of the risk management system



In the reporting year, by Order No. 50 of the Chairman of the Management Board of the Company dated June 22, 2021, *a Risk Management Committee was established* under the Management Board, and the Regulations on the Risk Management Committee were approved.

The main principles of CSMS in the Company are defined in *the Risk Management Policy* approved by the decision of the Board of Directors of the Company.

For a holistic and clear understanding of the inherent risks in the Company, *risks are identified and assessed* on an annual basis, which are reflected in the risk register, risk map, risk management action plan (process improvement, minimization strategies).

The risk register, including risk management plans, and the Risk Map were approved by the decision of the Board of Directors dated February 23, 2021. By the decision of the Board of Directors dated July 19, 2021, the Register and the Risk Map were approved **in a new edition**.

The procedure and methodology for identification (*the process of identifying, forecasting and describing risk*) and assessment (*the process of comparing the results of risk analysis and (or) risk criteria to determine the acceptability or acceptability of its magnitude*) of risks is regulated by *the Rules of Identification and Risk Assessment*.

On February 23, 2021, the new edition of *the Company's Risk Identification and Assessment Rules* was approved, which were amended and supplemented to bring them into line with the Company's Corporate Governance Code.

When identifying events, various internal and external factors that can cause risks and opportunities are considered, on a Company-wide scale.

Such external factors include events related to the spread of COVID 19 coronavirus infection, as well as the implementation of sanitary and anti-epidemic (preventive) measures in the Republic of Kazakhstan for the non-proliferation of coronavirus.

At the same time, the Company has taken a number of measures to manage (minimize) risks that contribute to the timely and high-quality fulfillment of contractual obligations, the provision of state support measures to subjects of industrial and innovative activity, compliance by employees transferred to the remote form of employment, performance and labor discipline.

The external factor under consideration, which caused the risk, also had a positive impact on Company, associated with a decrease in rent by the tenant due to the presence of 80% of employees on a remote form of employment (due to a decrease in the consumption of utilities and cleaning services).

Taking into account the risk of implementation of the operational risk "Violation of the Company's information security" in 2021, an Action Plan was approved aimed at strengthening information security and increasing the security of the "Register of Goods, Works and Services used in conducting Subsurface Use operations and their Producers" (*Order of the Chairman of the Management Board of the Company No. 85 dated 10/22/2021*), in according to which:

- proposals have been sent to the owner of the SIS Registry (CID MIID RoK) on the need to allocate funds for the procurement of information security systems and connection to the operational information security center;

- The Rules for working with SIS Registry have been approved.

Thanks to the measures taken, there were no negative consequences from the possible realization of the risk for the Company.

The risk management (minimization) measures provided for in the Company's Risk Register are carried out in full. **The Company promptly takes appropriate measures to respond to risks** in order to reduce the likelihood of their realization and minimize/prevent possible negative consequences (financial losses, deterioration of reputation) for the Company.

By the decision of the Board of Directors of the Company dated July 19, 2021, the following levels were approved:

- **risk tolerance in the amount of KZT 35,266,800** (10% of equity);

- **risk appetite - 17,633,400 tenge.**

The Company's Risk Management Report for the 1st half of 2021 was approved by the decision of the Board of Directors dated September 17, 2021. The report for 2021 was approved by the decision of the Board of Directors on April 6, 2022.

In order to increase the risk-oriented culture, **risk management training** was conducted, followed by knowledge testing for heads of structural divisions and newly hired employees of the Company. The results of testing based on the results of the training showed *a high level of knowledge of the Company's risk management.*

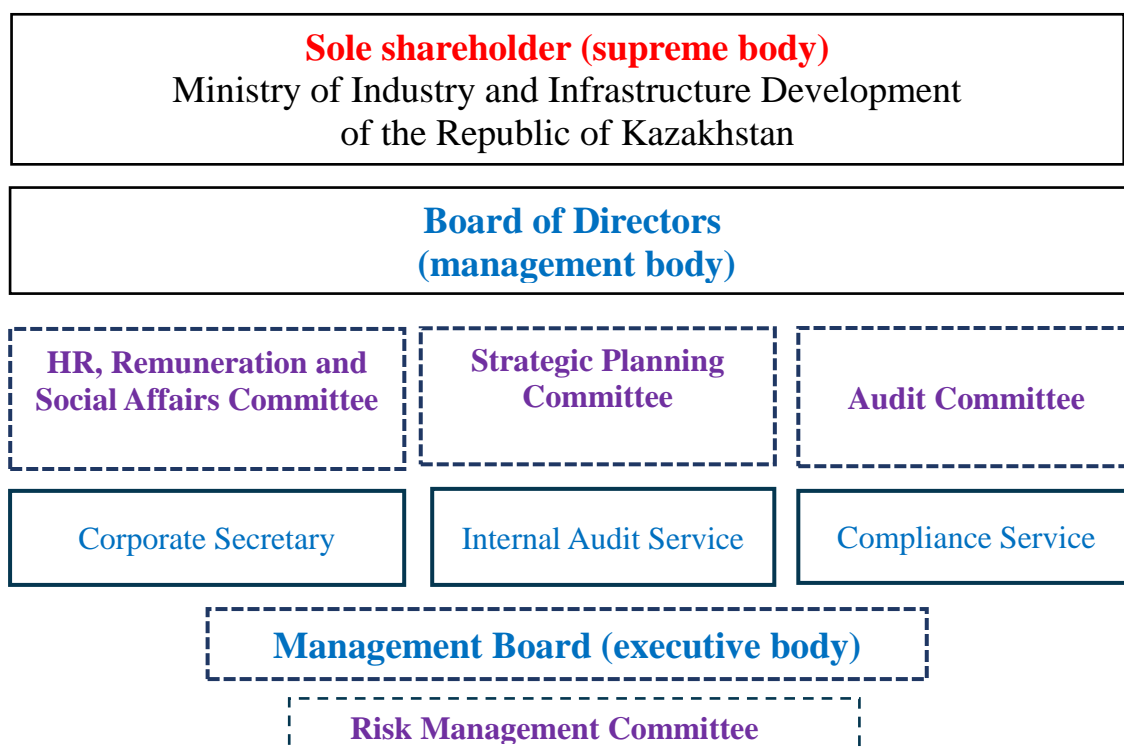
VII. Corporate governance

7.1. Corporate governance structure, composition of the Board of Directors, report on the activities of the Board of Directors and its committees

The Company considers corporate governance as a means of increasing the efficiency of its activities, strengthening its reputation and reducing the cost of raising capital. A proper corporate governance system of Qazindustry is a contribution to ensuring the rule of law in the Republic of Kazakhstan and a factor determining the place of Company in the modern economy and society as a whole.

The Company acts by achieving an optimal balance of interests of **the supreme body – the Sole Shareholder, the management body – the Board of Directors and the executive body – the Management Board of the Company**, as well as other interested parties.

CORPORATE GOVERNANCE SYSTEM



The composition of the Board of Directors of the Company is represented on a parity basis from the representatives of the Sole Shareholder, the state body for the management of state property and independent directors.

The process of selection of members to the Board of Directors of the Company, including independent directors, is determined by the current legislation of the Republic of Kazakhstan.

Independent directors - members of the Company's Board of Directors are recognized experts in their professional activities, with an impeccable reputation and significant work experience, collectively possessing all the necessary expert competencies in such areas and areas of the Company's activities as industry, finance and economics, entrepreneurship, business development, strategic and operational management of companies. Independent directors actively participate in the management of the Company and contribute to the timely development of strategic decisions aimed at improving the efficiency of the company and determining its long-term course of the Company.

In accordance with the Order of the Ministry of Foreign Affairs of the Republic of Kazakhstan dated October 10, 2020 No. 522, *the composition of the Board of Directors of the Company was determined in the amount of 9 people* with a term of office until June 19, 2022. The Company's Board of Directors consists of 5 (five) independent directors.

Composition of the Company's Board of Directors (as of January 1, 2021)

Chairman of the Board of Directors	Sklyar Roman Vassilyevich	Deputy Prime Minister of the Republic of Kazakhstan
Members of the Board of Directors	Yerzhanov Amaniyaz Kassymovich	Vice-Minister of Industry and Infrastructure Development of the Republic of Kazakhstan
	Tashenev Bakhytbek Khakimovich	Chairman of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan
	Zhandosov Oraz Aliyevich	Chairman of the Board of Trustees of the Public Foundation "Association of Economists of Kazakhstan", Independent Director
	Baigarin Kanat Abdualiyevich	Advisor to the President of the Autonomous Educational Organization "Nazarbayev University", independent Director
	Zhakezhanov Marlen Yusupovich	independent Director
	Zhakenov Serikzhan Amirzhanovich	independent Director
	Kvyatkovsky Eduard Olegovich	independent Director
	Bekenov Berik Temirgaliyevich	Chairman of the Management Board of the Company

On February 19, 2021, by the decision of the Sole Shareholder (Order No. 78), *the powers of members of the Board of Directors M.Y. Zhakezhanov and E.O. Kvyatkovsky were prematurely terminated and independent directors S.J. Daukey and K.S. Izbaskhanov were elected to the Board of Directors..*

Composition of the Company's Board of Directors
(as of December 31, 2021)

Chairman of the Board of Directors	Sklyar Roman Vassilyevich	Deputy Prime Minister of the Republic of Kazakhstan
Members of the Board of Directors	Karabayev Marat Karimzhanovich	Vice-Minister of Industry and Infrastructure Development of the Republic of Kazakhstan
	Tashenev Bakhytbek Khakimovich	Chairman of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan
	Zhandosov Oraz Aliyevich	Chairman of the Board of Trustees of the Public Foundation "Association of Economists of Kazakhstan", Independent Director
	Baigarin Kanat Abduvaliyevich	Advisor to the President of the Autonomous Educational Organization "Nazarbayev University", independent Director
	Daukey Serikbek Zhusupbekovich	Independent Director
	Zhakenov Serikzhan Amirzhanovich	Independent Director

	Izbaskhanov Kylyshbek Satylganovich	Independent Director
	Bekenov Berik Temirgaliyevich	Chairman of the Management Board of the Company

During the reporting period, **the Company's Board of Directors held 9 meetings** (5 in person, 4 by absentee voting), at which decisions on **37 issues** were considered and adopted:

- on strategic issues – 3;
- on financial statements – 5 ;
- on budget planning and analysis - 5;
- according to the approval of internal regulatory documents - 6;
- personnel issues (election of a member of the Management Board, approval of the efficiency, consent to election to the composition of bodies, extension of the powers of the IAS, termination of powers) - 9;
- internal audit and risk issues – 7;
- other issues - 2.

In accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies" (paragraph 1, 2 of Article 53-1), in order to facilitate the effective performance of the functions of the Board of Directors, the **following committees** have been established in the Company:

- Audit Committee;
- HR, Remuneration and Social Affairs Committee;
- Strategic Planning Committee.

Some issues submitted to the Board of Directors are previously considered at committee meetings.

The composition of the committees of the Board of Directors as of December 31, 2021:

Strategic Planning Committee of the Board of Directors

Chairman of the Committee	Zhandosov Oraz Aliyevich	Independent Director of the Company's Board of Directors
Committee members	Bekenov Berik Temirgaliyevich	Chairman of the Management Board of the Company
	Daukey Serikbek Zhusupbekovich	Independent Director
	Kenzhebayeva Aigul Karzhaubayevna	expert, Director of the Strategic Planning Department of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan

HR, Remuneration and Social Affairs Committee of the Board of Directors

Chairman of the Committee	Baigarin Kanat Abdualiyevich	independent Director of the Board of Directors of the Company
Members of the	Tashenev Bakhytbek	member of the Board of Directors of the

Committee	Khakimovich	Company
	Zhandosov Oraz Aliyevich	independent Director of the Board of Directors of the Company

Audit Committee of the Board of Directors

Chairman of the Committee	Izbaskhanov Kylyshbek satylganovich	independent Director of the Board of Directors of the Company
Members of the Committee	Baigarin Kanat Abdualiyevich	independent Director of the Board of Directors of the Company
	Karabayev Marat Karimzhanovich	member of the Board of Directors of the Company

During the reporting period, **22 meetings of the committees of the Board of Directors were held**, at which recommendations on a number of issues were previously considered and given to the Board of Directors, including:

- 1) on strategic planning - 9 questions at 7 meetings;
- 2) on personnel, remuneration and social issues – 13 questions at 8 meetings;
- 3) on audit – 12 questions at 7 meetings.

7.2. Information on the compliance of corporate governance practices with the principles of the Company's Corporate Governance Code, and in case of non-compliance - explanations of the reasons for non-compliance with each of the principles

Report on compliance with the Company's Corporate Governance Code (as of December 31, 2021)

№	Principles of corporate governance	Degree of compliance	Information about the fact of execution or non-execution and the measures taken for execution
1.	The principle of protecting the rights and interests of the Sole Shareholder (SS)	Observed	<p>1) The Company regularly provides the Sole Shareholder with information about the Company's activities and its results to ensure proper awareness when making decisions on the Company's issues, both in accordance with the legislation of the Republic of Kazakhstan, and at the requests and instructions of the Sole Shareholder.</p> <p>2) According to the Law of the Republic of Kazakhstan "On Joint Stock Companies", the issue of the amount and payment of dividends is subject to consideration by EA when approving the annual financial statements of the Company.</p> <p>3) In 2021 EA has made 7 decisions related to the Company's activities, including approval; election/termination of powers of members of the Board of Directors – 2; approval of the audited annual financial statements for 2020 - 1, the procedure for distributing net income and determining the amount of dividends based on the results of 2020 - 1, the report on the Company's activities for 2020 and for the 1st half of the year 2021 – 1, approval of large transactions – 1</p>
2.	The principle of effective management of	Observed	<p>1) The competence of the Board of Directors, responsibilities and powers of the members of the Board of Directors, including its Chairman, are defined in the Charter, the Corporate Governance</p>

№	Principles of corporate governance	Degree of compliance	Information about the fact of execution or non-execution and the measures taken for execution
	the Company by the Board of Directors and the Management Board		<p>Code and the Regulations on the Board of Directors of the Company. The competence of the Management Board, responsibility and powers of the members of the Management Board, including its Chairman, are fixed in the Charter and the Regulations on the Management Board of the Company.</p> <p>The Management Board preliminarily reviews and approves issues submitted for consideration by the Board of Directors.</p> <p>The Board of Directors preliminarily considers issues submitted for consideration by the Sole Participant.</p> <p>In order for the Board of Directors to effectively consider certain issues, a Strategic Planning Committee, a Human Resources, Remuneration and Social Affairs Committee, and an Audit Committee have been established, acting on the basis of Regulations approved by the Board of Directors.</p> <p>The Committees, within the established competencies and powers, preliminarily consider issues and develop recommendations for their resolution before considering issues at a meeting of the Board of Directors</p> <p>2) In 2021, the Board of Directors held 9 meetings, 37 issues were considered; 42 Board meetings were held, at which 109 issues were considered.</p> <p>3) At the end of the reporting period, 5 out of 10 members of the Company's Board of Directors (or 50%) are independent directors with professional and managerial competencies necessary to fulfill the duties of members of the Company's Board of Directors.</p> <p>4) the Company has formed a documentation base in the field of risk management, identified an official (risk manager) responsible for the professional organization and coordination of risk management. This makes it possible to fully assess risks and reduces the effectiveness of the risk management system in the Company. In the reporting period, the relevant risk documents (register and risk frame, action plan) were approved</p>
3.	The principle of independent activity of the Company	Observed	<p>1) The Company in its activities is guided by the Law of the Republic of Kazakhstan "On Joint Stock Companies", other regulatory legal acts of the Republic of Kazakhstan, the Charter and other internal documents adopted in accordance with the established procedure.</p> <p>2) All bodies of the Company act strictly within the framework of the competencies and principles of corporate governance established by the legislation of the Republic of Kazakhstan and internal documents.</p> <p>The sole shareholder independently makes decisions on all issues within its competence, with the exception of the following issues, the decision on which is made in consultation with the authorized body for state property:</p> <ul style="list-style-type: none"> - making amendments and (or) additions to the company's charter or approving it in a new edition; - change in the size of the authorized capital; - approval of the annual financial statements and distribution of the Company's net income for the reporting financial year, making a decision on the payment of dividends on common shares and approving the amount of the dividend for the year based on one common share of the Company; - making a decision on the Company's participation in the creation or activities of other legal entities by transferring part or several parts of assets amounting to twenty-five percent or more of all assets owned by

№	Principles of corporate governance	Degree of compliance	Information about the fact of execution or non-execution and the measures taken for execution
			<p>the Company;</p> <ul style="list-style-type: none"> - determination of the quantitative composition, term of office of the Board of Directors, election of its members, and early termination of their powers, as well as determination of the amount of remuneration to independent directors and approval of the rules providing for the conditions for payment of remuneration and reimbursement of expenses to independent directors; - introduction and cancellation of the "golden share"; - cancellation of decisions taken by the Board of Directors on issues related to the internal activities of the Company. <p>3) The Company carries out operating activities independently in accordance with the development strategy approved by the Board of Directors and the development plan approved by the Board of Directors on the basis of key performance indicators established by the SS.</p> <p>4) Financial and economic relations of the Company as an institution of development in the field of industry development with the Ministry of Finance of the Republic of Kazakhstan as an authorized state body in the field of industry development are carried out on the basis of contracts concluded strictly in accordance with the legislation of the Republic of Kazakhstan.</p>
4.	<p>The principle of transparency, timeliness and objectivity of disclosure of information about the Company's activities</p>	<p>Observed</p>	<p>The Company ensures timely disclosure to the SS and interested parties of reliable information about the Company, including its financial position, economic indicators, results of its activities, ownership and management structure: In 2021 within the framework of proper disclosure of information:</p> <ol style="list-style-type: none"> 1) The sole Shareholder is provided with: audited annual financial statements for 2020 (approved by the Order of the Ministry of Finance of the Republic of Kazakhstan dated 21.06.2021 No. 317); 2) Information on the Company's activities was reviewed at the meetings of the Board of Directors: efficiency maps of managers with actual values for 2020 (decision of the Board of Directors dated 07/19/2021 No. 05), report on the results of the Company's activities for 2020 and for the 1st half of 2021 (decision of the Board of Directors dated 09/17/2021 No. 06) 3) Work is regularly carried out to modernize the corporate website. The website contains information about the Company's activities, including information about the Company (including annual financial statements, annual reports, information about management, internal documents, etc.), measures of state support provided by the Company, news, analytical materials and digests for interested parties, etc. 4) 67 materials covering the Company's activities have been published in the media (print, electronic, TV). 5) When disclosing information, the norms of the legislation of the Republic of Kazakhstan on commercial and other legally protected secrets are taken into account, as well as Instructions for ensuring the safety of official and commercial secrets in the Company (approved in a new edition by the decision of the Board of Directors of December 23, 2020 No. 10, the Regulation on the procedure for disclosure and Storage of information of July 28, 2020 No. 03). The employees are familiar with the approved documents. <p>The requirement for the protection and non-disclosure of confidential information, keeping secret and non-disclosure for a certain period of time of information constituting official, commercial and other legally</p>

№	Principles of corporate governance	Degree of compliance	Information about the fact of execution or non-execution and the measures taken for execution
			<p>protected secrets available in the Company and made known during the work period is ensured by signing an obligation of non-disclosure of official and commercial secrets with employees and officials of the Company. The requirement is contained in the employment contracts and job descriptions of the Company's employees.</p> <p>In relation to the members of the Board of Directors and the Management Board, the requirement to comply with confidential information is fixed in the Regulations on the Board of Directors, the Regulations on the Management Board and the Articles of Association of the Company. In addition, the requirement and obligations of non-disclosure of confidential information are contained in employment contracts concluded with members of the Management Board and independent directors. An agreement/commitment on non-disclosure of confidential information is signed.</p>
5.	The principle of legality and ethics	Observed	<p>1) The Board of Directors approved the new edition of the Company's Code of Business Ethics (decision of 14.10.2020, Protocol No. 08), the purpose of which is to regulate the ethical side of the behavior of the Company's employees, interaction with all interested parties, ethical norms of corporate relations and mechanisms of influence of ethical norms on the daily activities of the Company and its employees.</p> <p>Familiarization and testing of the Company's employees for knowledge of the norms of the new Code of Business Ethics is conducted annually, no violations of the Code of Business Ethics by the Company's employees have been revealed.</p> <p>2) In order to prevent corruption and prevent corruption manifestations in the Company, the Anti-Fraud and Corruption Policy was adopted for compliance by all employees and officials (approved by the decision of the Board of Directors of 30.10.2020, Protocol No. 09), the Anti-Corruption Standard (approved by the decision of the Management Board of 09.12.19, Protocol No. 43).</p> <p>3) In 2021, there were no identified cases of corruption and fraud on the part of the Company's employees, labor disputes and lawsuits.</p> <p>4) The organizational structure provides for a structural anti-corruption unit (compliance Service), the Regulations on the Compliance Service of JSC "Kazakhstan Center for Industry and Export "QazIndustry" have been approved, the quantitative composition of the Compliance Service Center has been determined, the appointment of employees and the determination of official salaries of employees of the Compliance Service Center.</p>

№	Principles of corporate governance	Degree of compliance	Information about the fact of execution or non-execution and the measures taken for execution
6.	The principle of an effective dividend policy	Observed	<p>The Company's dividend policy was formed in order to increase assets, ensure the growth of the Company's capitalization while ensuring a balance between the interests of the SS and the Company itself.</p> <p>The effectiveness of the dividend policy is based on the principle of balancing the short-term (income generation) and long-term (development of Company) interests of SS:</p> <ol style="list-style-type: none"> 1) the actual amount of net income received by the Company; 2) indicators of solvency and financial stability of the Company; 3) the current state of Company, its short-, medium-, and long-term plans; 4) ensuring strategic development goals. <p>The Company's dividend policy (approved by the decision of the Board of Directors of 30.03.2020, Protocol No. 04) establishes and implements in practice the provision that the amount of funds allocated for the payment of dividends should be at least 70% of the Company's net income calculated in accordance with IFRS.</p>
7.	The principle of effective personnel policy	Observed	<p>The recruitment of employees and the formation of a personnel reserve is carried out in accordance with the Regulations on the conditions of admission of employees and the Company's labor regulations (approved by the decision of the Management Board of 11.12.2020. (Protocol No. 35).</p> <p>The Regulations on remuneration, financial incentives and social support for the Company's employees (approved by the decision of the Board of Directors of 15.04.15 No. 03) in order to motivate effective activity provides:</p> <ul style="list-style-type: none"> - awarding employees based on the results of the evaluation of their activities, - additional financial incentives for performing works of increased complexity and attracting commercial orders for the provision of services by the Company, - provision of financial assistance. <p>In order to increase the level of competence of employees, the Company annually develops a schedule of measures for training and advanced training of employees.</p> <p>In 2021, 30 employees of the Company were trained and retrained on the issues of "TOGAF 9.2 Fundamentals"; "Study of applied methods of macroeconomic analysis and forecasting using econometrics and statistics approaches, including the study of the technique of applying a general linear model to analysis"; training on the ACCA DipIFR international diploma; "Tax Consultant"; Microsoft Power BI; "In-depth study of Microsoft Excel Data Analysis"; "Risk management and internal Control"; "Training in labor legislation for the Conciliation Commission"; "Public speaking" under the program "Master of the Word"; "Innovations in labor legislation in 2021"; Public procurement of the Republic of Kazakhstan.</p>
8.	Principles of environmental protection	Observed	<p>In its activities, the Company strives to minimize the impact on the environment and follow the principles of respect for the environment. In order to reduce the level of paper consumption, the Company has introduced electronic document management systems, automation of</p>

№	Principles of corporate governance	Degree of compliance	Information about the fact of execution or non-execution and the measures taken for execution
			individual processes and digital information systems for project management of operational tasks (project office). In 2021, due to the remote mode of operation, the paper document flow decreased.
9.	The principle of fair regulation of corporate conflicts and conflicts of interest	Observed	<p>In order to define procedures for the prevention, regulation, timely detection and prevention of corporate conflicts and conflicts of interest, as well as coordination of actions of all bodies and officials, by decision of the Board of Directors of 27.11.19, Protocol No. 11, the Rules for the Settlement of Corporate Conflicts and Conflicts of Interests of the Company were approved in a new edition.</p> <p>In accordance with the requirements of the legislation of the Republic of Kazakhstan and in order to ensure the regulation of conflicts of interests, the Company maintains a list of affiliated persons.</p> <p>In the event of a corporate conflict, procedures and measures aimed at preventing it are applied in order to ensure effective protection of SS's rights and the Company's business reputation.</p> <p>In 2021, the Company has not recorded any cases of corporate conflicts and conflicts of interests of officials and employees of the Company.</p>
10.	The principle of responsibility	Observed	<p>The Company, as a national development institution, realizing its role and responsibility in the system of state industrial policy, strives to establish effective and balanced relations with all interested parties:</p> <p>1) The relationship of the Company with the Sole Shareholder is regulated by the Charter, the Corporate Governance Code, the Code of Business Ethics and other internal documents of the Company.</p> <p>2) The Company, its officials and employees build relations with state bodies and development institutions of the Republic of Kazakhstan on the principles of partnership and respect, understanding that the actions of authorized state bodies and subordinate organizations should be aimed at the industrial and innovative development of the country's economy.</p> <p>3) The Company builds relationships with its clients, including customers of analytical and consulting services, subjects of industrial and innovative activity applying for state support measures, consumers of the Company's services within the framework of coordinating the development and promotion of the SEZ (management companies, SEZ participants, potential investors), on the principles of legality (full compliance with legislation and established rules), business ethics, compliance with contractual relations, transparency, respect. The Company conducts periodic surveys of consumers of services for the provision of state support measures in order to assess their level of satisfaction with the quality of service, there is also a call center for consulting and receiving feedback from consumers of such services.</p> <p>4) Building relationships with suppliers of goods /works /services, the Company is guided by the principles of business ethics, complies with all the conditions of contractual relations and ensures stability and transparency of activities.</p> <p>5) The Company conducts a balanced and open personnel policy aimed at the formation of highly professional, qualified and motivated personnel. The Company strives to provide all employees with equal opportunities to realize their potential in the course of their work, an impartial and fair assessment of the results and motivation of their activities, selection and career growth of employees solely on the basis of professional abilities, knowledge and skills.</p>

7.3. Composition of the Management Board of the Company, report on the activities of the Management Board of the Company

The procedure for the activities of the Company's Management Board (rights, duties and responsibilities of members of the Management Board), the convening and holding of meetings of the Management Board, the adoption and execution of its decisions, as well as the control over their execution are determined by the Regulations on the Management Board of JSC "Kazakhstan Center for Industry and Export "QazIndustry", approved by the decision of the Board of Directors of the Company dated December 27, 2019 (Protocol No. 12).

The appointment of members of the Management Board is carried out by the decision of the Board of Directors in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Charter of the Company and the Regulations on the Management Board of the Company (approved by the Board of Directors on December 27, 2019, Protocol No. 12).

As of **December 31, 2020**, the Management Board of the Company consisted of **3 people**:

Chairman of the Management Board	Bekenov Berik Temirgalievich
Deputy Chairmen of the Management Board	Kakimzhanov Aidar Auliyakhanovich
	Mukanov Talgat Askarovich

By the decision of the Board of Directors dated January 13, 2021, Deputy Chairman of the Management Board M.D. Bopazov was elected to the Management Board of the Company from January 18, 2021, and as of **December 31, 2021**, the Management Board of the Company consisted of **4 people**.

Composition of the Company's Management Board as of December 31, 2021

Chairman of the Management Board	Bekenov Berik Temirgalievich
Deputy Chairmen of the Management Board	Bopazov Marat Daribekovich
	Kakimzhanov Aidar Auliyakhanovich
	Mukanov Talgat Askarovich

The Management Board of the Company held **42 meetings** in 2021, at which **109 issues** were considered, including:

1) *30 issues* were previously approved by the Management Board for consideration at a meeting of the Company's Board of Directors, including:

- 1 issue on the approval of transactions;
- 3 issues about key performance indicators with target values for QazIndustry executives and the Corporate Governance Improvement Plan;

- 2 issues regarding the draft approval of the QazIndustry development plan and the report on its implementation;
 - 1 issue regarding the order of distribution of the Company's net income for 2020 and the amount of dividends per common share;
 - 1 issue regarding the early termination of the powers of the Head of the Internal Audit Service of JSC "Kazakhstan Center for Industry and Export "QazIndustry";
 - 2 issues about the preliminary approval of reports on the Company's activities for 2020 and for the first half of 2021;
 - 3 issues on the Company's internal regulatory documents (register and risk maps for 2021, Rules for Identification and Risk Assessment of the Company, Regulations on the Compliance Service Center);
 - others (statements of the level of risk tolerance and the level of risk appetite of the Company, the Risk Management Report for the 1st half of 2021, etc.),
- 2) some internal regulatory documents have been approved/amended on *15 issues*;
- 3) on *13 issues*, the Plans for the execution of contracts on public procurement of services were approved/amended;
- 4) *4 issues* regarding the approval of the organizational structure and staffing;
- 5) *3 issues* regarding the approval of the summary report on the execution of the Work Plan of JSC "Kazakhstan Center for Industry and Export "QazIndustry" for 2021 and determining the degree of satisfaction with the execution of the Work Plan for each event of the relevant structural unit;
- 6) *44 issues* concerning the plan of public procurement of goods, works and services, adjustments of calculations of financial and economic activity indicators within the framework of the aggregated indicators approved in the development plan for 2021, reports and the work plan of the Management Board in 2021, as well as other issues not attributed by the legislation of the Republic of Kazakhstan and the Charter to the competence of other bodies and officials of the Company.

The term of office of the Company's Management Board was extended by the decision of the Board of Directors dated December 23, 2020 ***until December 31, 2023***.

7.4. Remuneration policy for officials

The principles of remuneration of ***the Chairman and members of the Management Board*** are defined and regulated by ***the Regulation on Performance Evaluation and Terms of Remuneration to Executives and Employees Accountable to the Board of Directors of Kazakhstan Industry and Export Center "QazIndustry" JSC***, approved by the decision of the Board of Directors of the Company dated February 23, 2021 (Protocol No. 02/21).

The main *principles of remuneration of senior employees - members of the Management Board of the Company* are the relationship of remuneration with the performance of tasks that meet the interests of the Company and the Sole Shareholder, simplicity and transparency of determining the amount of remuneration,

the dependence of the amount of remuneration on the results of the Company's activities and the effectiveness of the employees themselves.

The remuneration amounts of the Chairman and members of the Management Board are determined by the decision of the Board of Directors of the Company based on the *results of the assessment of the performance of corporate and personal key performance indicators of executives*.

Remuneration is paid ***only to independent members of the Company's Board of Directors***. Remuneration is not provided and is not paid to a member of the Board of Directors who is a civil servant.

The procedure, amount and conditions for payment of remuneration and compensation of expenses to independent members of the Board of Directors of the Company for the performance of their duties are established *by the Rules for Payment of Remuneration and Compensation of Expenses of Independent Board of Directors of the Company*, approved by Order No. 267 of the Minister of Infrastructure Development Industry of the Republic of Kazakhstan dated May 27, 2021.

The total amount of fixed remuneration paid to independent directors during the reporting period amounted to KZT 5,255,000 (five million two hundred and fifty-five thousand). There were no other expenses, including travel expenses, in 2021.

VIII. On sustainable development

The sustainable development of Company includes the following three components:

1. ***The economic component of the Company's sustainable development*** reflects the Company's fulfillment of mandatory requirements to ensure the break-even of operating activities, respect for the interests of the Sole Shareholder, increase the efficiency of processes and labor productivity.

Since its establishment in 2010, *the Company's break-even operations and timely transfer of dividends to the state block of shares have been ensured*.

At the end of 2021, the Company's income amounted to 1,620.4 million tenge, including 1,619.7 million tenge from its core activities, which is *a quarter higher* than the previous year (1,290.4 million tenge). The average output per employee of the production staff *increased by 1.4 times compared to last year* (from 9.5 million tenge/ person to 13.2 million tenge/person). In favor of the Sole Shareholder, dividends were accrued and paid for 2021 in the amount of 27.5 million tenge, which is *2.4 times higher than in 2020* (11.3 million tenge).

In order to increase the efficiency of activities and labor productivity in the Company in 2021, ***the following activities*** were carried out:

1) ***Optimization of the organizational structure and staffing of the Company*** as part of the implementation of the Decree of the President of the Republic of Kazakhstan No. 633 dated July 28, 2021 "On some issues of optimizing the staffing limits of state bodies and quasi-public sector entities", in order to optimize the costs of the payroll fund, it allowed to reduce the number of full-time administrative staff of the Company by 15 in 2021% (4 units).

2) ***The use of digital technologies in business processes*** to improve the efficiency of the Company's activities, including tools for planning and monitoring

the work of the implemented Project Office, personnel document management, the work of the Management Board, which, under quarantine restrictions, allowed for continuous work, current planning, monitoring and operational control of the activities of the Company's employees transferred to the remote form of work in order to ensure occupational safety and health protection.

3) ***Creation of a digital transformation platform on the website qazindustry.gov.kz*** to ensure the interaction of industrial enterprises and stakeholders (IT companies, research institutes, educational organizations and others) in order to develop the digital transformation of the Kazakh industry and promote domestic IT solutions

4) ***Continuation of reengineering of business processes to provide state support measures to business entities and work on the integration of digital systems***, including optimization and automation of the main business process from consultation and acceptance of applications to the issuance of support measures and their monitoring.

Acceptance and processing of applications for state support measures of the Company is carried out on-line through the website qazindustry.gov.kz through the e-government portal egov.kz .

In addition, work is underway to automate the business processes of registration of participants in the unified register of SEZ participants through the Internet portal of the Unified Coordination Center.

This significantly increased *the possibilities of accepting and processing applications* in the context of the new coronavirus pandemic and allowed *to reduce the time for reviewing applications for providing support measures to reimburse labor productivity costs* - from 17 to 10 working days (30%).

2. ***The ecological component of the sustainable development*** of Company is associated with minimizing the impact on the environment, optimal use of resources, and the use of material-saving technologies.

The Company is aware of the exceptional importance of reducing the impact of work on the environment, carrying out its activities in compliance with the legislation of the Republic of Kazakhstan in the field of environmental protection.

In general, the impact of the Company's operating activities does not exceed the environmental impact characteristic of the environmental aspects of any office activity.

Measures for the Company's transition to paperless technologies, including the introduction of electronic document management and automation of individual processes in corporate governance (Board meetings), operational task management (Project Office), front office (automation of receipt and processing of applications), *have reduced paper consumption*.

3. ***The social component of the sustainable development*** of the Company is aimed at compliance with the principles of corporate social responsibility, including ensuring the conditions of occupational safety and health of employees, fair remuneration and respect for the rights of employees, individual development of employees.

Search, admission and appointment to vacant positions of the Company is

carried out in accordance with the Regulations on the conditions of admission of employees and the Company's labor Regulations approved by the decision of the Company's Management Board dated April 25, 2018 (Protocol No. 11). According to the established requirements, the search for employees is carried out by placing advertisements about competitions for vacant positions on the official website <https://qazindustry.gov.kz>.

In 2021, *the Personnel Policy was approved*, which defines the system of principles, values, key areas for the development of the company's personnel potential, as well as the main processes and methods of managing the Company's human resources. A personnel reserve system has been introduced, which allows searching for candidates to fill the vacant position from the Company's personnel reserve. During the reporting period, 14 candidates were included in the Company's personnel reserve.

The Company's management provides all *social guarantees* provided by the legislation of the Republic of Kazakhstan for the Company's employees (labor protection, material and technical support, compliance with labor legislation, professional development, etc.).

In connection with the introduction of the state of emergency in the Republic of Kazakhstan and the implementation of sanitary and anti-epidemic (preventive) measures in 2021 in order *to ensure occupational safety and health protection of the Company's employees*:

- some of the employees have been temporarily transferred to a remote form of work with the preservation of wages;
- measures have been taken to ensure conditions for the organization of the labor process of employees transferred to a remote form;
- business trips have been canceled, a ban on holding and participating in mass events has been introduced;
- the necessary measures have been taken to prevent and prevent coronavirus infection for workers performing operational work at the workplace;
- constant monitoring of compliance by employees with recommendations for the prevention and prevention of coronavirus infection, etc. has been carried out.

In order *to motivate* the Company's employees *to work effectively*, the Regulations on Remuneration, Financial incentives and Social Support for the Company's employees provide:

- awarding of employees based on the results of the assessment of satisfaction with the execution of the Company's Work Plan for the year;
- additional financial incentives for performing works of increased complexity and attracting commercial orders for the provision of services by the Company;
- provision of financial assistance (upon marriage, birth of a child, death of an employee or members of his family);
- provision of social support (payments of health benefits, voluntary medical insurance, sports and recreation activities).

On the basis of uniting, retaining professionals and attracting new specialists, a

purposeful and professional QazIndustry team has been formed, which will further increase its competencies.

REPORT
on the implementation (monitoring) of indicators of the Company's Development Strategy for 2021

Strategic area/task	Indicators	Measurement unit	Plan	Actual	Achievement %	Information on fulfillment
1	2	3	4	5	6	7
Strategic direction 1. Expert and analytical activity of QazIndustry as a "think tank" for the development of industry and related industries in Kazakhstan						
1. Information and analytical support of SPIID 2020-2025	1. Monitoring of the implementation of the SPIID 2020-2025 (number of reports in the MIID)	Units	2	3	150	Overfulfilled.
	2. The number of proposals sent to the authorized state body on further industrial and innovative development	Units	1	1	100%	Completed ahead of schedule (in 2020). In 2020, proposals on draft Laws of the Republic of Kazakhstan "On Industrial Policy" and "On amendments and additions to some legislative acts of the Republic of Kazakhstan on industrial policy issues" were sent to MIID.
Strategic direction 2. Provision of systemic and direct measures of state incentives in the manufacturing industry						
1. Participation in the implementation of systemic measures to support the development of the manufacturing	3 Updating of the Unified Map of priority goods and services*	Units	1	-	-	Not completed – due to lack of budget funding
	4. The number of long-term contracts and offtake contracts for the purchase of goods of domestic producers concluded with the assistance of the Company	Units	35	40	114,3%	Overfulfilled. 35 long-term contracts and 5 offtake contracts have been concluded

Strategic area/task	Indicators	Measurement unit	Plan	Actual	Achievement %	Information on fulfillment
1	2	3	4	5	6	7
industry	5. Formation of the register of cluster initiatives*	Units	1	1	100%	Completed.
	6. Number of implemented projects of pilot territorial clusters*	Units	1	-	-	Not completed – due to lack of budget funding
	7. The number of manufacturers of processed products accredited by the Supplier Development Service	Units	30	33	110%	Overfulfilled.
	8. The share of large and medium-sized enterprises in the manufacturing industry using digital technologies	Units	7	7,8	+0,8	Overfulfilled.
2. Provision of direct state incentives to manufacturing enterprises	9. The number of projects of entrepreneurs who have received state stimulation measures to promote processed goods, works and services in the domestic market*	Units	148	-	-	Not completed - due to lack of budget funding
	10. The number of IIA subjects who have received state incentive measures to promote domestic processed goods*	Units	110	-	-	Not fulfilled - since 2021, the operator, as the state stimulation is JSC "Center for the Development of Trade Policy "QazTrade"
	11. The number of enterprises that have received state incentives aimed at improving labor productivity*	Units	46	46	100%	Completed. Budget financing has been allocated for 46 subjects, 100 have been mastered%
	12. The number of those who received support measures to increase labor productivity, who increased the amount of income by 2 tenge from 1 tenge invested by the state	Units	27	44	163%	Overfulfilled. Of the enterprises that received state support measures in 2019, 44 reached the target indicator
Strategic direction 3. Promoting the development of industries and economic spheres related to the manufacturing industry						

Strategic area/task	Indicators	Meas urem ent unit	Plan	Actual	Achieve ment %	Information on fulfillment
1	2	3	4	5	6	7
Information-analytical and expert support for the development of individual industries and spheres of the economy	13. The number of services rendered by the Company by the authorized state agency for the analysis and/or development of industries and spheres of the economy related to the manufacturing industry*	Units	≥ 1	-	-	Not completed - due to lack of budget funding
Strategic direction 4. Coordination of development of special economic and industrial zones of the Republic of Kazakhstan						
Promotion of SEZ and IZ and improvement of management quality	14. The volume of products produced on the territory of the SEZ	Bln. tenge	1 244,7	1 244,8	100%	Completed.
Strategic direction 5. Institutional development of Qazindustry						
Competence development	15. Income from the main activity of the Company	Mio. tenge	1 827	1 619,7	88,7%	Not completed.
Improving operational efficiency	16. Average output per 1 employee of production personnel	Mio. tenge/ person	14	13,2	94,3%	Not completed.
	17. The degree of customer satisfaction with the quality of operator services	%	60	78	+18 п.п.	Overfulfilled.
Human capital development	18. Staff turnover (<i>with the exception of measures related to the reorganization or reduction of staff</i>)	%	20	2,08	+17,9 п.п.	Overfulfilled.
	19. Degree of staff satisfaction	%	80	83,7	+3,7 п.п.	Overfulfilled.
Increasing transparency in activities	20. Number of publications in the media and on the Company's website (articles, interviews, TV stories and broadcasts)	Units	60	258	430%	Overfulfilled.

* - the implementation of the plan is provided, subject to the provision of budget financing for the year

Report
on the implementation (monitoring) of the indicators of the Company's Development Plan for 2021

№	Indicators	Measurement unit	Plan	Actual	Achievement %	Information on fulfillment
1		2	3	4	5	6
1	The number of information and analytical services in the field of development of priority sectors of the economy	Units	11	12	109,1%	Overfulfilled. 7 contracts for the performance of 12 information and analytical services were concluded
2	The number of identified barriers and restrictions that prevent the free movement of domestic industrial products on the territory of the EAEU	Units	3	4	133,3%	Overfulfilled.
3	Number of accredited enterprises under the Supplier Development Service program	Units	30	33	110,0%	Overfulfilled. 33 companies received the status of an accredited supplier from such large customers as KPO, TCO, NCOC, ArcelorMittal, Kazakhmys
4	Number of long-term guaranteed contracts concluded	Units	35	35	100,0%	Completed.
5	The share of large and medium-sized enterprises (metallurgy, pharmaceuticals, building materials, chemistry, mechanical engineering, light industry) using digital technologies	%	7	9,5	+ 2,5 п.п.	Overfulfilled. Data from the Bureau of National Statistics ASPR of RK
6	Number of enterprises that have received state support measures	Units	46	46	100,0%	Completed.
7	Number of enterprises to assess their current readiness to implement digital projects (solutions)	Units	20	21	105,0%	Completed.
8	Number of specialists of organizations trained in Industry 4.0 topics	Units	50	250	500,0%	Overfulfilled.

№	Indicators	Measurement unit	Plan	Actual	Achievement %	Information on fulfillment
	1	2	3	4	5	6
9	The number of projects monitored under the Industrialization Map and Entrepreneurship Support Maps of the regions	Units	80	134	167,5%	Overfulfilled.
10	The number of complex information-technologically, technically supported information system "Register of goods, works and services used in conducting operations on subsurface use, and their manufacturers"	Units	1	1	100,0%	Completed.
11	The number of complex information-technologically, technically supported information system Internet Portal "Kazakhstan content"	Units	1	1	100,0%	Completed.
12	Number of enterprises to increase competence in the "professional services" sector	Units	1	1	100,0%	Completed.
13	The number of registered investors as SEZ participants is at least 21 (excluding the construction of administrative and residential complexes)	Units	21	54	257,1%	Overfulfilled.
14	The volume of products produced on the territory of special economic zones	Units	1244,7	1244,8	100%	Overfulfilled.

Appendix No. 3 Auditor's Report and basic forms of financial statements for 2021

АО "Казакхстанский центр индустрии и экспорта "QazIndustry"



**Joint-stock company
"Kazakhstan Industry and Export Center "QazIndustry"**

ТОО "ARIP Consulting group"
БИН 200 140 009 942
Для аудиторских
отчетов

**Financial statements,
for the year ended 31 December 2021
and Audit report of the independent auditor**

CONTENT

	Pages
<u>MANAGEMENT CONFIRMATION OF RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021</u>	3-4
AUDITOR'S REPORT OF THE INDEPENDENT AUDITOR	5-7
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021:	
Balance sheet	8-9
Profit and Loss Statement	10-11
Cash Flow Statement	12-13
Statement of Changes in Equity	14-17
Notes to the financial statements	18-41

**Management Confirmation of Responsibility for preparation
and approval of the financial statements for the year ended 31 December 2021**

The following statement, which should be read in conjunction with the description of the auditors' responsibilities contained in the independent auditor's report on pages 5-7, is made to delineate the responsibilities of the auditors and management in relation to the financial statements of JSC "Kazakhstan Industry and Export Center "QazIndustry" (hereinafter referred to as Company) for 2021 prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS").

The management is responsible for the preparation of financial statements that fairly reflect, in all material respects, the financial position of JSC "Kazakhstan Industry and Export Center "QazIndustry" as at 31 December 2021, as well as the results of its operations, cash flows and changes in equity for the year ended on the same date, in accordance with IFRS and the Law of the Republic of Kazakhstan "On Accounting and Financial Reporting".

In preparing the financial statements, management is responsible for:

- selection of appropriate accounting principles and their consistent application;
- application of sound estimates and calculations;
- compliance with the requirements of the legislation of the Republic of Kazakhstan in the field of accounting and financial reporting, IFRS requirements and disclosure of all material deviations in the notes to the financial statements;
- preparation of financial statements, based on the assumption that JSC "Kazakhstan Industry and Export Center "QazIndustry" will continue its activities in the foreseeable future, unless such an assumption is unreasonable.

The management of JSC "Kazakhstan Center for Industry and Export "QazIndustry" is responsible for:


- development, implementation and maintenance of the functioning of an effective and reliable system of internal control throughout the Company;
- maintenance of an accounting system that makes it possible at any time to prepare information on the financial position of the Company with a sufficient degree of accuracy and ensure that financial statements comply with the requirements of IFRS and the Law of the Republic of Kazakhstan "On Accounting and Financial Reporting";
- accounting in accordance with the legislation of the Republic of Kazakhstan;
- taking measures within its competence to protect the assets of JSC "Kazakhstan Center for Industry and Export "QazIndustry";
- detection and prevention of fraud and other abuses.

The management of JSC "Kazakhstan Center for Industry and Export "QazIndustry" declares that:

- all transactions were reflected in the accounting data and financial statements;
- there were no violations by management or employees who play an important role in the functioning of the accounting and internal control systems, and there were no violations that could have a material effect on the financial statements;
- does not have any plans or intentions that could significantly change the carrying amount or classification of assets and liabilities recognized in the financial statements;
- the assumptions used in preparing estimates, including fair value estimates, are reasonable;
- relationships and transactions with related parties are properly accounted for and disclosed in the notes to the financial statements;
- for all events occurring after the date of the financial statements for which International Standards require adjustments or disclosures, the appropriate adjustments and disclosures have been made.




On behalf of JSC "Kazakhstan Center for Industry and Export "QazIndustry":


Bekenov B.T.
Executive

May 03, 2022




Iskakova G.K.
Chief Accountant

May 03, 2022

«ARIP Consulting group»
ЖАУАПКЕРШІЛІГІ
ШЕКТЕУЛІ СЕРІКТЕСТІГІ



LIMITED LIABILITY
PARTNERSHIP
«ARIP Consulting group»

010000, Republic of Kazakhstan, Nur-Sultan, E 491, house 7, tel: 8/701/257-11-14, e-mail: aripgroup@gmail.com

Approved:



Director of LLP «ARIP
Consulting group»

Zhamatov M.K.

May 03, 2022

To the management of JSC "Kazakhstan Center
industry and export "QazIndustry"

AUDITOR'S REPORT OF THE INDEPENDENT AUDITOR

Opinion

We have audited the financial statements of JSC "Kazakhstan Center for Industry and Export "QazIndustry", consisting of the balance sheet as of December 31, 2021, income statement, cash flow statement, statement of changes in equity and explanatory note, including a brief overview of the main provisions of the accounting policy.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of JSC "Kazakhstan Center for Industry and Export "QazIndustry" as at 31 December 2021, as well as its financial results and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards (IFRS).

Basis for expressing opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical obligations in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of specified financial statements in accordance with IFRS and for the system of internal control that management considers necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing information related to going concern, as appropriate, and for reporting on a going concern basis, unless management intends to liquidate the Company, cease its activities or when it has no other viable alternative than liquidation or termination of activities.

Those charged with corporate governance are responsible for overseeing the preparation of the Company's financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we do the following:

- identify and assess the risks of material misstatement of financial statements due to fraud or error; design and perform audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement from fraud is greater than the risk of not detecting a material misstatement from an error, as fraud may include collusion, forgery, omission, misrepresentation, or circumvention of internal controls;
- obtain an understanding of the internal control system relevant to the audit in order to develop audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system;
- evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures prepared by management;
- conclude on the appropriateness of management's use of the going concern assumption, and based on the audit evidence obtained, conclude whether there is a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern;
- evaluate the presentation of the financial statements as a whole, their structure and content, including disclosures, and whether the financial statements present underlying transactions and events in such a way that they are presented fairly.

We communicate with those charged with governance, bringing to their attention, among other things, information about the planned scope and timing of the audit, as well as significant observations on the results of the audit, including significant deficiencies in the internal control system that we identify during the audit process.


We also provide those charged with governance with a statement that we have complied with all relevant ethical requirements for independence and have kept them informed of all relationships and other matters that could reasonably be considered to have an impact on the auditor's independence, and where appropriate about appropriate precautions.

From those matters that we have brought to the attention of those charged with governance, we identify those matters that were most significant to the audit of the financial statements for the current period and, therefore, are key audit matters. We describe these matters in our auditor's report, except when public disclosure of information about these matters is prohibited by law or regulation, or when, in extremely rare cases, we conclude that information about a matter should not be disclosed in our conclusion, since it can reasonably be assumed that the negative consequences of the communication of such information will exceed the socially significant benefits of its communication.

**The head of the audit,
as a result of which this auditor's report
of the independent auditor was issued**


Zhumatov M.K. /Auditor of the Republic of Kazakhstan

JSC "Kazakhstan Industry and Export Center "QazIndustry"


Auditor qualification certificate
№ 0000555 dated February 02, 2018



Nugumanova A.B. /Auditor


Auditor qualification certificate
№ 0000923 dated December 12, 2018



Auditor's address: Republic of Kazakhstan,
Nur-Sultan, st. E-491, house 7
cell phone 87012571114

State license of a legal entity
№ 20001708 dated January 30, 2020

Republic of Kazakhstan, Nur-Sultan
May 03, 2022



JSC "Kazakhstan Industry and Export Center "QazIndustry"

Appendix 1 to the Order of the Minister of Finance
of the Republic of Kazakhstan
dated July 1, 2019 No.665

Appendix 2 to the Order of the Minister of Finance
of the Republic of Kazakhstan
dated June 28, 2017 No. 404
Form 1

Balance sheet accounting period 2021

Submitted: to the depository of financial statements in electronic format by means of software

The administrative data form is posted on the Internet resource: www.minfin.gov.kz

Index of the administrative data form: No. 1-B (balance)

Frequency: annual

Circle of persons providing information: organizations of public interest based on the results of the financial year

Deadline for submission of the administrative data form: annually no later than August 31 of the year following the reporting year

**JSC "Kazakhstan Center of Industry and Export "QazIndustry"
as of December 31, 2021**

in thousands of tenge

Assets	Line code	At the end of the reporting period	At the beginning of the reporting period
I. Short-term assets:			
Cash and cash equivalents	010	483 708	399 073
Short-term financial assets measured at amortised cost	011		
Short-term financial assets measured at fair value through other comprehensive income	012		
Short-term financial assets carried at fair value through profit or loss	013		
Short-term derivative financial instruments	014		
Other short-term financial assets	015		
Short-term trade and other receivables	016	116 891	116 686
Short-term lease receivables	017		
Short-term assets under contracts with buyers	018		
Current income tax	019	12 340	15 537
Inventories	020	6 294	6 780
Biological assets	021		
Other short-term assets	022	13 664	9 675
Total short-term assets (amount from 010 to 022)	100	632 897	547 751
Assets (or disposal groups) held for sale	101		
II. Long-term assets			
Non-current financial assets measured at amortised cost	110		
Non-current financial assets measured at fair value through other comprehensive income	111		
Non-current financial assets carried at fair value through profit or loss	112		
Long-term derivative financial instruments	113		
Investments accounted for at cost	114		
Investments accounted for by the equity method	115		
Other long-term financial assets	116		
Long-term trade and other receivables	117		
Long-term lease receivables	118		
Long-term assets under contracts with buyers	119		
Investment property	120		
Fixed assets	121	26 309	38 798
An asset in the form of a right of use	122		
Biological assets	123		
Exploration and appraisal assets	124		
Intangible assets	125	8 400	9 855
Deferred tax assets	126	8 986	5 542

JSC "Kazakhstan Industry and Export Center "QazIndustry"

Other non-current assets	127		
Total long-term assets (sum of lines 110 to 127)	200	43 695	54 195
Balance sheet (line 100 + line 101 + line 200)		676 592	601 946
Commitment and capital	Line code	At the end of the reporting period	At the beginning of the reporting period
III. Short-term liabilities			
Short-term financial liabilities measured at amortised cost	210		
Short-term financial liabilities measured at fair value through profit or loss	211		
Short-term derivative financial instruments	212		
Other short-term financial liabilities	213		
Short-term trade and other payables	214	22 072	4 054
Short-term estimated liabilities	215	47 273	46 998
Current income tax liabilities	216	-	1 629
Employee benefits	217	23	4 056
Short-term lease debt	218		
Short-term obligations under contracts by buyers	219		
Government subsidies	220		
Dividends payable	221		
Other current liabilities	222	226 587	192 541
Total short-term liabilities (sum of lines 210 to 222)	300	295 955	249 278
Liabilities of disposal groups held for sale	301		
IV. Long-term liabilities			
Long-term financial liabilities measured at amortised cost	310		
Non-current financial liabilities measured at fair value through profit or loss	311		
Long-term derivative financial instruments	312		
Other long-term financial liabilities	313		
Long-term trade and other payables	314		
Long-term estimated liabilities	315		
Deferred tax liabilities	316		
Employee benefits	317		
Long-term lease debt	318		
Long-term obligations under contracts with buyers	319		
Government subsidies	320		
Other long-term liabilities	321		
Total long-term liabilities (sum of lines 310 to 321)	400		
V. Equity			
Authorized (share) capital	410	217 971	217 971
Issue income	411		
Repurchased own equity instruments	412		
Components of other comprehensive income	413		
Retained earnings (uncovered loss)	414	162 666	134 697
Other capital	415		
Total equity attributable to owners (amount from 410 to 415)	420		
Non-controlling interests	421		
Total capital (line 420 + line 421)	500	380 637	352 668
Balance (line 300 + line 301 + line 400 + line 500)		676 592	601 946

Head **Beek Temirgalievich**

Chief Accountant **Iskanova Gulmira Kamidollovna**

Place for a seal

(signature)

(signature)

Profit and Loss Statement for the reporting period 2021

Submitted: to the depository of financial statements in electronic format by means of software.

The administrative data form is posted on the Internet resource: www.minfin.gov.kz.

Index of the administrative data form: No. 2 – OPU

Frequency: annual

Circle of persons providing information: organizations of public interest based on the results of the financial year

Deadline for submission of the administrative data form: annually no later than August 31 of the year following the reporting year

**JSC "Kazakhstan Center of Industry and Export "Qazindustry"
for the year ending December 31, 2021**

in thousands of tenge

Name of indicators	Line code	For the reporting period	For the previous period
Revenue from the sale of goods, works and services	010	1 619 713	1 290 434
Cost of goods, works and services sold	011	1 288 735	1 015 497
Gross profit (loss)	012	330 978	274 937
(line 010 – line 011)	013		
Implementation costs	014	284 727	256 168
Administrative expenses	020	46 251	18 769
Total operating profit (loss) (+/- lines 012 to 014)	021		
Financial income	022		
Financial expenses	023		
The organization's share in the profit (loss) of associated organizations and joint activities accounted for using the equity method	024	700	9 793
Other income	025	547	2 752
Other expenses	100	46 404	25 810
Profit (loss) before taxation (+/- lines 020 to 025)	101	7 143	9 679
Income tax expense (-) (income (+))	200	39 261	16 131
Profit (loss) after tax from continuing operations (line 100 + line 101)	201		
Profit (loss) after tax from discontinued operations	300	39 261	16 131
Profit for the year (line 200 + line 201) attributable to:			
owners of the parent company			
the share of non-controlling owners	400		
Other comprehensive income,			
total (amount 420 and 440):	410		
including:	411		
revaluation of debt financial instruments measured at fair value through other comprehensive income	412		
share in other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	413		
effect of changes in the income tax rate on deferred tax	414		
hedging of cash flows	415		
exchange rate difference on investments in foreign organizations	416		
hedging of net investments in foreign operations	417		
other components of other comprehensive income	418		
adjustment for reclassification to profit (loss)	420		

JSC "Kazakhstan Industry and Export Center "QazIndustry"

tax effect components of other comprehensive income	431		
Total other comprehensive income to be reclassified to income or expenses in subsequent periods (net of income tax) (the sum of lines 410 to 418)	432		
revaluation of fixed assets and intangible assets	433		
share in other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	434		
actuarial gains (losses) on pension liabilities	435		
tax effect of components of other comprehensive income	440		
revaluation of equity financial instruments measured at fair value through other comprehensive income	500	39 261	16 131
Total other comprehensive income not subject to reclassification to income or expenses in subsequent periods (net of income tax) (sum of lines 431 to 435)			
Total comprehensive income			
(line 300 + line 400)			
Total comprehensive income attributable to:	600		
owners of the parent company			
non-controlling interest			
Earnings per share		0,191	0,078
including:			
Basic earnings per share:			
from continuing operations			
from discontinued operations			

Head Bekenov Berik Temirgalievich

Chief Accountant Isenokova Gulmira Kamidollovna

Place for Seal



[Signature]
(signature)

[Signature]
(signature)



**Cash Flow Statement (direct method)
reporting period 2021**

Submitted: to the depository of financial statements in electronic format by means of software

The administrative data form is posted on the Internet resource: www.minfin.gov.kz

Index of the administrative data form: No. 3 - DDS-P

Frequency: annual

Circle of persons providing information: organizations of public interest based on the results of the financial year

Deadline for submission of the administrative data form: annually no later than August 31 of the year following the reporting year

**JSC "Kazakhstan Center of Industry and Export "Qazindustry"
for the year ending December 31, 2021**

in thousands of tenge

Name of indicators	Line code	For the reporting period	For the previous period
I. Cash flow from operating activities			
1. Receipt of funds, total (sum of lines 011 to 016)	010	2 263 405	1 970 519
including:			
sale of goods and services	011	1 814 079	1 445 286
other revenue	012		
advances received from buyers, customers	013		
receipts under insurance contracts	014		
remuneration received	015		
other receipts	016	449 326	525 233
2. Cash outflow, total (sum of lines 021 to 027)	020	(2 163 156)	(2 082 477)
including:			
payments to suppliers for goods and services	021	(222 149)	(266 607)
advances issued to suppliers of goods and services	022	(10 708)	(2 001)
salary payments	023	(924 615)	(727 355)
remuneration payments	024		
payments under insurance contracts	025		
income tax and other payments to the budget	026	(324 036)	(370 107)
other payments	027	(681 648)	(716 407)
3. Net cash from operating activities	030	100 249	(111 958)
II. Cash flow from investing activities			
1. Cash inflow, total (sum of lines 041 to 052)	040		
including:			
sale of fixed assets	041		
sale of intangible assets	042		
sale of other long-term assets	043		
sale of equity instruments of other organizations (except subsidiaries) and interests in joint ventures	044		
sale of debt instruments of other organizations	045		
compensation in case of loss of control over subsidiaries	046		
withdrawal of cash deposits	047		
sale other financial assets	048		
futures and forward contracts, options and swaps	049		

JSC "Kazakhstan Industry and Export Center "QazIndustry"

received dividends	050		
received remuneration	051		
other receipts	052		
2. Cash outflow, total (sum of lines 061 to 073)	060	(4 150)	(4 252)
including:			
acquisition of fixed assets	061	(4 150)	(4 252)
acquisition of intangible assets	062		
acquisition of other long-term assets	063		
acquisition of equity instruments of other organizations (except subsidiaries) and interests in joint ventures	064		
acquisition of debt instruments of other organizations	065		
acquisition of control over subsidiaries	066		
placement of cash deposits	067		
payment of remuneration	068		
acquisition other financial assets	069		
provision of loans	070		
futures and forward contracts, options and swaps	071		
investments in associates and subsidiaries	072		
other payments	073		
3. Net cash from investing activities	080	(4 150)	(4 252)
III. Cash flow from financing activities			
1. Receipt of funds, total (sum of lines 091 to 094)	090		
including:			
issue of shares and other financial instruments	091		
receipt of loans	092		
remuneration received	093		
other receipts	094		
2. Cash outflow, total (sum of lines 101 to 105)	100	(11 292)	(38 151)
including:			
repayment of loans	101		
payment of remuneration	102		
payment of dividends	103	(11 292)	(38 151)
payments to owners of shares of the organization	104		
other disposals	105		
3. Net cash from financing activities (line 090 – line 100)	110	(11 292)	(38 151)
4. Effect of exchange rates of currencies to tenge	120	(172)	(912)
5. Effect of changes in the carrying amount of cash and cash equivalents	130		
6. Increase +/- decrease of funds (line 030 +/- line 080 +/- line 110 +/- line 120 +/- line 130)	140	84 635	(155 273)
7. Cash and cash equivalents at the beginning of the reporting period	150	399 073	554 346
8. Cash and cash equivalents at the end of the reporting period	160	483 708	399 073

Head Belonged Barik Temirgalievich

Chief Accountant Isakova Gulmira Kamidollovna

Place for a seal



(signature)

(signature)

