

Corporate Governance Code of JSC “Kazpost”

CONTENTS INTRODUCTION	3
PART 1. PRINCIPLES OF CORPORATE GOVERNANCE OF THE SOVEREIGN WEALTH FUND “SAMRUK-KAZYNA” JSC	7
Chapter 1. The Government as the Shareholder of the Fund	8
Chapter 2. Interaction of the Fund and Organisations. The Role of the Fund as the National Managing Holding Company	12
Chapter 3. Sustainable Development	14
Chapter 4. Shareholders’ (Participants’) Rights and Fair Treatment of all Shareholders (Participants)	16
Chapter 5. Effectiveness of the Board of Directors and the Executive Body	17
Chapter 6. Risk Management, Internal Control and Audit	23
Chapter 7. Transparency	25
PART 2. ANNOTATIONS TO THE PRINCIPLES OF CORPORATE GOVERNANCE OF THE SOVEREIGN WEALTH FUND “SAMRUK-KAZYNA” JSC	27
Chapter 1. The Government as the Shareholder of the Fund	28
Chapter 2. Interaction of the Fund and Organisations. The Role of the Fund as the National Managing Holding Company	35
Chapter 3. Sustainable Development	39
Chapter 4. Shareholders’ (Participants’) Rights and Fair Treatment of all Shareholders (Participants)	49
Chapter 5. Effectiveness of the Board of Directors and the Executive Body	56
Chapter 6. Risk Management, Internal Control and Audit	77
Chapter 7. Transparency	87

INTRODUCTION

1. The scope of this Corporate Governance Code of the Sovereign Wealth Fund Samruk-Kazyna JSC (the “Code”) applies to the Sovereign Wealth Fund Samruk-Kazyna JSC (the “Fund”) and the organisations in which the Fund directly or indirectly owns more than 50% of the voting shares (interests) (the “Organisations”). For the Organisations having other Shareholders (Participants), it is recommended that they approve the Code at their General Meeting of Shareholders (Participants). Holding Companies should ensure implementation of the Code within their groups.

2. The goals of the Code are to improve the corporate governance of the Fund and the Organisations, provide for governance transparency, and confirm the Fund and the Organisations’ commitment to adhere to standards of good corporate governance. The Code consists of two parts: the Principles and the Annotations, the latter being rules and clarifications for implementing the Principles.

3. The Code has been developed in accordance with legislation of the Republic of Kazakhstan and the Fund’s internal documents. The Code takes account of developments in corporate governance both in Kazakhstan and globally, and the Transformation Programme approved by the Fund’s Board of Directors (Minutes No. 113 dated 17 September 2014). The provisions of the Code should be applied with consideration of special provisions contained in legislation of the Republic of Kazakhstan.

4. Limited liability companies should comply with the provisions of the Code to the extent that the provisions do not contravene the Republic of Kazakhstan Law “On Companies with Limited Liability and Companies with Additional Liability”.

5. The first two Chapters of the Code are of a specific nature and describe the features of the Fund’s governance, interaction between the Fund and the Government of the Republic of Kazakhstan, and the governance practices of the Fund and the Organisations. The Fund and the Organisations should apply the subsequent Chapters of the Code taking into account the provisions of the first two Chapters and the legislation of the Republic of Kazakhstan.

6. The Fund and the Organisations should comply with the principles of the Code. Any instance of non-compliance is to be disclosed in the Organisations’ Annual Reports together with explanations for the non-compliance. The Board of Directors may conclude that certain provisions of the Code are either not applicable or impossible to implement. If an instance of non-compliance with the provisions of the Code should last for more than six months, the Organisation must notify the Fund and provide an explanation of the reasons for non-compliance. The Boards of Directors of the Fund and the Organisations, respectively, should each be responsible for implementing the Code. Corporate Secretaries should monitor the implementation of the Code and advise the Boards of Directors and the Executive Bodies of the Fund and the Organisations on compliance with the Code. Every year, Corporate Secretaries should prepare a report on compliance/non-compliance with the principles and provisions of the Code. These reports shall be submitted for the consideration of the appropriate Committees of the Board of Directors and subsequently for approval by the Board of Directors. The approved reports shall be included in the Annual Reports of the Fund and the Organisations.

7. The requirements of mandatory disclosure of the Fund’s and the Organisations’ non-compliance with the provisions of the Code and publication of Sustainable Developments reports in their Annual Reports shall be effective as of 1 January 2017.

8. Documents and processes of the Fund and the Organisations should be updated in accordance with the provisions of the Code.

9. Cases of non-compliance with the provisions of this Code should be thoroughly considered at meetings of the respective Committees of the Boards of Directors and the Boards of Directors, and appropriate decisions should be made to improve corporate governance of the Fund and the Organisations.

10. The Fund will additionally introduce a Corporate Governance Diagnostic Methodology to be used by the Fund and the Organisations in order to assess their compliance with the provisions of this Code. The provisions of this Code are subject to revision to reflect amendments in the legislation of the Republic of Kazakhstan, Kazakhstani and international practices and corporate governance standards.

11. Corporate Secretaries of the Fund and the Organisations should provide guidance regarding the provisions of the Code and their application.

12. The following definitions are used in the Code:

1) **Shareholder (Participant)** – a party owning shares (interests) in the Organisation.

2) **Official** – a member of the Board of Directors or the Executive Body, or a person performing the functions of the Sole Executive Body.

3) **Stakeholders** – natural persons, legal entities, groups of natural persons or entities that affect, or may be affected by, the activities of the Fund and / or the Organisations, its products or services, and related actions by virtue of legislation norms, signed agreements (contracts) or indirectly (circuitously); this definition does not apply to all those who may be merely familiar with the Fund and the Organisations or express an opinion about them; the main representatives of the Stakeholders are Shareholders, employees, customers, suppliers, government bodies, subsidiary organisations, bond holders, creditors, investors, public organisations, and residents of the regions in which the Fund and the Organisations operate.

- 4) **Companies** – national companies and other legal entities, in which the Fund directly owns more than 50% of the voting shares (interests).
- 5) **Corporate Events** – events that significantly influence operations of a joint stock company, affect the interests of the Shareholders and investors of the joint company and are defined in Article 79 of the Republic of Kazakhstan Law “On Joint Stock Companies.”
- 6) **Corporate Conflicts** – disagreements or disputes between: the Shareholders and the bodies of the Fund or the bodies of the Organisations; the bodies of the Fund or the bodies of the Organisations; the members of the Boards of Directors and the Executive Body, Head of the Internal Audit Service (hereafter referred to as the IAS) and the Corporate Secretary.
- 7) **KPIs** – Key Performance Indicators characterising the level of performance of the Fund or the Organisations. KPIs are used to assess the general effectiveness of these entities and the effectiveness of their senior managers. A KPI is assigned a quantitative value derived from the approved Development Plan of the Fund or the Organisations and reflects the results of their operations for the projected and reporting periods.
- 8) **Independent Director** – a member of the Board of Directors possessing sufficient professionalism and autonomy to make independent and objective decisions free from the influence of individual Shareholders, the Executive Body and the other Stakeholders. The requirements for Independent Directors are set in accordance with the Republic of Kazakhstan Law "On Joint Stock Companies" and are stipulated in the Charter of the Fund or the Organisation.
- 9) **General Meeting of Shareholders (Participants)** – the Organisation’s supreme body. The procedures for holding the General Meeting of Shareholders are determined by legislation of the Republic of Kazakhstan, the Charter of the respective Organisations and Chapter 4 of the Code.
- 10) **Ombudsman** – an individual appointed by the Fund’s Board of Directors, whose role is to advise the employees of the Fund and the Organisations who seek the advice, provide them with assistance to resolve labour disputes, conflicts, issues of a social and labour nature, and issues in the area of compliance with the principles of business ethics.
- 11) **Organisations** – legal entities in which more than 50% of the voting shares (interests) directly or indirectly belong to the Fund on the basis of ownership or trust management.
- 12) **Partners** – suppliers and contractors, partners in joint projects.
- 13) **Development Plan** – a document that has been approved by the Board of Directors and determines the core activities and the KPIs of the Fund and the Organisations for the following five years.
- 14) **Government** – the Government of the Republic of Kazakhstan, the Sole Shareholder of the Fund.
- 15) **Sustainable Development** – development in the course of which the Fund and the Organisations manage the influence of their operations on society, the environment and the economy and make decisions, taking into account the Stakeholders’ interests.
- 16) **Fund** – the Sovereign Wealth Fund “Samruk-Kazyna” JSC.
- 17) **Holding Company** – a company that directly or indirectly owns shares (interests) in other organisations and may directly or indirectly influence the decisions made by these organisations.

PART 1. PRINCIPLES OF CORPORATE GOVERNANCE

OF THE SOVEREIGN WEALTH FUND “SAMRUK-KAZYNA” JSC Chapter 1.

The Government as the Shareholder of the Fund

1. The Government segregates its powers of the Sole Shareholder of the Fund from its powers related to state regulatory functions. The Government governs the Fund to enhance the national welfare of the Republic of Kazakhstan through achieving growth in the long-term value of the Fund and the Organisations and through managing the assets of the Fund and the Organisations effectively.

2. The Government is the Sole Shareholder of the Fund.

The main strategic task of the Fund and the Organisations is the long-term growth in their value and their Sustainable Development, as reflected in the Development Strategy of the Fund and the Companies. All decisions and actions should be consistent with the Development Strategy.

The Fund and the Companies should have an optimal structure of assets. The Fund and the Companies should seek the greatest simplicity of their asset structure and their organisational and legal forms of the assets.

The Organisations should operate within their core activities. New activities may take place only if there is insufficient competition in a given market or if the involvement of the Fund and the Organisations will aid the development of small and medium-sized businesses.

It is recommended that the Fund should have and retain a controlling stake (interest) in its Organisations.

3. The Government governs the Fund and the Organisations solely through exercising its powers of the Sole Shareholder of the Fund, as provided by the Law “On the Sovereign Wealth Fund” and the Fund’s Charter, and through its representation on the Fund’s Board of Directors. The main principles and issues of interaction between the Government and the Fund are regulated by the Agreement on Cooperation Between the Government of the Republic of Kazakhstan and the Fund, approved by the Republic of Kazakhstan Government Decree as of 14 December 2012 No. 1599 (Agreement on Cooperation). The principles contained in Chapter 4 “Shareholders’ (Participants’) Rights and Fair Treatment of all Shareholders (Participants)” of the Code apply to the Government as the Shareholder to the extent that they do not contravene the Republic of Kazakhstan Law “On the Sovereign Wealth Fund.”

4. For the purpose of sustainable social and economic development of the country, resilience and protection of the economy from unfavourable external factors, issues related to governance of the Fund shall be considered at meetings of the Governance Council of the Fund (hereafter referred to as the GCF). The GCF is chaired by the President of the Republic of Kazakhstan and acts in accordance with the Regulation approved by the Republic of Kazakhstan Presidential Decree of 6 December 2012 No. 1116.

5. The Government provides the Fund and the Organisations with full operational autonomy. The Government and state bodies shall not interfere with daily operational activities of the Fund and the Organisations, except for cases provided by laws, acts and orders of the President of the Republic of Kazakhstan.

The Fund’s Management Board, the Chairman of the Management Board, and bodies of the Fund are fully autonomous and independent in their decisions and any actions within their competence.

6. Cooperation (interaction) of the Government with the Fund and the Organisations shall be conducted solely through the Fund’s Board of Directors, in accordance with the principles of good corporate governance. The role and functions of the Chairman of the Board of Directors and the Chairman of the Management Board of the Fund are clearly segregated and set out in the Fund’s internal documents.

The composition and competence of the Fund’s Board of Directors are determined by the Republic of Kazakhstan Law “On the Sovereign Wealth Fund.” Members of the Government, the Chairman of the Board of the Fund, Independent Directors and other persons shall form the Fund’s Board of Directors. The size of the Fund’s Board of Directors is determined by the

Charter of the Fund; the number of Independent Directors should be at least two-fifths of the total number of members of the Board of Directors. The provisions of Chapter 5 “Effectiveness of the Board of Directors and the Executive Body” of the Code apply to the members of the Fund’s Board of Directors, including the Independent Directors, to the extent that they do not contravene the Republic of Kazakhstan Law “On the Sovereign Wealth Fund” and the Fund’s Charter.

The Chairman of the Fund’s Board of Directors is, *ex officio*, the Prime Minister of the Republic of Kazakhstan.

Members of the Fund’s Board of Directors who are state officials shall not receive separate remuneration for their membership of the Board of Directors and its Committees.

Members of the Government and other state officials (representatives of state bodies) shall not be members of the Organisations’ Boards of Directors.

The Fund’s Board of Directors is elected by the Government as the Shareholder. The Boards of Directors of the Organisations are elected by their respective General Meetings of Shareholders (or by the Sole Shareholder).

The Chairman of the Fund’s Board of Directors may not simultaneously be the Chairman of the Fund’s Management Board.

The Fund’s Board of Directors shall consider the matters related to the Fund and the Organisations within its competence, as provided in the Fund’s Charter. The Fund’s Board of Directors shall also give preliminary consideration to the matters being within the competence of the Government as the Sole Shareholder.

7. The Fund shall disclose all necessary information about its activities to the Government, as the Shareholder, and the Fund’s Board of Directors, in accordance with the Republic of Kazakhstan Law “On Joint Stock Companies”, the Fund’s Charter, and the Agreement on Cooperation, and ensures transparency of the activities of the Fund and the Organisations.

8. The investment activities of the Fund and the Organisations shall be carried out based on market principles and in accordance with the Development Strategy of the Fund and the Organisations. The investment activities should lead to increased value and optimal structure of assets. Distribution of net income to the Government, as the Sole Shareholder, shall be made in the form of dividends payable on the basis of a formalised and transparent dividend policy.

The Fund and the Organisations should disclose cases of implementation of low-profit or socially significant projects in their Annual Reports. The disclosures should contain information about the sources of funding for the projects.

9. The Fund’s Board of Directors, Management Board, Committees of the Board of Directors, Corporate Secretary and IAS should act in accordance with the principles of Chapters 5 “Effectiveness of the Board of Directors and the Executive Body” and 6 “Risk Management, Internal Control and Audit” of the Code to the extent that the Chapters do not contravene the Republic of Kazakhstan Law “On the Sovereign Wealth Fund”.

10. For a deeper consideration and assessment of matters, the Fund’s Board of Directors should establish the Audit Committee, the Nomination and Remuneration Committee, and the Specialised Committee. Other Committees may be created at the discretion of the Fund’s Board of Directors.

The Fund’s Board of Directors decides on the establishment of each Committee, determines its size, composition, tenure, functions and working procedures, and elects the Chairman of the Committee.

The Committees are composed of members of the Fund’s Board of Directors and experts possessing sufficient professional knowledge required for their work in a particular Committee.

The Audit Committee of the Fund or the Organisation shall be composed solely of Independent Directors. A qualified expert may be involved in the Committee’s work without the right to vote. The decision to involve the expert shall be made by the Audit Committee, and this matter should be assessed annually in terms of their effectiveness and independence.

The Specialised Committee of the Fund provides comprehensive and objective analysis of the impact of the Organisations’ activities on the development of the economy and on particular

economic sectors in accordance with the Republic Of Kazakhstan Law “On the Sovereign Wealth Fund”. A representative of the Accounts Committee for Control over Execution of the Republican Budget is a permanent member of the Specialised Committee. This representative is an expert with the right to vote.

The competence of the Accounts Committee for Control over Execution of the Republican Budget includes: controlling the use of the funds allocated to the Fund and the Organisations from the Republican Budget and the National Fund of the Republic of Kazakhstan, assessing compliance of the use of the funds with the financial and economic feasibility studies, and evaluating the effectiveness of the budgetary investments.

Independent Directors shall comprise the majority of the Fund’s other Committees.

11. The Fund’s Board of Directors should appoint the Corporate Secretary and determine the relevant terms of office, duties and work procedures. The Corporate Secretary’s main duties include helping the Board of Directors and the Sole Shareholder in their timely and proper decision-making. The Corporate Secretary should act as adviser to the members of the Board of Directors on all matters related to their activities and the application of the Code’s provisions. The Corporate Secretary should monitor the implementation of the Code and contribute to the improvement of corporate governance in the Fund and the Organisations.

12. The Fund establishes the IAS. The Fund’s Board of Directors determines the size and the tenure of the IAS, appoints and dismisses the Head of the IAS, sets the working procedures, remuneration and bonuses of the IAS employees, and approves the budget of the IAS.

The IAS is directly accountable to the Fund’s Board of Directors and is independent from the Fund’s Executive Body.

The key responsibilities of the IAS should include assessing the quality of the Fund’s internal control and risk management systems and reporting to the Board of Directors on the adequacy and effectiveness of the systems. The main goal of the IAS is to help improve the Fund’s performance.

13. The Fund shall establish a collegial Executive Body in the form of the Management Board accountable to the Fund’s Board of Directors and acting within its competence, as provided in the Fund’s Charter. The Fund’s Board of Directors monitors the efficiency of the Management Board and the implementation of the resolutions passed by the Sole Shareholder and the Board of Directors of the Fund.

The Government, as the Shareholder, appoints the Chairman of the Management Board of the Fund and may terminate the appointment early. Members of the Management Board are elected by the Fund’s Board of Directors. The Chairman of the Management Board submits nominees for further consideration by the Board of Directors.

14. The Fund and the Organisations should comply with the highest ethical standards and implement appropriate procedures to ensure that all employees and Partners of the Fund and the Organisations comply with these standards.

Notifications of potential breaches of ethical standards should be sent directly to either the IAS or the Board of Directors of the Fund or the Organisations. The Executive Body and all departments of the Fund and the Organisations, including security departments, should not impede the submission of these notifications to the IAS or the Board of Directors.

15. The Ombudsman should be appointed to comply with the principles of business ethics and resolve effectively social and labour disputes that may arise in the Fund and the Organisations.

A candidate for the Ombudsman position should have an impeccable business reputation, high standing and the ability to make impartial decisions.

The Ombudsman is appointed by the Fund’s Board of Directors and is re-appointed every two years. The Ombudsman’s role is to advise employees and parties to a labour dispute or conflict who seek advice, and help them develop constructive, mutually beneficial and practically feasible solutions compliant with the laws of the Republic of Kazakhstan (including confidentiality, if applicable). The Ombudsman’s role also includes helping employees, the Fund

and the Organisations to resolve social and labour issues, and helping employees to comply with the principles of business ethics.

The Ombudsman identifies systemic problems that require decisions (comprehensive actions), submits them to the appropriate bodies and Officials of the Fund and / or Organisations for consideration, and proposes constructive solutions to the problems.

At least once a year, the Ombudsman reports on the results of his / her work to the Nomination and Remuneration Committee and the Audit Committee of the Fund's Board of Directors. The Committees assess the results.

The Fund's Board of Directors assesses the performance of the Ombudsman and decides on either the extension or termination of the Ombudsman's tenure.

The Fund's Management Board determines the location, terms and conditions of the Ombudsman's work.

Chapter 2. Interaction of the Fund and Organisations. The Role of the Fund as the National Managing Holding Company

1. The corporate governance systems in the Fund and the Organisations should provide governance of and control over the operations of the Fund and the Organisations in order to ensure growth in their long-term value and their Sustainable Development. The Fund, as the National Managing Holding Company, plays a strategic role in respect to its Companies. Effectiveness, efficiency and transparency should be at the core of corporate governance.

2. The corporate governance system of the Fund and the Organisations is a set of processes providing for governance and control of their activities. It is a system of relationships between the Executive Body, the Board of Directors, Shareholders and Stakeholders. The roles and decision-making procedures of these bodies should be clearly defined and set forth in the Charter.

3. The Fund is involved in governing the Companies through exercising its powers as the Shareholder (Participant) and through the Board of Directors, in accordance with the Charters of the Companies and the Code.

The Fund provides its expectations for the next financial year to the Chairman of, and the Fund's representatives on, the Company's Board of Directors.

For the Companies all of whose voting shares are owned by the Fund, the Fund meets with members of the Board of Directors of these Companies in the format of the General Meeting of Shareholders.

The Boards of Directors of the Companies have full autonomy in decision-making within their competence, as provided in the respective Charters.

The Fund's opinions on certain matters are expressed through its representatives on the Boards of Directors of the Companies.

According to the Republic of Kazakhstan Law "On the Sovereign Wealth Fund," a Company all of whose voting shares are owned by the Fund may have in its Charter a provision that the matters normally included in the competence of the General Meeting of Shareholders and the Board of Directors, may devolve to the Company's Board of Directors and the Executive Body, respectively. In these cases, the body that has devolved its powers to a lower-level body should monitor the execution of these powers.

4. After taking account of its consultations with the Companies, the Fund establishes uniform policies for the Companies and approves methodological guidelines and corporate standards for the Organisations.

When making a decision on the application of the corporate standards on internal audit and internal control approved by the Fund, the Organisation's Board of Directors should ensure these standards take into account the features of the Organisation's business.

5. The Executive Bodies of the Fund and the Companies should interact with each other in a spirit of collaboration to ensure that the Companies' Development Plans submitted to the Board of Directors for consideration are ambitious, realistic and consistent with the Fund's Strategy and Development Plan.

The Fund's Executive Body should maintain a continual dialogue with the Company's Executive Body on matters of strategy and Sustainable Development. However, the Fund should not interfere with the Company's daily operational matters falling within the competence of the Company's Executive Body, unless there are circumstances leading to a failure to achieve the KPIs set forth in the Development Plan.

6. Distribution of net income to the Fund, as the Sole Shareholder, is made in the form of dividends and should be based on a formal and transparent dividend policy.

7. The Organisation's bodies should govern (manage) in accordance with their competence and procedures stipulated in the Charter of the Organisation. This principle also applies to the Organisations with more than one Shareholder (Participant).

8. The Fund, the Organisations and their officials shall be responsible for the growth of long-term value and Sustainable Development of the Fund and the Organisations, decisions made and actions or failure to act, in accordance with legislation of the Republic of Kazakhstan and internal documents of the Fund and the Organisations.

The key element in assessing the performance of the Fund, the Organisations and their Executive Bodies is the KPI system. The Fund, through its representatives on the Boards of Directors, submits its expectations in terms of KPIs to the Companies. The Company's list of KPIs and target KPI values should be approved by its Board of Directors.

In order to achieve the KPIs, the Companies should prepare Development Plans.

The achievement of KPIs by the Fund and the Organisations should be assessed annually by comparing actual results with the approved Development Plans. The assessment should influence the remuneration of the Chairman and members of the Executive Body and should be taken into account when re-appointing the Executive Body members. The assessment may also form the basis for early termination of the Chairman and members of the Executive Body.

9. The Board of Directors of a Holding Company should ensure the effectiveness of governance, the growth of long-term value and Sustainable Development of all legal entities within its group. The Holding Company's effective governance practices should result in improvements in their operational efficiency, quality of reporting and standards of corporate culture and ethics, greater transparency and disclosure, reduction of risks, and proper internal control systems.

Chapter 3. Sustainable Development

1. The Fund and the Organisations recognise the importance of their impact on society, the economy and the environment. Seeking to grow their long-term value, the Fund and the Organisations should ensure that their development is sustainable in the long term through balancing Stakeholders' interests. This principle of responsible, thoughtful and rational interaction with Stakeholders will contribute to the successful development of the Fund and the Organisations.

"Sustainable Development" is development that meets the needs of the current generation without compromising the ability of future generations to meet their own needs (Report of the World Commission on Environment and Development "Our common future," 4 August 1987). "We are not afraid of the changes that are taking place in the world under the impact of a prolonged global crisis. We are ready for them. Now our task, while keeping everything we have achieved over the years of independence, is to continue our Sustainable Development into the 21st century." (Excerpt from "The Kazakhstan 2050 Strategy", an address to the people of Kazakhstan by Nursultan Nazarbayev, President of the Republic of Kazakhstan, 12 December 2012).

2. The Fund and the Organisations should seek to grow their long-term value while ensuring their Sustainable Development and balancing Stakeholders' interests. Sustainable Development activities should comply with international best practice.

3. The Organisations should ensure alignment of their social, economic and environmental goals for the long-term Sustainable Development, which includes, among others, growth of long-term value for Shareholders and investors. Sustainable Development of the Fund and the Organisation has three components: economic, environmental and social.

The economic component should direct the activities of the Fund and the Organisations towards long-term value growth, the interests of the Shareholders and investors, improvement of operational efficiency, more investment in advanced technologies, and higher labour productivity.

The environmental component should provide for minimisation of the impact of operations on biological and physical natural systems, optimal use of scarce resources, use of environmentally friendly energy and material-saving technologies, production of environmentally friendly goods and services, and minimisation, recycling and disposal of waste.

The social component focuses on the principles of social responsibility. These include protecting employees' health and safety, fair remuneration and respect for employees' rights, individual development of staff, implementation of social programmes for staff, creation of new jobs, sponsorships and charity, and ecological and educational initiatives.

The Fund and the Organisations should assess their activities against the three components and take measures to reduce or eliminate the negative impact of their operations on Stakeholders.

4. The principles of Sustainable Development are: openness, accountability, transparency, ethical behaviour, respect for Stakeholders' interests, justice, respect for human rights, intolerance of corruption, inadmissibility of conflict of interests, and leading by example.

5. The Fund and the Organisations should have a Sustainable Development system that should include, but not be limited to, the following elements;

1) Commitment to the principles of Sustainable Development at the level of the Board of Directors, the Executive Body and the employees,

2) Analysis of both the internal and external situation through the economic, environmental and social components of Sustainable Development,

3) Identification of risks in the field of Sustainable Development, across the economic, environmental and social components,

4) Development of the Stakeholders map,

5) Determination of the goals and KPIs for Sustainable Development, preparation of an action plan, and appointment of persons responsible for the tasks,

6) Integration of Sustainable Development with key processes, including risk management, planning, human resource management, investment, reporting, production, the Development Strategy, and decision-making processes,

7) Development of qualifications for Officials and employees in the field of Sustainable Development,

8) Regular monitoring and evaluation of Sustainable Development activities, evaluation of performance against the goals and KPIs, taking remediation measures, and creating a culture of continuous improvement.

The Board of Directors and the Executive Body of the Fund and the Organisations should ensure that a proper system of Sustainable Development has been developed and implemented.

All employees and Officials at all levels should contribute to Sustainable Development.

Holding Companies are responsible for implementing Sustainable Development principles throughout their entire group.

6. Taking into account the requirements on confidentiality or non-disclosure of official, commercial and other types of secret information protected by law, the Fund and the Organisations should publish annual reports on Sustainable Development to provide clarity and transparency about their operations to their Stakeholders. Sustainable Development reports should be approved by the respective Boards of Directors.

7. The Fund and the Organisations should seek to encourage and support the implementation of Sustainable Development principles by their Partners.

Chapter 4. Shareholders' (Participants') Rights and Fair Treatment of all Shareholders (Participants)

1. Respect for the rights of Shareholders (Participants) is a key condition for attracting investment to the Fund and the Organisations. An Organisation should ensure that its

Shareholders (Participants) are able to exercise their rights. An Organisation with more than one Shareholder should ensure that each Shareholder is treated fairly.

2. The rights, responsibilities and competence of the Shareholders (Participants) are determined and are set forth in legislation and the Organisation's incorporation documents. The rights of the Shareholders (Participants) include, but are not limited, to;

- receiving sufficient and timely information for decision-making in accordance with the procedures stipulated in legislation of the Republic of Kazakhstan, the Organisation's Charter and internal documents on information disclosure,

- participating in General Meetings of Shareholders (Participants) and voting on matters within their competence,

- determining the composition and terms of office of the Board of Directors (the Supervisory Board and the Executive Body), appointing its members, terminating the appointments, and determining the amount and conditions of their remuneration,

- receiving dividends in the amounts and on dates determined by the General Meeting of Shareholders (Participants), based on a clear and transparent dividend policy.

3. The Organisation with more than one Shareholder (Participant), including minority Shareholders (Participants), should ensure that its corporate governance system provides for fair treatment of all Shareholders (Participants) and the opportunities for them to exercise their rights. This provision should be included in the Organisation's Charter.

Chapter 5. Effectiveness of the Board of Directors and the Executive Body

1. The Board of Directors is the governance body accountable to the General Meeting of Shareholders. It provides strategic direction for the Organisation and oversees the Executive Body. The Board of Directors should ensure the implementation of all provisions of the Code.

The Executive Body is accountable to the Board of Directors. It manages the daily operations of the Organisation and ensures that the Organisation complies with its Strategy, Development Plan and resolutions of the General Meeting of Shareholders and the Board of Directors.

The Board of Directors and the Executive Body should collaborate, act in the interests of the Organisation and make decisions based on the principles of Sustainable Development and fair treatment of all Shareholders.

The Board of Directors and the Executive Body should ensure the long-term value growth and Sustainable Development of the Fund or the Organisations.

2. The Board of Directors should have sufficient powers to govern the Organisation and oversee the Executive Body's activities. The Board of Directors carries out its functions under the Charter and pays special attention to the following;

- 1) Defining the Development Strategy (directions and results),

- 2) Setting and monitoring the KPIs of the Development Plan,

- 3) Organising and controlling the effectiveness of risk management and internal control systems,

- 4) Approving and monitoring the effective execution of major investments and other key strategic projects within the competence of the Board of Directors,

- 5) Electing the Head (i.e. either the CEO or the Chairman of the Management Board) and members of the Executive Body, approving their remuneration, overseeing their activities and planning their succession,

- 6) Overseeing corporate governance and ethics,

- 7) Ensuring compliance of the Organisation with the provisions of the Code, the Fund's corporate standards on business ethics (the Code of Business Ethics).

3. Members of the Organisation's Board of Directors should properly carry out their duties and should ensure the long-term value growth and Sustainable Development of the Organisation. The Board of Directors of the Organisation is accountable to the Shareholders. This accountability is exercised through the mechanism of the General Meeting of Shareholders.

4. The composition of the Board of Directors and its Committees should be balanced in terms of skills, experience and knowledge. This balance is necessary for independent, objective

and effective decisions to be made in the interests of the Organisation. Fair treatment of all Shareholders and Sustainable Development principles should be taken into account in these decisions.

5. The composition of the Board of Directors should be diverse in terms of experience, personal qualities and gender of its members. The Board of Directors should include Independent Directors. The number of Independent Directors should provide for independence in decision-making and fair treatment of all Shareholders. The recommended share of Independent Directors on the Company's Board of Directors is up to 50 (fifty) percent of the total number of the members.

6. The General Meeting of Shareholders should elect members of the Board of Directors based on clear and transparent procedures and taking into account the candidates' competencies, skills, achievements, business reputation and professional experience. When re-electing some or all members of the Board of Directors for a new term, the General Meeting of Shareholders should take into account their contribution to the effectiveness of the Organisation's Board of Directors work.

For the Companies all of whose voting shares are owned by the Fund, the process of electing members of the Board of Directors has the following features;

1) The Chairman of the Board of Directors is appointed by the Sole Shareholder. If the Fund's representative is elected as Chairman, the Board of Directors should elect the Senior Independent Director from among the Independent Directors,

2) The search for, and selection of, candidates to the Board of Directors should be undertaken jointly by the Chairman of the Board of Directors and the Chairman of the Nomination and Remuneration Committee of the Company.

In Organisations with more than one Shareholder, electing the members and the Chairman of the Board of Directors is carried out in accordance with the Republic of Kazakhstan Law "On Joint Stock Companies" and the Organisation's Charter. It is recommended that these Organisations involve the Nomination and Remuneration Committee of the Board of Directors when determining the composition of the Board of Directors and the required skills and competencies of its members.

Members of the Government and state officials may not be members of an Organisation's Board of Directors.

The tenure of members of the Board of Directors coincides with the tenure of the entire Board of Directors and expires upon a General Meeting of Shareholders' resolution on the new composition of the Board of Directors.

Members of the Board of Directors are elected for up to three years and, subject to their satisfactory performance, may be re-elected for a second term of up to three years.

Any membership of the Board of Directors for more than six successive years (for example, two three-year terms) is subject to special consideration in view of the need to improve the quality of the Board of Directors.

An Independent Director may not be a member of an Organisation's Board of Directors for more than nine successive years. In exceptional cases, the Independent Director may be a member for more than nine years. After this period, re-election of the Independent Director shall be held annually and be supported with a detailed justification of such a necessity and the influence of this fact on the Director's independence.

No one should participate in any decision-making concerning his / her own nomination, election or re-election.

7. The Board of Directors approves an induction programme for its newly elected members and a professional development programme for each of its members. The Corporate Secretary ensures these programmes are implemented.

8. The Chairman of the Board of Directors is responsible for managing the Board of Directors, ensuring full and effective performance of its functions, and establishing a constructive dialogue among the members of the Board of Directors, and between the Board of Directors, the Shareholders and the Executive Body.

9. The roles and functions of the Chairman of the Board of Directors and the Head of the Executive Body should be clearly segregated and set forth in the Organisation's Charter, the Regulations of the Board of Directors, and the Regulations of the Executive Body.

10. Remuneration of the members of the Board of Directors should be sufficient to attract, retain and motivate each member at the professional level required for successful governance of the Fund and the Organisations. Remuneration of the members of the Board of Directors should be set in accordance with the methodology developed by the Fund. The expected positive effect to the Organisation from a member of the Board of Directors should be taken into account. For Organisations with more than one Shareholder, the regulations on remuneration of the members of the Board of Directors should be based on the Fund's methodology and should be approved by the General Meeting of Shareholders.

The Nomination and Remuneration Committee submits proposals on remuneration of candidates for Independent Directors.

No one should be involved in any decision-making concerning his / her own remuneration.

11. Committees of the Board of Directors provide for deep and careful consideration of matters within the competence of the Board of Directors and improve the quality of decision-making in such areas as audit, risk management, proper application of the goods, work and services procurement rules at the Fund and the Organisations, appointment and remuneration of the members of the Board of Directors and the Executive Body, Sustainable Development, including occupational health and safety and environment protection. The Committees shall not exclude liability of the members of the Board of Directors for the decisions made within its authority.

12. Preparation for, and conduct of, Board of Directors meetings should be as efficient as possible. In order to perform their duties, members of the Board of Directors should have access to complete, relevant and timely information.

The Board of Directors meets regularly in order to perform its functions effectively. Meetings should be held in accordance with the approved work plan for the following calendar year. Meetings of the Board of Directors and its Committees may be held in person or *in absentia* (remote voting). The number of *in absentia* meetings should be minimised. Matters of great importance or of a strategic nature should only be considered at the meetings held in person. On special occasions, a combination of the two forms of meetings may take place.

Meetings of the Board of Directors and its Committees should be properly minuted by the Corporate Secretary and should contain the full results of discussions and decisions made.

13. The Board of Directors, its Committees and the individual members of the Board of Directors should be assessed annually within a structured process approved by the Board of Directors. This process should comply with the Fund's methodology. At least once every three years, the assessment should be carried out by an independent professional organisation.

14. The assessment should identify the contribution of the Board of Directors and each of its members to the long-term value growth and Sustainable Development of the Organisation; it should also identify trends and provide recommendations for improvement. The assessment results should be taken into account in the re-election or termination of members of the Board of Directors.

15. The Board of Directors should appoint the Corporate Secretary to facilitate the effective work of the Board of Directors and the interaction between the Board, the Executive Body and the Shareholders.

The Board of Directors appoints the Corporate Secretary, determines their tenure, duties, salary and other terms of remuneration, and decides on the establishment and budget of the Corporate Secretariat department. The Corporate Secretary is accountable to the Fund's Board of Directors and is independent from the Fund's Executive Body. The main duties of the Corporate Secretary include aiding timely and high-quality decision-making by the Board of Directors and the Sole Shareholder, advising the Board of Directors on all aspects of its activities and on the application of the provisions of the Code, monitoring the implementation of the Code and helping to improve governance in the Fund and the Organisations. The Corporate Secretary also

drafts a report on compliance with the principles and provisions of the Code. The report should be included in the Fund's Annual Report and should contain information about non-compliance with any of the principles and provisions of the Code along with an explanation for the non-compliance.

16. A collegial Executive Body is established in the Companies. In other Organisations and in the case of a new joint venture, the Executive Body may be either collegial or sole, at the discretion of the Shareholders (Participants). The Head and members of the Executive Body should possess high-quality professional and personal characteristics, impeccable business reputations and adhere to high ethical standards.

17. The Executive Body is accountable to the Board of Directors, manages daily activities of the Organisation and is responsible for executing the Strategy, the Development Plan and resolutions passed by the Board of Directors and the General Meeting of Shareholders.

18. The Board of Directors elects the Head and members of the Executive Body, defines their terms of reference and sets their salary and other terms of remuneration. The Nomination and Remuneration Committee should play a key role in searching for and selecting candidates for the Executive Body, and in setting their remuneration.

The Head of the Executive Body proposes candidates for the collegial Executive Body for the consideration of the Nomination and Remuneration Committee. If the Board of Directors rejects on two occasions a candidate for the same vacant position in the Executive Body proposed by the Head of the Executive Body, the right to propose candidates for the vacant position passes to the Board of Directors.

For Companies that are wholly owned by the Fund, the appointment of their Head of the Executive Body should be provisionally agreed with the Fund's Management Board.

The Board of Directors may at any time terminate the tenure of the Head and members of the Executive Body. It is recommended that the Head and members of the Executive Body be elected for up to three years. The tenure of the Head and members of the Executive Body coincides with the tenure of the Executive Body.

19. If a Company is on the special list approved by the Decree of the President of the Republic of Kazakhstan, the candidate for the Head of the Executive Body of the Company is approved by the President of the Republic of Kazakhstan or by the Presidential Administration.

In this case, the following procedure applies to the search for, and election of, the candidate for the Head of the Executive Body;

1) The Nomination and Remuneration Committee of the Board of Directors determines the competency and skills required of the candidates for the Head of the Executive Body, the search method to be used (either by the Company itself or by an executive search firm),

2) The Nomination and Remuneration Committee searches for and selects candidates, interviews them and composes a ranked short list of candidates,

3) The Fund's Management Board approves the candidate for the Head of the Executive Body and forwards it along with the ranked short list to the Nomination and Remuneration Committee of the Board of Directors of the Fund,

4) The Fund's Nomination and Remuneration Committee of the Board of Directors considers and forwards the candidate along with the ranked list signed by the Fund's Chairman of the Board of Directors (the Prime Minister of the Republic of Kazakhstan) to the President of the Republic of Kazakhstan,

5) The candidate approved by the President of the Republic of Kazakhstan or the Head of the Presidential Administration is appointed by the Board of Directors of the Company as the Head of the Executive Body of the Company.

20. The performance of the Head and other members of the Executive Body should be assessed by the Board of Directors. The main criterion used for the assessment should be the achievement of KPIs.

The motivational KPIs of the Head and members of the Executive Body should be approved by the Board of Directors.

The Head of the Executive Body proposes motivational KPIs for the Executive Body for the consideration of the Board of Directors.

The results of the assessment of the Head and members of the Executive Body should influence their remuneration, promotion, re-election (re-appointment) or early termination.

21. The Head of the Executive Body should inform the Board of Directors of any breach of the Code of Business Ethics by members of the Executive Body.

A member of the Executive Body who has breached the Code of Business Ethics may not be a member of the Executive Body of any other Organisation.

22. In the event of a Corporate Conflict, the parties to the conflict seek to resolve this through negotiations in order to protect the interests of the Organisation and its Stakeholders.

Effective prevention and settlement of Corporate Conflicts means, foremost, that the conflicts are detected as early as possible, and the actions of all bodies of the Organisation are well coordinated.

Corporate Conflicts are considered by the Chairman of the Board of Directors, with the Corporate Secretary's aid. If the Chairman of the Board of Directors is involved in a Corporate Conflict, the case is considered by the Nomination and Remuneration Committee.

Chapter 6. Risk Management, Internal Control and Audit

1. The Fund and the Organisations should establish an effective system of risk management and internal control, which should provide reasonable assurance that the strategic and operating goals of the Fund and the Organisations will be achieved. This system should include corporate policies, procedures, norms of behaviour and actions, and governance methods and mechanisms established by the Board of Directors and the Executive Body of the Fund and the Organisations for the following purposes;

- 1) Optimal balance between the growth of the Company's value, profitability and associated risks,
- 2) Effectiveness of financial and economic activities and achievement of financial sustainability of the Company,
- 3) Safeguarding of assets and efficient use of Company's resources,
- 4) Completeness, reliability and accuracy of financial and management reporting,
- 5) Compliance with the requirements of the laws of the Republic of Kazakhstan and corporate internal documents,
- 6) Proper internal controls for fraud prevention and effective support of both core and secondary business processes and analysis of results.

The Board of Directors and the Executive Body should ensure that a proper risk management culture is implemented in the Fund and the Organisations. The implementation and operation of the risk management and internal control systems in the Fund and the Organisations should be based on a clear regulatory framework compliant with best practice (COSO) and the Fund's methodology (policies).

2. The Board of Directors of the Fund and the Organisations should define the principles of and approach to the implementation of the risk management and internal control systems. When doing so, they should take into account the goals of the systems, best practice, and the Fund's methodology in the areas of risk management and internal control.

3. The Executive Bodies of the Fund and the Organisations should ensure that risk management and internal control systems are established and maintained, and that they operate effectively. The risk management process should be integrated with the processes of planning (Strategy, Development Plans and annual budgets) and assessing the Organisation's performance (management reporting).

Each Official of the Fund and of the Organisation should ensure that appropriate consideration is given to risks in the decision-making process.

The Executive Body of the Fund or of the Organisation should ensure the employees have appropriate professional qualifications and experience to implement the risk management regulations and procedures.

4. The risk management and internal control systems of the Fund and the Organisations should be based on an advanced culture of risk management. This culture should be created by the Executive Body and should include compulsory procedures to identify, assess and oversee all significant risks. This culture should also ensure that timely and adequate measures are taken to mitigate risks that may negatively impact the achievement of strategic goals, operational performance and the reputation of the Company.

Risk management procedures should ensure prompt reaction to new risks, their identification and determination of risk owners. In the case of unforeseen changes in the competitive or economic environment of the Fund and the Organisations, re-assessment of the risk map and its compliance with the risk appetite should be undertaken immediately.

5. The Fund and the Organisations should develop, approve, formalise and document control procedures in three key areas: operations, preparation of financial reports and compliance with the laws of the Republic of Kazakhstan and internal documents.

6. The Fund and the Organisations should implement transparent principles and approaches in the areas of risk management and internal control, risk management training for employees and officials, processes to identify, record and promptly deliver necessary information to relevant Officials.

7. The Board of Directors of the Fund and the Organisations should ensure the effectiveness and proper functioning of risk management and internal control systems, and their compliance with the principles and approach approved by the Board of Directors. Risk reports should be submitted to the Board of Directors for a comprehensive and proper discussion at least quarterly.

8. The IAS should be established in the Fund and the Organisations to ensure there is a systematic independent evaluation of the reliability and effectiveness of risk management and internal control systems and corporate governance practices.

9. Internal audit in the Fund and the Organisations should be performed through establishing a separate department – the IAS (in a limited liability partnership, the internal audit functions should be attributed to its Revision Commission / Revisor functionally accountable to the Supervisory Board. The goals, functions and tasks of the Revision Commission / Revisor and the way it interacts with the bodies of the Organisation should be defined through the principles contained in the Code and applicable to the IAS). The goals, powers and responsibility of the IAS and requirements concerning qualification and professionalism of the Internal Auditor should be set forth in the Company's internal document (Regulations of the IAS). The Regulations should be developed and approved in accordance with international professional standards of internal audit and the Fund's corporate standards of internal audit. The Organisation's Board of Directors is responsible for aligning the Regulations with the Organisation's specific business needs.

10. To ensure the independence and objectivity of internal audit, the IAS should be accountable to the Board of Directors both organisationally and functionally. The Board of Directors approves the work plan, strategy and budget of the IAS, determines its size, composition, remuneration and other terms of employment of the IAS staff.

11. The Head of the IAS should develop internal regulations of the department, based on the Fund's corporate standards of internal audit, and ensure consideration and approval of the regulations by the Audit Committee and the Board of Directors.

12. The IAS should operate according to a risk-based annual audit plan approved by the Board of Directors. The IAS's reports and key findings should be submitted to the Board of Directors at least quarterly.

13. When carrying out its activities, the IAS should assess the effectiveness of internal control and risk management systems, assess corporate governance using generally accepted standards of internal audit, corporate standards and the Fund's recommendations on the assessment of corporate governance and effectiveness of the risk management and internal control systems.

14. The Head of the IAS should develop and implement a programme of quality assurance and quality improvement, covering all categories of internal audit activities. The programme should include a compulsory internal and external evaluation of the IAS's performance.

The Board of Directors should evaluate the effectiveness of the IAS, its Head and its staff, based on the audit reports, timely execution of the annual audit plan and compliance of the reports with the standards and internal regulations of the IAS.

Chapter 7. Transparency

1. To respect the interests of their Stakeholders, the Fund and the Organisations should promptly and fairly disclose information about all important aspects of their activities, including financial performance, operational results and the structure of ownership and governance (management).

2. The Fund and the Organisations must promptly disclose information in accordance with legislation of the Republic of Kazakhstan and their internal documents. The Fund and the Organisations should approve internal documents outlining the principles of and approaches to information disclosure and protection, and the information to be disclosed to the Stakeholders. The Fund and the Organisations determine the procedures for classifying information, the rules for its storage and use, and the list of persons who may be granted access to commercially sensitive or officially secret information. The Fund and the Organisations should take measures to protect this information.

3. The Fund, Companies and Organisations whose shares or bonds are traded on a stock exchange should promptly publish on their corporate websites audited annual IFRS financial statements and IFRS financial statements for the first three months, six months and nine months of the reporting period. These entities are recommended to disclose information about their financial condition in addition to the IFRS financial statements.

4. The Fund and the Organisations should arrange audits of their annual financial statements by appointing an independent and qualified auditor to provide (as a third party) the Stakeholders with an objective opinion on the reliability and accuracy of the financial statements and their compliance with IFRS. The requirement to have annual financial statements audited only applies if it is set forth in legislation of the Republic of Kazakhstan and / or in internal documents.

5. The Fund, Companies and Organisations whose shares or bonds are traded on a stock exchange should prepare their Annual Reports in compliance with the provisions of the Code and best practice on information disclosure. Annual Reports shall be approved by the respective Boards of Directors.

6. The corporate website should be well structured, easy to navigate and should contain information that is necessary for Stakeholders to understand the activities of the Fund and the Organisations.

PART 2. ANNOTATIONS TO THE PRINCIPLES OF CORPORATE GOVERNANCE OF THE SOVEREIGN WEALTH FUND

“SAMRUK-KAZYNA” JSC

1. The Government as the Shareholder of the Fund

1. The Government segregates its powers of the Sole Shareholder of the Fund from its powers related to state regulatory functions. The Government governs the Fund to enhance the national welfare of the Republic of Kazakhstan through achieving growth in the long-term value of the Fund and the Organisations and through managing the assets of the Fund and the Organisations effectively.

2. The Government is the Sole Shareholder of the Fund.

The main strategic task of the Fund and the Organisations is the long-term growth in their value and their Sustainable Development, as reflected in the Development Strategy of the Fund and the Companies. All decisions and actions should be consistent with the Development Strategy.

The Fund and the Companies should have an optimal structure of assets. The Fund and the Companies should seek the greatest simplicity of their asset structure and their organisational and legal forms of the assets.

The Organisations should operate within their core activities. New activities may take place only if there is insufficient competition in a given market or if the involvement of the Fund and the Organisations will aid the development of small and medium-sized businesses.

It is recommended that the Fund should have and retain a controlling stake (interest) in its Organisations.

The bodies, officials and employees of the Fund and the Organisations should act and make decisions in accordance with the Development Strategies and Charters of the Fund and the Organisations. The Development Strategy is a long-term document defining the vision, mission, goals, strategic directions and KPIs for a ten-year period. Companies should align their Development Strategies with the Development Strategy of the Fund and approve them.

The Holding Company's Development Strategy should include the goals, tasks and development directions of the Organisations comprising its group. Organisations whose shares are traded on a stock exchange and the group's Organisations established in the form of a joint venture may have their individual Development Strategies. When drafting their Development Strategies, those Organisations should take into account the provisions of their Charters and consult with their Shareholders (Participants).

The Board of Directors determines long-term goals that should be consistent with the Development Strategy and meet the following criteria: specific, measurable, achievable, relevant, and with clear deadlines for their achievement. Assessment of the achievement of strategic goals should be performed through long-term KPIs. It is recommended that individual areas of activities (e. g. investment, innovations, IT and HR) be incorporated in the Development Strategy.

When drafting a Development Strategy and later monitoring its implementation, the Board of Directors and the Executive Body should hold strategy sessions to discuss the core areas of business activities, tasks and challenges, risks and measures for improvement.

When drafting the Strategy, consultations should be held with key Stakeholders, particularly major Shareholders, key business Partners and state bodies.

The Strategy should include goals, tasks and performance indicators, including those concerning Sustainable Development.

The Board of Directors should consider the Development Strategy and its implementation only during an in-person meeting, at least once a year. The Board of Directors should implement a system for early detection and prompt response to changes in internal and external markets and force majeure situations.

The Development Plans should be prepared on the basis of the strategic goals and tasks set forth in the Development Strategy.

The Fund's Organisations are recommended to achieve an optimal structure of their assets. A Holding Company may be established as a joint stock company. It is recommended that other Organisations within the same group be established as limited liability partnerships. It is recommended to consider converting Organisations already established as joint stock companies to limited liability companies. The economic, legal and other aspects of their activities and the Fund's interests should be taken into account.

The preferred legal form for new Organisations is a limited liability partnership. An Organisation may be established as a joint stock company in an exceptional case, such as the sale of its shares on a stock market. These exceptional cases include when an Organisation plans to list its shares on a stock exchange.

When establishing an Organisation as a limited liability partnership, the Participants, taking into account the scope and specifics of the new Organisation, themselves decide on setting up a Supervisory Board and appointing its independent members.

If the Organisation acquires new assets and / or sells assets, it is recommended that they should acquire and retain a controlling stake (interest) in the assets. Organisations specialising in

portfolio investment with a given investment horizon may acquire a minority stake (interest) and sell the entire stake (interest).

3. The Government governs the Fund and the Organisations solely through exercising its powers of the Sole Shareholder of the Fund, as provided by the Law “On the Sovereign Wealth Fund” and the Fund’s Charter, and through its representation on the Fund’s Board of Directors. The main principles and issues of interaction between the Government and the Fund are regulated by the Agreement on Cooperation Between the Government of the Republic of Kazakhstan and the Fund, approved by the Republic of Kazakhstan Government Decree as of 14 December 2012 No. 1599 (Agreement on Cooperation). The principles contained in Chapter 4 “Shareholders’ (Participants’) Rights and Fair Treatment of all Shareholders (Participants)” of the Code apply to the Government as the Shareholder to the extent that they do not contravene the Republic of Kazakhstan Law “On the Sovereign Wealth Fund.”

4. For the purpose of sustainable social and economic development of the country, resilience and protection of the economy from unfavourable external factors, issues related to governance of the Fund shall be considered at meetings of the Governance Council of the Fund (hereafter referred to as the GCF). The GCF is chaired by the President of the Republic of Kazakhstan and acts in accordance with the Regulation approved by the Republic of Kazakhstan Presidential Decree of 6 December 2012 No. 1116.

The Chairman of the GCF is the First President of the Republic of Kazakhstan — the Leader of The Nation. The composition and Regulations of the Governance Council are approved by a relevant Republic of Kazakhstan Presidential Decree.

The GCF considers the operational matters of the Fund and the Organisations and in accordance with the Regulations of the GCF;

- 1) Develops proposals to improve the competitiveness and efficiency of the Fund,
- 2) Approves the Fund’s Development Strategy,
- 3) Considers and develops proposals for the Fund’s participation in Government programmes on diversification and modernisation of the Kazakh economy, and
- 4) Develops proposals for the priority sectors of the economy in which the Fund operates.

5. The Government provides the Fund and the Organisations with full operational autonomy. The Government and state bodies shall not interfere with daily operational activities of the Fund and the Organisations, except for cases provided by laws, acts and orders of the President of the Republic of Kazakhstan.

The Fund’s Management Board, the Chairman of the Management Board, and bodies of the Fund are fully autonomous and independent in their decisions and any actions within their competence.

Organisations should immediately report to the Fund any interference by state bodies with their operations that is not provided for in the laws of the Republic of Kazakhstan.

The Fund should regularly report instances of interference to the Board of Directors, which should submit proposals to prevent the interference for the consideration of the Government, as the Sole Shareholder.

If drafts of state programme documents, action plans and laws contain target KPIs, actions and / or other provisions affecting the activities of the Fund and the Organisations, the state body responsible for the respective drafts should, in accordance with the timeframe set out in the Regulations of the Government of the Republic of Kazakhstan, forward them to the Fund to obtain the Fund’s written opinion. These opinions should be attached to the draft when it is submitted for the consideration of the Government. If the Government (the Prime Minister) or state bodies establishes an advisory body or a working group to address issues related to the activities of the Fund and / or the Organisations, representatives of the Fund and / or the Organisations should be included in the advisory body or working group after consultation with the Fund.

6. Cooperation (interaction) of the Government with the Fund and the Organisations shall be conducted solely through the Fund’s Board of Directors, in accordance with the principles of good corporate governance. The role and functions of the Chairman of the Board of Directors

and the Chairman of the Management Board of the Fund are clearly segregated and set out in the Fund's internal documents.

The composition and competence of the Fund's Board of Directors are determined by the Republic of Kazakhstan Law "On the Sovereign Wealth Fund." Members of the Government, the Chairman of the Management Board of the Fund, Independent Directors and other persons shall form the Fund's Board of Directors. The size of the Fund's Board of Directors is determined by the Charter of the Fund; the number of Independent Directors should be at least two-fifths of the total number of members of the Board of Directors. The provisions of Chapter 5 "Effectiveness of the Board of Directors and the Executive Body" of the Code apply to the members of the Fund's Board of Directors, including the Independent Directors, to the extent that they do not contravene the Republic of Kazakhstan Law "On the Sovereign Wealth Fund" and the Fund's Charter.

The Chairman of the Fund's Board of Directors is, *ex officio*, the Prime Minister of the Republic of Kazakhstan.

Members of the Fund's Board of Directors who are state officials shall not receive separate remuneration for their membership of the Board of Directors and its Committees.

Members of the Government and other state officials (representatives of state bodies) shall not be members of the Organisations' Boards of Directors.

The Fund's Board of Directors is elected by the Government as the Shareholder. The Boards of Directors of the Organisations are elected by their respective General Meetings of Shareholders (or by the Sole Shareholder).

The Chairman of the Fund's Board of Directors may not simultaneously be the Chairman of the Fund's Management Board.

The Fund's Board of Directors shall consider the matters related to the Fund and the Organisations within its competence, as provided in the Fund's Charter. The Fund's Board of Directors shall also give preliminary consideration to the matters being within the competence of the Government as the Sole Shareholder.

7. The Fund shall disclose all necessary information about its activities to the Government, as the Shareholder, and the Fund's Board of Directors, in accordance with the Republic of Kazakhstan Law "On Joint Stock Companies", the Fund's Charter, and the Agreement on Cooperation, and ensures transparency of the activities of the Fund and the Organisations.

The Government may call hearings to examine the Organisations' activities only by inviting the Organisations' representatives to the meetings of the Fund's Board of Directors.

At least once a quarter, the Fund's Management Board reports to the Fund's Board of Directors submitting the consolidated results of the Fund including the Organisations in which the Fund has more than 50 (fifty) percent of the voting shares directly or through a fiduciary management contract. The structure of the information to be provided to the Fund's Board of Directors is defined in the Agreement on Cooperation, the Regulations of the Board of Directors of the Fund, the Fund's internal documents, and resolutions by the Fund's Board of Directors.

The Fund submits reports to state bodies in cases directly required by the laws of the Republic of Kazakhstan, acts of the President of the Republic of Kazakhstan, acts of the Government and / or the Rules on Posting Reports Required by the State Bodies on the Internet site of the Fund, in accordance with the structure, forms and frequency established by the Government.

8. The investment activities of the Fund and the Organisations shall be carried out based on market principles and in accordance with the Development Strategy of the Fund and the Organisations. The investment activities should lead to increased value and optimal structure of assets. Distribution of net income to the Government, as the Sole Shareholder, shall be made in the form of dividends payable on the basis of a formalised and transparent dividend policy.

The Fund and the Organisations should disclose cases of implementation of low-profit or socially significant projects in their Annual Reports. The disclosures should contain information about the sources of funding for the projects.

The investment activities of the Fund and the Organisations should be consistent with the Development Strategy and should pursue value growth and the optimal structure of assets. The unified approach to investment is set forth in the Fund's internal documents regulating investment activities.

9. The Fund's Board of Directors, Management Board, Committees of the Board of Directors, Corporate Secretary and Internal Audit Service (hereafter referred to as the IAS) should act in accordance with the principles of Chapters 5 "Effectiveness of the Board of Directors and the Executive Body" and 6 "Risk Management, Internal Control and Audit" of the Code to the extent that the Chapters do not contravene the Republic of Kazakhstan Law "On the Sovereign Wealth Fund".

10. For a deeper consideration and assessment of matters, the Fund's Board of Directors should establish the Audit Committee, the Nomination and Remuneration Committee, and the Specialised Committee. Other Committees may be created at the discretion of the Fund's Board of Directors.

The Fund's Board of Directors decides on the establishment of each Committee, determines its size and personal composition, and elects the Committee Chairman.

The Committees are composed of members of the Fund's Board of Directors and experts possessing sufficient professional knowledge required for their work in a particular Committee.

The Audit Committee of the Fund or the Organisation shall be composed solely of Independent Directors. A qualified expert may be involved in the Committee's work without the right to vote. The decision to involve the expert shall be made by the Audit Committee, and this matter should be assessed annually in terms of their effectiveness and independence.

The Specialised Committee of the Fund provides comprehensive and objective analysis of the impact of the Organisations' activities on the development of the economy and on particular economic sectors in accordance with the Republic Of Kazakhstan Law "On the Sovereign Wealth Fund". A representative of the Accounts Committee for Control over Execution of the Republican Budget is a permanent member of the Specialised Committee. This representative is an expert with the right to vote.

The competence of the Accounts Committee for Control over Execution of the Republican Budget includes: controlling the use of the funds allocated to the Fund and the Organisations from the Republican Budget and the National Fund of the Republic of Kazakhstan; assessing compliance of the use of the funds with the financial and economic feasibility studies, and evaluating the effectiveness of the budgetary investments.

Independent Directors shall comprise the majority of the Fund's other Committees.

The Specialised Committee carries out its work in accordance with its Regulations approved by the Fund's Board of Directors. The Regulations should be drafted in accordance with the Republic of Kazakhstan Law "On the Sovereign Wealth Fund" and the Fund's Charter.

The Fund's Board of Directors is responsible for determining the composition and tenure of the Specialised Committee members, and the appointment and early termination of its Chairman and members. The Chairman of the Specialised Committee is appointed from among the members of the Fund's Board of Directors. The Chairman of the Fund's Management Board may not be elected Chairman of the Committee. The Specialised Committee performs the following functions;

1) Considers proposals by the Accounts Committee responsible for controlling execution of the Republican Budget to examine Organisations, and subsequently submits enquiries in the prescribed format to the Fund's Board of Directors,

2) Studies and prepares comprehensive assessments of the financial and economic activities of an Organisation included in the Fund's group,

3) Presents results of the assessments to the Fund's Board of Directors and the Accounts Committee.

11. The Fund's Board of Directors should appoint the Corporate Secretary and determine the relevant terms of office, duties and work procedures. The Corporate Secretary's main duties include helping the Board of Directors and the Sole Shareholder in their timely and proper

decision-making. The Corporate Secretary should act as adviser to the members of the Board of Directors on all matters related to their activities and the application of the Code's provisions. The Corporate Secretary should monitor the implementation of the Code and contribute to the improvement of corporate governance in the Fund and the Organisations.

12. The Fund establishes the IAS. The Fund's Board of Directors determines the size and the tenure of the IAS, appoints and dismisses the Head of the IAS, sets the working procedures, remuneration and bonuses of the IAS employees, and approves the budget of the IAS.

The IAS is directly accountable to the Fund's Board of Directors and is independent of the Fund's Executive Body.

The key responsibilities of the IAS should include assessing the quality of the Fund's internal control and risk management systems and reporting to the Board of Directors on the adequacy and effectiveness of the systems. The main goal of the IAS is to help improve the Fund's performance.

13. The Fund shall establish a collegial Executive Body in the form of the Management Board accountable to the Fund's Board of Directors and acting within its competence, as provided in the Fund's Charter. The Fund's Board of Directors monitors the efficiency of the Management Board and the implementation of the resolutions passed by the Sole Shareholder and the Board of Directors of the Fund.

The Government, as the Shareholder, appoints the Chairman of the Management Board of the Fund and may terminate the appointment early. Members of the Management Board are elected by the Fund's Board of Directors. The Chairman of the Management Board submits nominees for further consideration by the Board of Directors.

14. The Fund and the Organisations should comply with the highest ethical standards and implement appropriate procedures to ensure that all employees and Partners of the Fund and the Organisations comply with these standards.

Notifications of potential breaches of ethical standards should be sent directly to either the IAS or the Board of Directors of the Fund or the Organisations. The Executive Body and all departments of the Fund and the Organisations, including security departments, should not impede the submission of these notifications to the IAS or the Board of Directors.

The Fund develops standards for business ethics, the Ombudsman's activities, and the system for reporting alleged breaches (the "whistleblowing" system"). The Boards of Directors of the Fund and the Organisations ensure these standards are implemented and complied with. All Officials and employees of the Fund and the Organisations should sign a statement acknowledging they are familiar with the Code of Business Ethics. Their knowledge should be validated regularly. Officials and employees of the Fund and the Organisations should receive regular training to ensure their understanding of the Code of Business Ethics and the Ombudsman's role, and to ensure that the "whistleblowing" system is accessible.

15. The Ombudsman should be appointed to comply with the principles of business ethics and resolve effectively social and labour disputes that may arise in the Fund and the Organisations.

A candidate for the Ombudsman position should have an impeccable business reputation, high standing and the ability to make impartial decisions.

The Ombudsman is appointed by the Fund's Board of Directors and is re-appointed every two years. The Ombudsman's role is to advise employees and parties to a labour dispute or conflict who seek advice, and help them develop constructive, mutually beneficial and practically feasible solutions compliant with the laws of the Republic of Kazakhstan (including confidentiality, if applicable). The Ombudsman's role also includes helping employees, the Fund and the Organisations to resolve social and labour issues, and helping employees to comply with the principles of business ethics.

The Ombudsman identifies systemic problems that require decisions (comprehensive actions), submits them to the appropriate bodies and Officials of the Fund and / or Organisations for consideration, and proposes constructive solutions to the problems.

At least once a year, the Ombudsman reports on the results of his / her work to the Nomination and Remuneration Committee and the Audit Committee of the Fund's Board of Directors. The Committees assess the results.

The Fund's Board of Directors assesses the performance of the Ombudsman and decides on either the extension or termination of the Ombudsman's tenure.

The Fund's Management Board determines the location, terms and conditions of the Ombudsman's work.

Chapter 2. Interaction of the Fund and Organisations. The Role of the Fund as the National Managing Holding Company

1. The corporate governance systems in the Fund and the Organisations should provide governance of and control over the operations of the Fund and the Organisations in order to ensure growth in their long-term value and their Sustainable Development. The Fund, as the National Managing Holding Company, plays a strategic role in respect to its Companies. Effectiveness, efficiency and transparency should be at the core of corporate governance.

2. The corporate governance system of the Fund and the Organisations is a set of processes providing for governance and control of their activities. It is a system of relationships between the Executive Body, the Board of Directors, Shareholders and Stakeholders. The roles and decision-making procedures of these bodies should be clearly defined and set forth in the Charter.

The corporate governance system stipulates the relationships between;

- 1) Shareholders (Participants),
- 2) The Board of Directors (Supervisory Board),
- 3) The Executive Body,
- 4) Stakeholders,
- 5) Other bodies specified in the Charter.

The corporate governance system should also ensure;

- 1) There is a hierarchy for considering matters and decision-making,
- 2) Clear segregation of powers and responsibilities between the bodies, Officials and employees,
- 3) Timely, good-quality decision-making by bodies of the Fund and the Organisations,
- 4) The efficiency of the Fund's and the Organisations business processes,
- 5) Compliance with the legislation, the Code and internal documents of the Fund and the Organisations.

The bodies and departments within the Fund and the Organisations should have approved Regulations and job descriptions for respective positions. Compliance with these documents ensures consistency of governance processes.

3. The Fund is involved in governing the Companies through exercising its powers as the Shareholder (Participant) and through the Board of Directors, in accordance with the Charters of the Companies and the Code.

The Fund provides its expectations for the next financial year to the Chairman of, and the Fund's representatives on, the Company's Board of Directors.

For the Companies all of whose voting shares are owned by the Fund, the Fund meets with members of the Board of Directors of these Companies in the format of the General Meeting of Shareholders.

The Boards of Directors of the Companies have full autonomy in decision-making within their competence, as provided in the respective Charters.

The Fund's opinions on certain matters are expressed through its representatives on the Boards of Directors of the Companies.

According to the Republic of Kazakhstan Law "On the Sovereign Wealth Fund," a Company all of whose voting shares are owned by the Fund may have in its Charter a provision that the matters normally included in the competence of the General Meeting of Shareholders and the Board of Directors, may devolve to the Company's Board of Directors and the Executive

Body, respectively. In these cases, the body that has devolved its powers to a lower-level body should monitor the execution of these powers.

The Fund manages the Organisations in accordance with the Republic of Kazakhstan Laws “On Joint Stock Companies and “On the Sovereign Wealth Fund,” and internal documents regulating governance of subsidiaries and affiliated organisations.

4. After taking account of its consultations with the Companies, the Fund establishes uniform policies for the Companies and approves methodological guidelines and corporate standards for the Organisations.

When making a decision on the application of the corporate standards on internal audit and internal control approved by the Fund, the Organisation’s Board of Directors should ensure these standards account for the features of the Organisation’s business.

The Fund develops a common policy for the Companies, issues methodological recommendations and establishes corporate standards for the Organisations in accordance with the Law “On the Sovereign Wealth Fund.” Areas to be covered by these policies, recommendations and standards include human resources, information technology, investment, innovation, risk management, corporate governance, planning, economics and finance, and others. The Holding Companies may adopt their own policies to apply throughout their groups in areas not covered by the Fund’s policies. The Holding Companies also may adopt their own policies to elaborate, and provide more detail in support of, the Fund’s policies.

5. The Executive Bodies of the Fund and the Companies should interact with each other in a spirit of collaboration to ensure that the Companies’ Development Plans submitted to the Board of Directors for consideration are ambitious, realistic and consistent with the Fund’s Strategy and Development Plan.

The Fund’s Executive Body should maintain a continual dialogue with the Company’s Executive Body on matters of strategy and Sustainable Development. However, the Fund should not interfere with the Company’s daily operational matters falling within the competence of the Company’s Executive Body, unless there are circumstances leading to a failure to achieve the KPIs set forth in the Development Plan.

6. Distribution of net income to the Fund, as the Sole Shareholder, is made in the form of dividends and should be based on a formal and transparent dividend policy.

7. The Organisation’s bodies should govern (manage) in accordance with their competence and procedures stipulated in the Charter of the Organisation. This principle also applies to the Organisations with more than one Shareholder (Participant).

8. The Fund, the Organisations and their officials shall be responsible for the growth of long-term value and Sustainable Development of the Fund and the Organisations, decisions made and actions or failure to act, in accordance with legislation of the Republic of Kazakhstan and internal documents of the Fund and the Organisations.

The key element in assessing the performance of the Fund, the Organisations and their Executive Bodies is the KPI system. The Fund, through its representatives on the Boards of Directors, submits its expectations in terms of KPIs to the Companies. The Company’s list of KPIs and target KPI values should be approved by its Board of Directors.

In order to achieve the KPIs, the Companies should prepare Development Plans.

The achievement of KPIs by the Fund and the Organisations should be assessed annually by comparing actual results with the approved Development Plans. The assessment should influence the remuneration of the Chairman and members of the Executive Body and should be taken into account when re-appointing the Executive Body members. The assessment may also form the basis for early termination of the Chairman and members of the Executive Body.

In order to assess the achievement of goals and tasks set out in the Development Strategy, KPIs are established for the Companies as follows;

1) The Fund informs its representatives on each Company’s Boards of Directors of its expectations for the Company’s KPIs for the planned period. The Company’s Board of Directors takes these expectations into consideration,

2) Following consideration and discussion, the Company's Board of Directors approves the list of KPIs and their target values. These are communicated to the Company's Executive Body to help it when drafting relevant Development Plans,

3) In order to achieve the KPIs, the Company prepares a Development Plan for a five-year period in the manner specified by the Fund's relevant documents,

4) The Company's draft Development Plan is approved by the Executive Body and is entered into the Fund's information system for planning, monitoring and evaluation purposes. The Company's draft Development Plan is also submitted for the consideration of, and approval by, the Company's Board of Directors,

5) The Development Plan approved by the Company's Board of Directors is also entered in the Fund's information system for planning, monitoring and evaluation purposes.

Adjustment of the Company's Development Plan after its initial approval may be done in the manner defined by the Fund's relevant documents. The Company's draft Development Plan and draft adjustments to an approved Development Plan are not subject to approval by the Fund.

The Company's Executive Body monitors the implementation of the Development Plan and the achievement of the KPIs. The results of this monitoring should be entered into the Fund's information system for planning, monitoring and evaluation purposes in the order specified by the Fund's relevant documents.

9. The Board of Directors of a Holding Company should ensure the effectiveness of governance, the growth of long-term value and Sustainable Development of all legal entities within its group. The Holding Company's effective governance practices should result in improvements in their operational efficiency, quality of reporting and standards of corporate culture and ethics, greater transparency and disclosure, reduction of risks, and proper internal control systems.

Holding Companies should implement, maintain and continually improve governance and management systems throughout their entire groups.

The Board of Directors of a Holding Company is responsible to the Shareholders for the effective governance and functioning of the entire group and makes decisions related to governance of the entire group.

The corporate governance system of a Holding Company should ensure;

1) There are clear systems of control in the group, segregated powers and decision-making process, and that functions and processes are not duplicated,

2) Uniform standards, policies and processes, including those establishing uniform approaches to planning, monitoring and controlling, evaluating performance and implementing improvements,

3) Access to good quality information about the activities of the entire group,

4) Adequate risk management across the group,

5) Compliance with the laws of the Republic of Kazakhstan and the internal documents of the Fund and the Company,

6) Coordination of interaction with the Stakeholders.

Other possible mechanisms to govern the Holding Company's group include centralising some support functions (planning, treasury, accounting, information technology, legal support, internal audit and others).

The Holding Company should ensure a balance between its control over the group entities and the entities' autonomy in operational decision-making.

The corporate governance system and decision-making process in the Holding Company should be clearly established and set forth in the Charter and internal documents of both the Holding Company and the group entities.

Chapter 3. Sustainable Development

1. The Fund and the Organisations recognise the importance of their impact on society, the economy and the environment. Seeking to grow their long-term value, the Fund and the Organisations should ensure that their development is sustainable in the long term through balancing Stakeholders' interests. This principle of responsible, thoughtful and rational

interaction with Stakeholders will contribute to the successful development of the Fund and the Organisations.

“Sustainable Development” is development that meets the needs of the current generation without compromising the ability of future generations to meet their own needs (Report of the World Commission on Environment and Development “Our common future,” 4 August 1987).

“We are not afraid of the changes that are taking place in the world under the impact of a prolonged global crisis. We are ready for them. Now our task, while keeping everything we have achieved over the years of independence, is to continue our Sustainable Development into the 21st century.” (Excerpt from “The Kazakhstan 2050 Strategy”, an address to the people of Kazakhstan by Nursultan Nazarbayev, President of the Republic of Kazakhstan, 12 December 2012).

2. The Fund and the Organisations should seek to grow their long-term value while ensuring their Sustainable Development and balancing Stakeholders’ interests. Sustainable Development activities should comply with international best practice.

The Fund and the Organisations in the course of their activities influence, or are influenced by Stakeholders.

Stakeholders may have both a positive and negative impact on the activities of the Fund and the Organisations. This impact may include value growth, Sustainable Development, reputation and image, and the creation or mitigation of risks. The Fund and the Organisations should pay special attention to proper interaction with Stakeholders.

When defining their Stakeholders and interacting with them, the Fund and the Organisations are recommended to use international standards (AA 1000 Accountability Principles Standard 2008, AA 1000 Stakeholder Engagement Standard 2011, ISO 26000 Guidance on Social Responsibility; GRI [Global Reporting Initiative] and others).

The list of Stakeholders includes but is not limited to: The Stakeholders	Contribution, Impact	Expectations, Interest
Investors, including the Shareholders and second-tier banks	Financial resources (equity capital, borrowed funds)	Profitability of investments, timely payment of dividends, principal and interest
Employees and the Officials	Human resources, loyalty	High wages, decent work, professional development
Trade unions	Assurance of social stability, regulation of labour relations, conflict resolution	Respect for employees’ rights, decent work
Clients	Financial resources through procuring products (goods and services) of the Organisation	Safe and high-quality goods and services at a reasonable price