SERPIN Transformation Program

Message from D.Z. Kereibaev, Managing Director on the modernization program

Dear colleagues,

The digital transformation of Kazakhtelecom JSC is aimed at improving client routes and is implemented in accordance with the set strategic goals and objectives. The process of client centricity change is one of the Company's key areas of activity. To determine the client's needs, you need to look at the service provided through the eyes of clients — this is very important for understanding the development and optimization of client routes. Over the past year we have done a lot to improve our services.

Firstly, we defined the overall goals of digital transformation of the Company as a whole, and focused on specific problems related to customer service, network quality and internal development. A focus map was approved, which contains measurable goals structured into a single pool, and we began to work on them in a systematic manner. The progress is monitored on a weekly basis at Scrum sessions.

Secondly, building a culture of change is important. We started listening and hearing each other and involving cross-functional divisions. We began to speak openly about problems that impede the Company's development, raise issues that we had not previously considered relevant, and set up teamwork between divisions, which is extremely important for a large Company.

Thirdly, we have achieved results in developing our client routes and improving our service levels. After the optimization and digitalization of a number of processes, we accelerated the connection of our services. However, we do not intend to stop there and will continue this work. Launched the project "Project in Village", which Kazaktelecom JSC is currently piloting in Turkistan region, providing more access to the Internet and increasing the level of self-employment of the population through the creation of new workplaces, starting the process of transition to a micro-service architecture and actively leveraging big data capabilities. I would also like to note that the transition to the divisional structure that we have completed significantly simplifies the management of business processes and increases the speed of decision-making.

In summary, I would like to express my true thanks to each employee of the Company, because transformation is not a separate line of business or activity in the Company, but a change in the mind of each employee. We plan to continue our work on solving problems aimed at increasing the loyalty of the Company's clients and to follow the principles of customer centricity.

History of SERPIN

The SERPIN roadmap for implementation of strategic initiatives (hereinafter "SERPIN") is the third stage of the transformation of Kazakhtelecom JSC, primarily aimed at digitalizing client routes, marketing and internal business processes.

Goals of transformation:

1   **MEET MARKET REQUIREMENTS AND EXPECTATIONS**

2   **TO MAKE THE COMPANY READY FOR CHANGES AND CHALLENGES**

3   **TO IMPROVE AND IMPROVE COMPETITIVENESS**

On the whole, the transformation program is being implemented in three strategic areas: the First-Choice Brand, the Digital Platform and the Effective Organization. Each area deals with a number of tasks, consisting of **48 projects**.

First-choice brand

1. Market segmentation and clear proposition for a particular customer category This approach makes it possible to cover all market participants on the terms of the holding structure of Kazakhtelecom JSC.

2. Microtargeting. Based on the tools for analyzing consumer behavior, it is possible to offer the consumer a point product specifically for their needs.

3. Revenue preservation. In order to keep existing consumers of services and win over competitors, a policy is developed to create service packages that compete with similar offers in the market. In addition, tools for analyzing the prerequisites of failures and early response to possible outflows are being developed to manage outflows. In this case, the client may be offered a more profitable flexible package.

4. Addition of package offers to innovative solutions. Projects in this area are aimed at the development of the IPTV platform and advanced user experience, and the implementation of video streaming. The initiative is being implemented in accordance with the constantly growing need of clients to receive modern telecommunications services.

5. Implementation of new services in cooperation with outside organizations and development of existing lines of business. Given the high potential for interaction with related industries, it is planned to implement such services as video surveillance in Smart Cities and additional services for cash registers.

6. Development of the operating business on a local and international level. The line of business includes working with operators, entering the markets of Europe, Asia and the CIS.

Digital platform

Digitalization is a key driver of the transformation program.

Digital solutions deliver strategy objectives. Under this line of business, it is expected that the necessary digital infrastructure will be created for a successful business, and that the digital management of all the Company's processes will be implemented.

1. Digitalization of client routes. All services are available online: clients can receive a full range of services related to the purchase of products and service support without visiting physical offices or calling contact centers.

2. Implementation of online self-service services. Payment, rate change, invoice status, connection/switching and other services are available on the websites attached by Kazakhtelecom JSC via personal accounts.

3. Digitalization of all types of interactions with potential clients. Detailed information on services and connection terms, independent connection service, marketing promotion, etc.

Effective organization

Continuous and widespread development of infrastructure makes it possible to improve the Company's operating efficiency. Thus, the third strategic area will solve the following tasks:

1. Optimization of infrastructure costs: transition to wireless services in the PSC, deduplication of the subscriber network.

2. Employee performance improvement: centralization, automation, robotic automation and standardisation of work will be the main levers for employee performance improvement. The relevant projects will be implemented in the technical area supporting the functions.

3. Improvement of the organizational structure involves the completion of the transition to a divisional management model and holding structure.

4. Creation of an internal digital InDigiCo factory.

In addition, work on improving the efficiency of the organization stipulates the computerization of budgeting and post-monitoring of investment activity, which will make it possible to effectively manage the Company's operating and investment portfolios.

Work is also underway to change the corporate culture and create a favorable micro-climate in the Company for the successful implementation of all initiatives under the SERPIN transformation program.

SERPIN 2021 results

Last year's SERPIN transformation program in financial terms ensured free cash for the Company in the amount of about KZT 6 billion. This indicator is three times more than the announced targets. The SERPIN roadmap is a set of strategic and business initiatives that support the project implementation of the Company's corporate strategy designated up to 2029.

Based on the results of the previous year, all planned milestones at the end of December were implemented in 100% terms, which ensured that the plan was significantly exceeded.

Key effects of the 2021 digital transformation

IN COMMERCIAL DIVISIONS

1. The first full digital path has been created for retail clients using **GPON** technology.

2. Average connection times for retail customers decreased **by 16%** (from 50 to 42 hours).

3. Over 6 months a new product **"Digital Partner in the Village"** was created.

4. The connection of broadband access services using optical technology (dynamics) in major cities for SME clients was reduced **by 2 times to 24 working hours**.

IN SUPPORT DIVISIONS

1. The Information Technology Division, as the foundation for the development of digitalization, has begun transforming the **IT infrastructure**.

2. The vision and Development Plans of the Company's network architecture have been agreed in order to improve the quality of services that anticipate the exponentially growing needs of corporate and retail clients.

IN THE ENTIRE COMPANY

Implementation of Data Analytics as a tool for generating future revenues and maintaining market leadership positions.

Kazaktelecom Development Focus 2022

GENERAL FOCUS AREAS

› to reduce the time needed to connect subscribers within **24 hours**;

› deepen the cross-functional interaction culture and coordination in the process of further development of digital platforms and redesign of the core of the IT infrastructure;

› involve more employees in real digital transformation;

› to bring the key systems — the mobile application **TELECOM.KZ**, the **ISMET. KZ** platform and the mobile application ISMET.KZ — to the industrial level;

› expand the list of fully digital services for B2C and B2B;

› start earning from **Big Data** both through internal and external monetization.

CORPORATE BUSINESS DIVISION

› **100%** of IP transactions in online.

"NET" DIVISION

› reducing the duration of elimination of single damages on the network;

› increasing the level of FRR (solving a client's task in one application).

RETAIL BUSINESS DIVISION

› onboarding for **24 hours** at the Moscow Housing and Utilities Service on the GPON;

› self-service via digital channels at the level of **60%**;

› **30%** of all sales via digital channels.

IT DIVISION

› creation of infrastructure of world standards;

› Big Data development;

› implementation of an information security ZeroTrust framework.

FINANCIAL AND ECONOMIC AREA

› monetization of big data;

› ensuring control over the return of investments.

SERVICE FACTORY

› automation of SSC processes;

› implementation of SMART procurement.

EMPLOYEE EXPERIENCE

› transformation of the learning and development function;

› creation of a unified ecosystem platform for employees;

› establishment of a Corporate University.