**Report on compliance with the principles and provisions of the Corporate Governance Code of Baiterek NMH JSC**

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| **No.** | **Principles and provisions of the Corporate Governance Code of the Holding** | **Compliance Yes/No** | **Activities taken to implement the principles and provisions of the Holding's Corporate Governance Code** |
| 1. | Principle of segregation of powers | Yes | The corporate governance system of the Holding provides a clear segregation of powers and responsibilities between the bodies of the Holding that ensure the consistency of corporate governance processes. The corporate governance system of the Holding ensures compliance with the procedure hierarchy when reviewing issues and making decisions by the Holding’s bodies.  The rights, responsibilities and competence of the Sole Shareholder, the Board of Directors and the Management Board are determined by the Law on Joint-Stock Companies, the Charter of the Holding and the Regulations on the Board of Directors and the Regulation on the Management Board of the Holding approved by the Board of Directors.  Relationships (interaction) between the state body as the Sole Shareholder and the Holding and its subsidiaries are implemented through the Board of Directors and/or the Management Board of the Holding in accordance with the good corporate governance principles. The role and functions of the Chairman of the Board of Directors and the Chairman of the Management Board of the Holding are clearly segregated and set forth in the Charter and internal documents of the Holding. |
| 2. | Principle of protection of the Sole Shareholder’s rights and interests | Yes | Respect for the Sole Shareholder’s rights is a key condition for attracting investments in the Holding and its subsidiaries.  In accordance with clause 2 of Chapter 1 of the Regulations on the Board of Directors, the activities of the Board of Directors are based on the principles of efficiency and responsibility, maximum observance of interests of the Sole Shareholder and the Holding, as well as protection of the Sole Shareholder’s rights and responsibility for the Holding’s activities.  In accordance with clause 1.4. of Chapter 1 of the Regulations on the Management Board, the Management Board is a collegial executive body of the Holding that manages the current activities of the Holding, acts in the best interests of the Holding and its Sole Shareholder and is accountable to the latter and the Board of Directors of the Holding.  The Holding communicates to the Sole Shareholder in full and in a timely manner information on its activities affecting the interests of the Sole Shareholder in the manner established by the Charter and internal documents. |
| 3. | Principle of effective management of Baiterek NMH JSC by the Board of Directors and the Management Board | Yes | The Board of Directors is the governing body providing strategic management for the Holding and control over activities of the Management Board. The Board of Directors ensures full transparency of its activities to the Sole Shareholder.  The Board of Directors of the Holding is composed of members of the Government of the Republic of Kazakhstan, the Chairman of the Management Board of the Holding and independent directors in accordance with the legislative requirement of the Republic of Kazakhstan. Three out of ten members of the Board of Directors are independent directors.  The Board of Directors and its committees keep a balance of skills, experience and knowledge ensuring the adoption of independent, objective and effective decisions in the best interests of the Holding.  In the reporting year, no decisions on the performance assessment of the Board of Directors were made by the Sole Shareholder  The Audit Committee and the Personnel, Remuneration and Social Affairs Committee of the Board of Directors are composed of independent directors of the Holding only. Independent directors are elected as chairpersons of all Committees of the Board of Directors.  To ensure efficient organization of activities of the Board of Directors and the interaction between the Management Board, the Sole Shareholder and the Board of Directors, the Board of Directors appointed the Corporate Secretary (taking into account the Regulations on the Corporate Secretary of the Holding, Head of the Prime Minister’s Office of the Republic of Kazakhstan was appointed acting Corporate Secretary).  To ensure compliance with the principles of business ethics, optimal regulation of social and labor disputes arising in the Holding, by the decision of the Board of Directors dated July 24, 2017, M. Turganov, the Deputy Corporate Secretary - Head of the Corporate Secretary Service was appointed Ombudsman of the Holding.  The Internal Audit Service is functioning in the Holding to carry out internal audit activities in order to provide independent and objective guarantees and advice aimed at improving the work of the Holding. |
| 4. | Principle of sustainable development | Yes | The Holding and its subsidiaries are aware of the importance of their influence on the economy, ecology and society in terms of ensuring the sustainable development in the long term while maintaining a balance of stakeholders’ interests.  In the framework of implementing the Corporate Governance Code, the Holding approved its Sustainable Development Policy and an Action Plan for improving corporate governance for 2018-2019, which included a section on the implementation of the principle of sustainable development in the context of economic, environmental and social aspects:  - as part of the economic component, the Holding regularly monitors the implementation of the Development Strategy of the Holding for 2014-2023 and the mid-term Development Plan of the Holding, and evaluates the implementation of KPI scorecards of the Chairman and members of the Management Board of the Holding;  - as part of the environmental component, the restated Investment Policy of the Holding was approved. The updated Investment Policy includes a project evaluation tool - the Development Index, one of the criteria of which is the impact on sustainable economic development, including the environment;  - as part of the social component, the Unified Personnel Policy of the Holding Group and the Concept for formation and development of the Unified Talent Pool of the Holding Group were developed.  The Holding approved an updated Stakeholder Map defining the list of stakeholders, a degree of their influence and a strategy of interaction with them. |
| 5. | Principle of risk management, internal control and internal audit | Yes | The Holding has a well-functioning risk management and internal control system aimed at ensuring reasonable confidence in the achievement of strategic and operational goals of the Holding.  The Holding has a Risk Management Policy, the main objectives of which are to build an effective integrated system and create an integrated risk management process as an element of the Holding and its subsidiaries, as well as to ensure continuous improvement of activities based on a unified standardized approach to risk management methods and procedures.  The Board of Directors of the Holding on a quarterly basis reviews and approves the risk report of the Holding containing information on the risk register, risk map, risk management plan and key risk indicators, risk appetite, actual sufficiency of available financial resources, and information on financial risks of the Holding.  The Internal Audit Service is functioning in the Holding to conduct a systematic independent assessment of the reliability and efficiency of the risk management and internal control systems, as well as the corporate governance practice.  The Internal Audit Service submits quarterly reports on the results of internal audit conducted in the reporting period for consideration by the Audit Committee and the Board of Directors of the Holding. Following the results of the revealed violations, corrective action plans are approved. |
| 6. | Principle of regulating corporate conflicts and conflicts of interests | Yes | Avoidance of a conflict of interest is an essential condition for ensuring the protection of interests of the Sole Shareholder, officials and employees of the Holding.  To prevent and resolve corporate conflicts and conflicts of interest in the Holding and to coordinate activities of all bodies and officials, the Board of Directors approved the Policy for resolving corporate conflicts and conflicts of interest. The Policy regulates the order and procedures for prejudicial settlement of conflicts as well as actions of bodies, officials and employees of the Holding within the scope of such processes.  As for corporate conflicts and conflicts of interest, the Ombudsman coordinates his/her actions with persons responsible for resolving corporate conflicts and conflicts of interest according to the Policy for resolving corporate conflicts and conflicts of interest of the Holding.  If corporate conflicts occur, participants shall seek the ways to resolve them through negotiations in order to ensure effective protection of both the Sole Shareholder’s rights and business reputation of the Holding.  The fundamental principles of preventing conflicts of interest, the methods of their identification, assessment and resolution are set forth in the Code of Business Conduct of the Holding.  In 2018, no cases of corporate conflicts or conflicts of interest were reported in the Holding. |
| 7. | Principles of transparent and objective disclosure of information on activities of Baiterek NMH JSC. | Yes | In its activities, the Holding adheres to the highest standards of transparency and constantly improves the accessibility, quality and promptness of disclosure of information on the Holding.  To provide timely information to stakeholders, the Holding implements the Information Disclosure Policy that defines the principles and approaches to disclosure of information, as well as the timing, procedure and form of information disclosure.  Information security of the Holding is regulated by the Information Security Policy.  The Holding on an annual basis prepares its annual report, which is submitted to the Board of Directors for consideration and approval. The Annual Report of the Holding for 2017 was approved by the decision of the Board of Directors dated July 19, 2018 (Minutes No. 07/18).  Information on the Holding is disclosed on the Holding's website, which is well structured, has easy-to-use navigation and contains information that is necessary for stakeholders. At the same time, information is posted in separate thematic sections of the website and is constantly updated.  In accordance with the legislative requirements of the Republic of Kazakhstan and internal documents of the Holding, information on the Holding is disclosed in full and in a timely manner on the websites of the financial statements depository and the stock exchange. |