



Eurasian Resources Group S.à.r.l.
Sustainable Development Review 2014

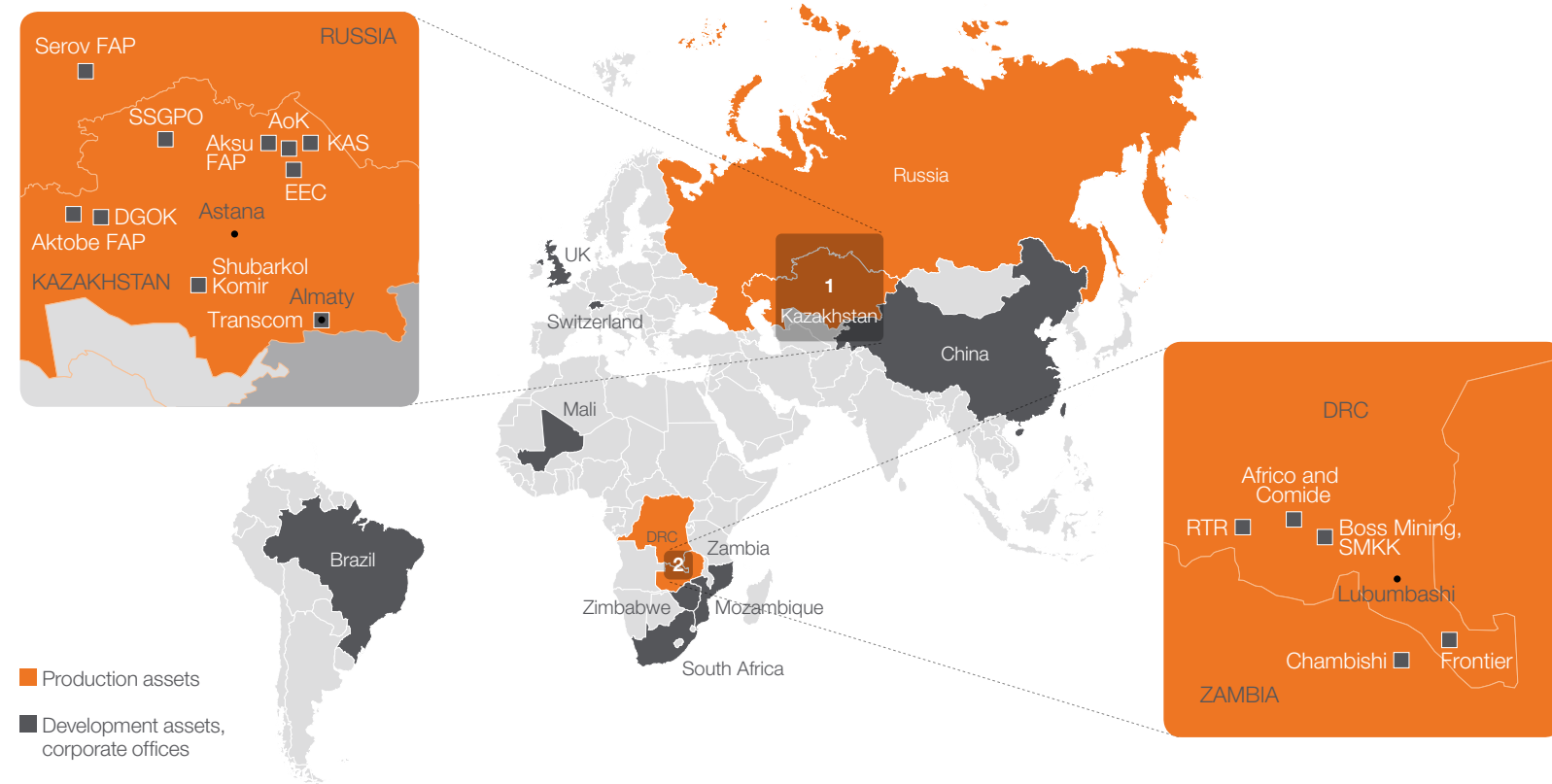


**Expertise.
Responsibility.
Legacy.**

At a glance

Where we operate

ERG is a global diversified mining group and operates through six divisions supported by a central sales and marketing department. Five of these divisions are predominantly based in Kazakhstan with the Other Non-ferrous Division based in Africa.



US\$1,847m

Despite the pressure of a further drop in commodity prices, the Group was able to sustain pro forma underlying EBITDA at the same level in comparison to the two prior years.

1,552kt

Total saleable ferroalloy production increased against the prior year to 1,552kt.

Our divisions

Ferroalloys Division

The Ferroalloys Division primarily produces and sells ferrochrome, as well as other ferroalloys, for use as alloying products in the production of steel, whilst manganese and chrome ore are sold to third-party producers of ferroalloys as well as the chemical industry. The Group is one of the large ferrochrome producers in the world by chrome content with the lowest production cost of high-carbon ferrochrome.

Iron Ore Division

The Iron Ore Division consists of producing assets in Kazakhstan and exploration and development assets in Brazil. In Kazakhstan the Iron Ore Division produces and sells iron ore concentrate and pellets primarily to steel producers and it is a material exporter of iron ore.

Energy Division

The Energy Division is one of the largest electricity providers and coal and semi-coke producers in Kazakhstan.

Other Non-ferrous Division

The Other Non-ferrous Division operates principally in the DRC, where it mines copper and cobalt and processes the ore. It also owns the Chambishi copper refinery in Zambia. In addition, the Group has a number of exploration and development assets primarily in the DRC, Mozambique, Zimbabwe and South Africa.

Alumina and Aluminium Division

The Alumina and Aluminium Division produces and sells alumina to aluminium producers, and also produces and sells the Group's own aluminium.

Logistics Division

The Logistics Division provides transportation and logistics services to the Group's principal Kazakhstani operating divisions, as well as to third parties.

The challenges that the mining industry, and our business in particular, have faced during the last few years demonstrate the need to be resilient – commercially, socially and environmentally, building our capacity for long-term and safe operations.

After the Group had been delisted from the London Stock Exchange and taken private, the corporate headquarters were successfully moved from London to Luxembourg in 2014. The management team has been reinforced, and changes in the corporate governance system have been initiated in order to bring business process management closer to the Group's value creation centres.

Our key values are realised in the Group's day-to-day activities – some examples are set out in this Review.



Our key milestones

Pavlodar Aluminium plant acquired

1994

1995

Ferroalloy Division established

1997

1999

Logistics Division acquired

2000



Implementation of ISO 9001, ISO 14001 and OHSAS 18001 systems for all operations commenced

2001

1.5 million tonnes of alumina produced at Pavlodar Aluminium smelter

2003

2004

Construction of new Kazakhstan aluminium smelter commenced

1.8 million tonnes of chromium ore mined at Donskoy mine

2005

2006

50 million tonnes of iron ore mined at SSGPO

2007

Successful IPO and listing on the London Stock Exchange main market

New Kazakhstan aluminium smelter commissioned



Entry into FTSE 100 Index

2008

2009

Acquisition of CAMEC in DRC, Africa

2011

2012

Full acquisition of Shubarkol Komir

Anode production plant in Kazakhstan commissioned

2013

Full acquisition of ENRC by ERG S.à.r.l.

2015



1996

Iron Ore, Alumina and Aluminium and Energy Divisions acquired



2010

Acquisition of new assets in Africa and Brazil



2014

New Aktobe ferroalloys plant commissioned

Key Review 2014

In 2014 the Eurasian Resources Group ('the Group') has consolidated different components of its organisational structure to work together and improve connectivity from top through to shop floor. Key elements to continuing the sustainable development are getting back into the business by clear ownership and accountability. As part of this, reinforced oversight over Health, Safety, Environment and Community areas has remained.

We continue to focus on compliance as one of the key areas to support the sustainable development of the Group, in particular, the implementation of new compliance policies, Code of Conduct and online training on compliance and ethical values related topics.

We continue to develop the alignment of our incentivisation and reward programmes within key processes to improve control over critical business areas, including setting clear business objectives in the context of our long- and medium-term strategy, which are the key elements to support long-term business resilience.

Safety

We remain committed to improving the safety of our employees and contractors. We have revisited our Group-wide safety improvement programme and launched a workplace safety risk management project in 2014. We are saddened by 17 fatalities that took place during the year (2013: 15), 13 of which were employees (2013: 12) and 4 were contractors (2013: 3). We express our sincere condolences to all the families impacted by these tragic circumstances.

In 2014, we continued to include the exploration sites in our data to determine any work-related lost time injuries ('LTIs'). There were 97 LTIs involving employees (2013: 85), and the lost time injury frequency rate ('LTIFR') was 0.70 (2013: 0.60). These numbers include all the reported employee fatality cases.

Following the 2014 end of year performance review, a Corporate Fatalities Investigation Commission was established in Kazakhstan to ensure that all fatalities are properly investigated and sufficient measures implemented to prevent reoccurrence.

In addition, high risk control standards are being updated to include additional controls for new and existing risks such as blasting operations and open-pit transport that led to most of the accidents in 2014. Accountability in Kazakhstan of site management for implementation of these controls was reinforced by the establishment in November 2014 of our operational Health, Safety and Environment ('HSE') Committee.

The Group has consolidated different components of its organisational structure to work together and improve connectivity from top through to shop floor.

In 2014 the safety management system across ERG Africa's copper and cobalt operations was completed. The system aims to address the 16 highest risks through dedicated procedures. Internal baseline audits were conducted in 2014. All of our operations are now progressively working towards full compliance with the 16 risk procedures. The main focus in 2014 has been on empowering our employees to recognise hazards. This was done through training in risk assessment and job safety analysis. A start was made with training on Behaviour Based Safety at Chambishi. This programme will be rolled out in 2015 to all of our operations in the Democratic Republic of Congo ('DRC').

On 24 August 2014 the DRC notified the World Health Organization of an Ebola outbreak in the Equator province of the DRC. A risk assessment was conducted early September by ERG Africa and an action plan was put in place to minimise any negative impact on our business. The outbreak was declared over on 15 November with a total of 66 cases and 49 deaths reported. The company suffered no negative effects.

Measuring carbon impact and energy consumption

The commercial and environmental importance of energy use and carbon emissions is well recognised by management and these remain one of the Group's focus points in improving operational practices.

The Government of Kazakhstan has been taking steps to address the greenhouse gas ('GHG') emissions challenge. In the last five years, the

Government has ratified the Kyoto Protocol, established an emissions trading scheme ('ETS') and commenced a Green Economy initiative in 2013. We continue to participate in a number of consultations with various stakeholders in Kazakhstan on ETS implementation. During 2014, the Group was one of the first businesses in Kazakhstan to sell GHG units and participate in GHG trading.

Compliance and improving disclosure on GHG were areas of management attention during 2014. We conduct GHG emissions forecast on a regular basis to develop a robust GHG compliance strategy. All of our sites in Kazakhstan have fulfilled requirements to receive free allocation units based on the National Allocation Plan and two sites have received additional free allowances. None of the sites exceeded the allocated amount.

During 2014 we continued to assess the GHG footprint of our African operations to anticipate potential risks and opportunities related to carbon management. Our operations in Africa (DRC and Zambia) do not have regulatory GHG compliance obligations but we recognise the potential for development of GHG emissions regulatory mechanisms for African operations similar to those applied in the Republic of South Africa.

The Group energy consumption for 2014 was 303,101 TJ (2013: 303,250 TJ) of which 85.8% (2013: 85.3%) was sourced from coal. Total greenhouse gas emissions associated with direct and indirect energy consumption were 28 Mt of CO₂-equivalent (2013: 28.0 Mt).

Our Ferroalloys Division in Kazakhstan was the first mining and metallurgy business to be certified with ISO 50001/EN 16001 in 2013. In 2014 our Aluminium Division was also externally certified while the rest of the Group entities in Kazakhstan are in the process of implementing structured energy management systems and are expected to be certified during 2015-2016.

During 2014, the Group was one of the first businesses in Kazakhstan to sell GHG units and participate in GHG trading.

During 2014, energy audits have commenced on all major divisions in Kazakhstan. Results of these audits will form the basis for review of our energy management programme.

Employees

We employed 75,122 people at the end of 2014 (2013: 78,883). More than 80% of our staff are located in Kazakhstan.

The Group is committed to upholding the UN Universal Declaration of Human Rights. Introduced on 15 November 2014, our Code of Conduct sets out the minimum standards for acceptable behaviour across the Group, supporting our commitment to respecting the rights of our employees. We are committed to ensuring full and fair consideration and treatment of all our people and do not tolerate any form of discrimination or unfair treatment. All employment decisions, such as hiring, training and promotion, are required to be based on merit. We operate a whistleblowing hotline that enables our people to confidentially raise any concerns or issues, including issues relating to human rights.

Diversity and equality are an important part of our people management practices. We work constructively with the representatives of our employees and respect their right to join unions and enter collective agreements. Around 90% of the Group's employees are trade union members and collective bargaining agreements are in place at the majority of our operational entities.

The Group steadily refocuses its efforts to strengthen the Group-wide knowledge on compliance and ethical values related topics. ERG is working on the implementation of LMS courses on the updated ERG Code of Conduct and further compliance related

trainings. Additionally, Safety and Sustainable Thinking and Practice LMS courses have been updated for ERG Group users and will be launched in 2015.

Community Social Investment ('CSI')

Community development is a major part of our social responsibility. In 2014, our worldwide CSI contributions were more than US\$47 million (2013: US\$42 million). This includes US\$7.3 million in Africa, US\$0.7 million in Brazil and US\$1 million in Russia. In Kazakhstan, more than 60% of our investments were implemented through ERG's Corporate Foundation, Komek. More than half of CSI in Kazakhstan are implemented through formal agreements (memoranda of understanding) signed annually by the Group and the regional governments.

In Africa the Group has supported a number of educational and infrastructure projects such as the construction of a new school at Frontier, as well as various activities aimed at improving the water access for local communities at Boss Mining and Frontier. Also, we continued to support local farmers by providing 2,000 hectares of maize to workers as per the Collective bargaining agreement.

To address the housing needs of our employees in Kazakhstan the Group has launched a housing programme aimed at constructing one million square meters of affordable housing or around 19 thousand apartments in the regions of Group operations by 2020. More than 3,500 apartments are planned to be constructed during 2015-2016.

ERG Code of Conduct was introduced on 15 November 2014 and sets out the minimum standards for acceptable behaviour across the Group.

Building trust

Building trust remains at the top of our current agenda. Over the last year we have focused our attention on our employees and counterparts to ensure that we achieve our common goals effectively. We continue to work at regional and local levels to provide business expertise to external stakeholders, including policy makers, and support the economic development in the regions where we operate. Open and honest dialogue together with accountability is key to engaging responsibly with our stakeholders. Some examples of our Building trust activities are set out in this Review.



1
Improving the quality of stakeholder management



2
Inclusive business initiatives



3
Strengthening environmental compliance



4
Supporting GHG initiatives in Kazakhstan



5
Community Health and Welfare initiatives



6
Embedding best-practice standards for safety

1

Building trust Improving the quality of stakeholder management

The Group is committed to transparency in its business processes and decision-making. Stakeholder management supports us in meeting that commitment and is a critical component to the success of our day-to-day operations.

In 2014 we focused on:

- Strengthening our engagement process with regulators in Kazakhstan;
- Communicating more effectively with key external and internal stakeholders across the Group.

Policy development remains as a main component of stakeholder engagement. We believe that the Group's contribution to development of the legal framework in the regions where it operates positively influences the development of those societies. In 2014 we achieved a more comprehensive interaction among four internal business functions dealing with policy development in Kazakhstan. As a result, we established a more structured internal decision-making process and brought together areas of different expertise. In 2014, we provided a coordinated input to the government and business associations on the Draft Concept of the Subsoil Use Code and on The Draft Code of Entrepreneurship as well as to other regulations.

We are continually looking at ways to further enhance stakeholder communication to ensure different stakeholders receive information they need on the company values and performance. In 2014 the Group has analysed its operating context and environment and shared the outcomes with partners, regulators and other businesses at a number of conferences held in Central Asia, Russia and DRC. At the second DRC Conference for Natural Resources, one of the main topics centred around "sustainable and transparent management of natural resources in the DRC post conflict: strategic priorities and challenges for responsible business in a win-win partnership between the Congolese government and the private sector".

An intensive communication and feedback session was held with corporate management in Kazakhstan in September and December 2014. More than 150 employees were involved in face-to-face meetings with the CEO of Kazakhstan. The sessions provided for better relationships among the corporate team members as well as for effective information exchange and problem solving. Also, in 2014 the Group has launched an Intranet for all offices and entities in Kazakhstan for the first time.

Looking ahead

We will make further improvement in managing stakeholders through formalised business processes and policies. We will continue to evolve new methods to improve communication with major stakeholder groups, including monitoring and feedback through web and online communications.

We will continue to evolve new methods to improve communication with major stakeholder groups.



2

Building trust Inclusive business initiatives

The Group continues to support inclusive business and local procurement of goods and services to bring economic benefits beyond our direct economic contribution. The Group has focused its efforts on the following areas:

- Interaction with governmental authorities on the improvement of regulations to support local providers;
- Measures to increase the volumes of production and services of local providers.

In 2014 we continued the dialogue with the Government of the Republic of Kazakhstan concerning the improvement of mandatory reporting on compliance with local content legislation. As a result, we have improved reporting of our entities at the national online registry of goods, works and services and introduced an internal reporting on risks associated with non-fulfilment of contractual obligations related to local content.

In 2014 we also involved local providers into various social investment projects initiated by the Group. In Africa, we purchased construction materials for schools estimated at US\$62,000 from local suppliers. Since 2006, in Kazakhstan, we bought special filters and gloves for our employees from disadvantaged groups businesses for more than US\$5 million in total (2014: around US\$650,000).

As a result of our initiatives in Kazakhstan, the Group has increased direct procurement of goods through local suppliers by almost 1.5 times in 2014 in comparison to 2013. Also, the payments for works and services sourced domestically increased by almost 1.3 times in 2014, in comparison to 2013.

The purchase of local goods, works and services in Kazakhstan in 2014 is estimated at US\$417.9 million (2013: US\$370.9 million).

Looking ahead

The Group aims to unlock the potential of local content and will continue increasing the purchase of local goods, works and services as part of its procurement strategy. Outsourcing of non-core activities and assets might be considered to support the development of new production, for which the Group would become the main consumer.

As a result of our initiatives in Kazakhstan, the Group has increased direct procurement of goods through local suppliers by almost 1.5 times in 2014 in comparison to 2013.



3

Building trust Strengthening environmental compliance

In 2014 the Group revised its approach to environmental compliance. Previously this mainly focused on compliance with legislative requirements by the entities.

In cooperation with KPMG, we have launched a project in Kazakhstan to develop an environmental compliance system, which aims at identifying required interaction of environmental functions with other departments at corporate and entity level including the participation of Group top management. This would improve the planning processes and management of risks, associated with the reinforcement of environmental requirements.

Business process schemes, which have an impact on environmental compliance at planning, production, monitoring, reporting and performance analysis stages, have been developed. Compliance risks were identified for each stage and corrective measures suggested. Environmental compliance procedures, register of environmental requirements and risk control check lists have been developed to ensure proper control over risks.

Looking ahead

The Group will strive to roll out project outcomes across all entities in Kazakhstan and to establish robust processes and procedures on environmental compliance from corporate offices down to the shop floor.

We have launched a project in Kazakhstan to develop an environmental compliance system, which aims at identifying required interaction of environmental functions with other departments at corporate and entity level.



4

Building trust Supporting GHG initiatives in Kazakhstan

In 2013 to enable the management of emissions in practice, an Emissions Trading Scheme (ETS) was introduced in Kazakhstan. The system includes 166 companies, and the majority of quotas relate to the energy industry. First stock trading took place on 28 March 2014, where the Group participated along with other companies.

We support the development of ETS in Kazakhstan and actively participate in the improvement of trading mechanisms. Examples of this were provided in our previous sustainable development reviews.

The proposals to legislation developed by the experts of the Group in 2014 regarding the GHG regulations take into account the specifics of types of production in Kazakhstan. These proposals are provided to industry business associations as well as to special working groups at the Ministry of Energy of Kazakhstan.

In 2014 the Group did not participate in the Carbon Disclosure Project (CDP) due to changes in organisational structure.

Information on the volume of GHG emissions and key initiatives are published in our annual accounts and sustainable development reviews. When requested, the Group provides timely and full responses regarding GHG emissions to clients as well as to governmental authorities in Kazakhstan.

Looking ahead

We will continue to participate in the work of the Kazakhstani delegation to the UN Conference on Climate Change to provide expertise on behalf of business in the discussions of obligations taken by Kazakhstan at an international level. We will define our approach regarding the participation in CDP and will focus our efforts to ensure proper management of GHG emissions that meet the expectations of our stakeholders.

We support the development of ETS in Kazakhstan and actively participate in the improvement of trading mechanisms.



5

Building trust Community Health and Welfare Initiatives

The Group has a reputation as a socially responsible business in the regions in which it is present, which is confirmed by our stable relationships with our employees, their families and communities. Along with the direct support of local communities and the wider population in countries where we operate, the Group is looking at projects based on principles of a government-business partnership in order to achieve visible and sustainable results.

In 2014 the Group initiated a new Affordable Housing programme in partnership with local authorities and financial institutions in Kazakhstan. We have signed legal and business agreements with project counterparties to start constructions in 2015. According to the plan, one million square meters of affordable housing or around 19,000 apartments will be available for young families in the Group's regions by 2020. The Group is responsible for construction and acts as a guarantor for its employees in need of affordable housing.

We continue our long-standing projects in key areas of our social investments:

- Construction and support of schools, hospitals and medical facilities in the regions in which we are present. For example, in 2014, a new school in Uzima village (DRC, Africa) opened its doors to 600 children. Also, in 2014 we invested over US\$700,000 for the maintenance of a rehabilitation centre for people with disabilities in a remote town near Karaganda (Kazakhstan).

- Improvement of local farmers' livelihoods in the DRC. Since 2012, our Frontier operation in partnership with the United Nations Office for Project Services has invested more than US\$225,000 for the purchase of maize seeds, herbicides, urea and equipment to support the project.

- Support of healthcare projects. Since 2011, we have provided funding to allow 10 young clinicians from Kazakhstan to be trained at Great Ormond Street Hospital in London. By 2014, six clinicians have gone through the scholarship, and two of them have already taken the lead of departments in medical institutions in Kazakhstan.

Looking ahead

The Group aims to meet the expectations of its stakeholders and improve the quality of life in regions where it operates. We strive to work together with government and businesses for more effective and timely achievement of the Group's initiatives related to health and community welfare.

A new initiative launched in Kazakhstan in 2014 is the support of an Affordable Housing programme. Organisation of this project is different from what we did before.



6

Building trust Embedding best-practice standards for safety

The implementation of best-practice safety guidelines and policies as part of our long-term Safety programme contributes to the improvement of our corporate culture and safety performance from corporate level through to the shop floor. Embedding the standards beyond basic compliance provides for better understanding of corporate values among employees, contractors and the wider stakeholders' group.

In 2014 we began implementation of our new corporate guidelines on hazard identification and risk management at work places at Aksu Ferroalloys plant. The implementation programme's scope for the Kazakhstani operations in total comprises of 4,882 workplaces/professions, 30 of which require risk mitigation measures during 2014-2020.

One of the high-risk workplaces is the Smelter of Ferroalloys Furnaces. The introduction of the new procedure has started with identification of 27 work components together with a descriptive assessment of its inherent risks. The final Risk Register included about 112 risk mitigation measures approved by the Aksu plant management. Following the risk assessment, the project team prepared and distributed a tutorial presentation and workbook on risk management for shop floor operators.

Looking ahead

The Group will take practical steps to foster the implementation of standards related to the management of high safety risks as well as improving the awareness of employees, contractors and other stakeholders on Group safety values and requirements. Implementation of risk management standards from the workplace up to management level will remain a focus of our attention.

In 2014 we have approved the implementation of our new corporate guidelines on hazard identification and risk management at workplaces.



Creating and protecting value

The Group strives to add as much value as possible at all stages of the product life cycle. We continue to review our technical and operational models and make improvements in capacity development for both employees and the organisation. We pay increasing attention to business process standardisation and operational efficiency initiatives as well as to direct improvements in mining processes and technologies. We firmly believe it is necessary to invest in programmes to develop the professional and management skills of our operational staff to build performance-based culture across the business.

The Group has also launched across-the-board business improvement programmes focusing on best working practice in each of the associated industries, to maximise the profit and return on its assets. The programmes have already produced significant achievements, particularly in terms of unit cost control, and will be implemented further in line with the Group's continuous improvement initiatives.

Opposite we have set out some examples of how we are creating and protecting value.



1
In control: strengthening our procurement process



2
Ensuring reliability of business planning



3
Taking a broader view to managing the risks



4
Saving energy by reducing fuel consumption



5
Employee engagement



6
Research and Development

1

Creating and protecting value In control: strengthening our procurement process

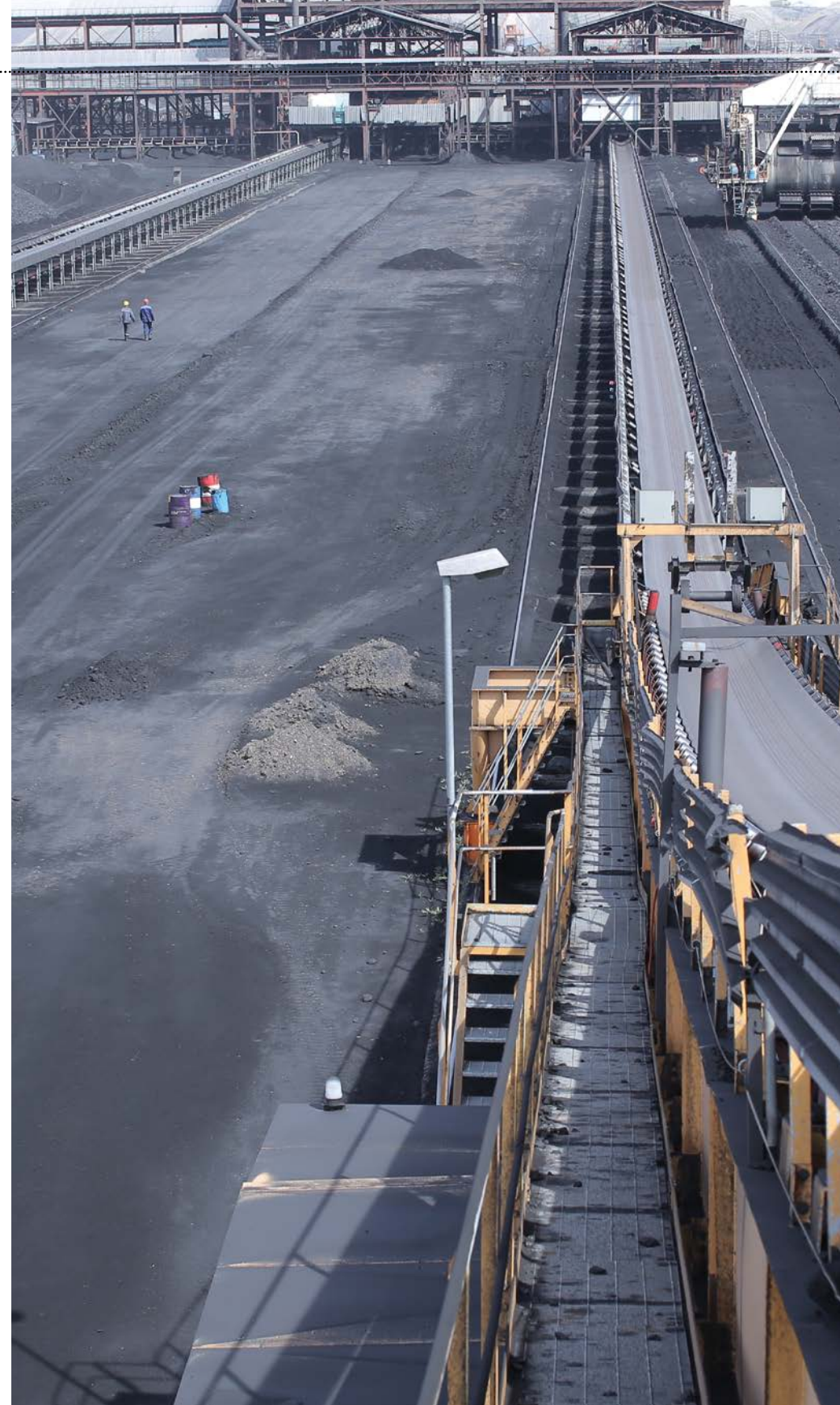
In 2014 the Group made significant efforts to streamline its procurement process. We established the Procurement Methodology and Controlling function in Kazakhstan with a management team of more than 30 people. We updated our Procurement Policy to reflect the development of a unified procurement database of all our departments, as well as the establishment of additional controls over volumes and the range of goods and services procured. Clear and transparent rules will ensure proper management oversight as well as fairness and integrity of procurement activities.

In order to improve the efficiency of procurement and reduce the costs, a special unit was established to ensure proper analysis of procurement of goods and services by category. The efficiency of procurement is subject to technical and commercial controlling. In addition, strategies by product category are being developed. The number of purchases and its allocation is controlled through the Procurement Portal (Data Cube). In 2014 we have developed and approved our annual procurement plan for 2015 in Data Cube for the first time. This allows us to significantly reduce our procurement costs and improve transparency of the procurement process.

Looking ahead

We strive to achieve best value of procurement spending by further improvements in planning and risk management related to purchasing activities within the Group. We will pay increased attention to cooperation with end users and suppliers to ensure best return of procurement investments.

We strive to achieve best value of procurement spending by making further improvements in planning and risk management related to purchasing activities within the Group.



2

Creating and protecting value Ensuring reliability of business planning

The challenges the metal and minerals commodities market has faced during the last few years makes it critical for the Group to ensure the reliability of the business planning process.

In 2014 we established a special focus team to design and implement a defined planning process, including:

- Implementation of advanced software for financial modelling;
- Internal and external benchmarking to set appropriate operational efficiency standards within the Group;
- Risk analysis and scenario development for better decision making.

A specialised geological information system is introduced for improved planning and monitoring as well as for optimisation of existing development plans. The system provides precise calculation of resources and development of geological sheets and plans. In 2014 3D block models have been developed for all deposits.

We continue the implementation of the SAP Arrow programme to ensure reliable input data from the operations into the planning tools. In 2014 SAP went live at Eurasian Energy Corporation, Marketing and Kazchrome. Initial rollout was launched at SSGPO.

As a result, we have made significant improvements in our 5-year forecasting process for sales, procurement, investments, workforce and production volumes. This along with the Group priorities and objectives will provide input for scenario selection and strategic decision-making.

Looking ahead

We will focus our efforts on regular monitoring against our objectives to address limiting factors and gaps in infrastructure for more reliable 5-year business planning. We will also work on changing corporate culture to ensure adoption and long-term sustainability of this new business process.

We continue the implementation of the SAP Arrow programme to ensure reliable input data from the operations into the planning tools.



3

Creating and protecting value Taking a broader view to managing the risks

The Group's dedicated risk function has developed key risk procedures and policies to support risk identification and assessment. Some business areas, such as safety, IT security and taxes have maintained a formalised risk process in their day-to-day activities, while for the majority of business areas, risk management is a part of their general activities.

In 2014 the Group took steps to build sound risk management practices across all business areas and to make risk a part of management decision-making. This included:

- Support and buy-in from senior management by including risk reporting into the agenda of the Group's Board meetings, for the first time in November 2014;
- Risk ownership established for 31 individuals at executive level in Kazakhstan to confirm controls in their business areas. We conducted face-to-face training sessions on risk management practices implementation at each specific business area for appointed personnel;
- Conducting tailored training for our core risk team in Kazakhstan with the support of EY. 2-day interactive sessions covered potential solutions on how to embed risk management into key business processes.

Looking ahead

We will continue to focus on the development of a value-adding risk management framework, including a governance model, policies and procedures, as well as delivering an effective training programme. We aim to embed risk management into our day-to-day activities and to maintain key controls across all business processes.

In 2014 the Group has taken steps to build sound risk management practices across all business areas and to make risk a part of management decision-making.



4

Creating and protecting value Saving energy by reducing fuel consumption

The Group is continually improving sustainable practices for its energy and carbon management. Implementation of cost-effective practices supports us in meeting challenges of uncertain commodity prices and maintaining output with reduced costs. Energy efficiency is also an important component of our GHG emissions reduction strategy.

In 2014 we focused on reducing fuel consumption as part of cost-saving measures. This included the implementation of fuel recording systems and monitoring of transport at SSGPO, EEC and Shubarkol. The scope of this project includes the installation of a recording system at 148 reservoirs and 57 fuel dispensing units. The project was launched in 2013 and is planned to be completed in 2016.

We conducted a special study to select control equipment and tailor it to the specific needs for each operation. We focused on technologies that are proven and commercially available. As a result a set of equipment was procured from the USA, Israel, Russia, Australia, Belorussia and Kazakhstan.

In 2014 we have completed the installation of control equipment for railway transport at Shubarkol. This allowed us to save US\$450,000.

Looking ahead

We will focus on linking our business strategy to the further implementation of energy management systems in line with ISO 50001 across all operations, as well as to the cost-effective practices and GHG reduction measures. As for our fuel consumption initiative, we will assess technologies that have successfully demonstrated their efficiency in order to decide whether they can be rolled out at each plant.

In 2014 we focused on reducing fuel consumption as part of cost-saving measures.



5

Creating and protecting value Employee engagement

In 2014 the Group paid special attention to engaging people around its goals. We launched a strategic Legacy programme in Kazakhstan with clear articulation of company priorities and expectations.

All Astana corporate office staff participated in Legacy communication sessions in September and December 2014, to understand how they can contribute to achieving Legacy's objectives. Face-to-face discussions with the CEO of Kazakhstan has motivated the regional management team to take necessary actions to improve performance and to live company values.

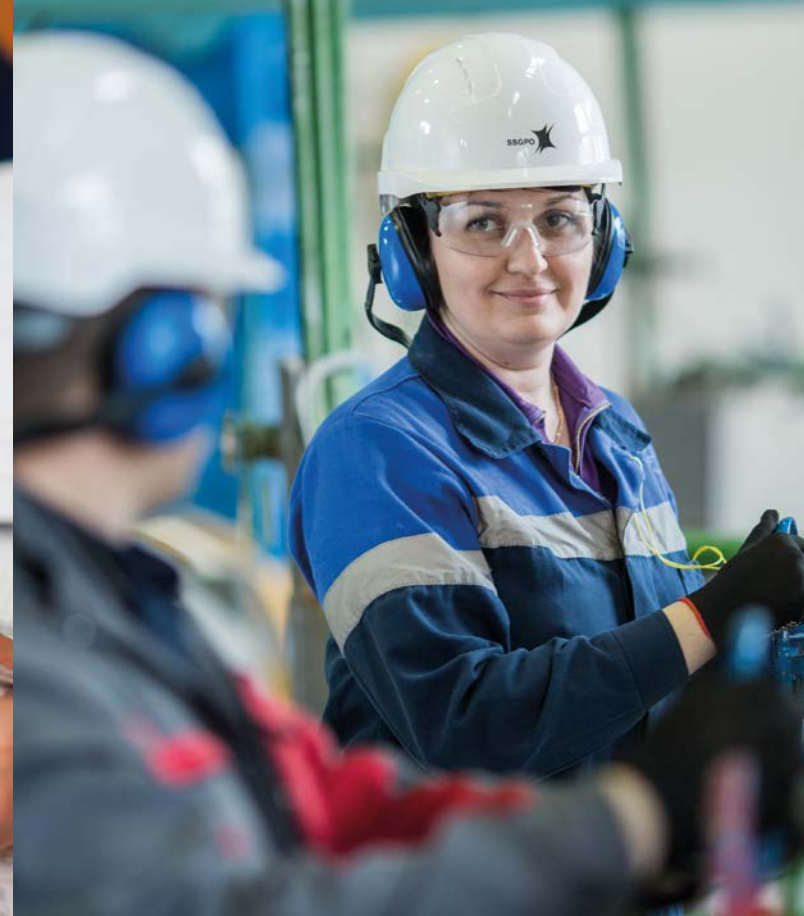
One of the central relationship building activities in 2014 was our public celebration of the 20th anniversary of the Group. At the event, the ERG Chairman of the Board presented the company's slogan 'Expertise. Responsibility. Legacy,' and the Group Anthem for the first time in the organisation's history. In addition, finalists of an artistic contest 'Talent Universe' from the operational sites gave a gala concert together with the most popular musicians in Kazakhstan.

Awards in recognition of professional skills and personal talents supported our corporate culture and strengthened team spirit among our employees. "The event helped me to realise how many people are working together, and that we are one team, one family..." a crane operator from Aksu Ferroalloys plant stated.

Looking ahead

We aim to further align our employees' and Group objectives and to sustain positive corporate culture. We will strengthen our engagement process by further development of the context for corporate mission and goals, as well as by formalising core value statements for the Group.

One of the central relationship building activities in 2014 was our public celebration of the 20th anniversary of the Group.



6

Creating and protecting value Research and Development

The Group invested approximately US\$3.9 million in 2014 (2013: US\$5.7 million) in relation to research and development activities.

The Research and Development Center of Excellence in Astana (Kazakhstan) has been operating since 2012. Currently 38 highly qualified experts work at the Center.

The Center has expanded the scope of its projects and has suggested solutions for cost savings of over US\$1 million for operational entities.

In 2014 the Center completed a number of projects related to the production of ferroalloys and handed over the results to Kazchrome for implementation. These projects aim at implementing technical changes in processes and equipment in order to reduce losses as well as developing technical solutions to use waste and low grade materials in production. All solutions have been tested at the entities and some have been applied for copyright.

In 2014 the Center conducted feasibility studies for improvement of iron ore concentration technologies. Also, the Center proposed a number of projects ready for implementation at SSGPO and presented them to the Production Committee for decision-making.

Looking ahead

The Group strive to align R&D to corporate strategy to support long-term business resilience. In 2015 the Research and Development Center will mainly focus on diversification projects along with further development of Group-wide cost-reduction initiatives.

In 2014 the Center completed a number of projects related to the production of ferroalloys and handed over the results to Kazchrome for implementation.



How we performed in 2014

Workforce
Employees

75,122

2013: 78,883

Fatalities
Employees work-related

13

2013: 12

Fatalities
Employees non-work related

0

2013: 0

Fatalities
Contractors

4

2013: 3

Lost time injuries
Employees work-related
(including fatalities)

97

2013: 85

**Lost Time Injury
Frequency rate**
Employees work-related
(including fatalities)

0.70

2013: 0.60

Community Social Investment
US\$ million

47

2013: 42

**Energy consumed
(production only)**
Terajoules

303,101

2013: 303,250

Greenhouse gas emissions
Million tonnes CO₂ eq.

28

2013: 28

Water withdrawn
Million m³

2,196

2013: 2,088

**People trained in the 'Trust but
verify' ethics and conduct training**

Work in progress. This indicator
has been modified due to
organisational changes.

2011: 3,734





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