

**Report of Samruk-Kazyna Construction JSC
on following the principles of the Corporate Governance Code of Samruk-Kazyna JSC in 2018»¹**

| № | Principles of corporate governance | Criteria for assessing compliance with the principle of corporate governance | Corporate Compliance Status | Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance |
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| 1. Government as a shareholder of the Fund | | | | |
| 1.1 | <p>The Fund and the organization's main strategic objective is to increase the long-term value and sustainable development of the Fund and organizations, which is reflected in the Development Strategy of the Fund and companies. All decisions and actions taken must be consistent with development strategies.</p> <p>The Fund and companies should have an optimal asset structure. The Fund and companies should strive to simplify the structure of their assets and their organizational and legal forms as much as</p> | <p>These strategic objectives are reflected in the Company's Development Strategy:</p> <ul style="list-style-type: none"> - by the decision of the Company's Board of Directors of November 9, 2017, No.126 approved the Development Strategy of the Samruk-Kazyna Real Estate Fund 2018-2027, according to which the Company initiates new activities, the prerequisites for determining which was Development Strategy of Kazakhstan until 2050 and the President's Message. - by the decision of the Board of Directors of August 28, 2018, No.134 updated the Company's Development | Complied | |

¹ On March 1, 2019, the state re-registration of Samruk-Kazyna Real Estate Fund JSC was carried out, the name of the company was changed in Samruk-Kazyna Construction JSC (hereinafter referred to as the Company), the legal address was changed, activities were changed, and other changes were made by the decision of the Shareholder dated February 18, 2019 No. 07/19.

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| | <p>possible.</p> <p>Organizations are engaged in their activities as part of their core (profile) activities. New activities are permitted on the condition that there is no competition in this market or the participation of the Fund and organizations will contribute to the development of small and medium-sized businesses.</p> <p>It is recommended that a controlling stake (share) be in the Fund's organizations to be maintained and retained.</p> | <p>Strategy for 2018-2028 in accordance with the long-term letter of expectations of Samruk-Kazyna for 2018-2028, dated June 11, 2018, in accordance with the Company's Charter, the regulations of the Republic of Kazakhstan, the strategic development priorities of Samruk-Kazyna, reflected in the Development Strategy for 2018-2028, as well as the messages of the President of the Republic of Kazakhstan;</p> <ul style="list-style-type: none"> - By the decision of the Company's Board of Directors of December 10, 2018, No.138 approved the Roadmap for the implementation of the Samruk-Kazyna Real Estate Development Strategy for 2018-2028. - By the decision of the Company's Board of Directors of October 29, 2018, No.136 took note of the Expectations of the Company's Sole Shareholder for 2019-2023. - by the decision of the Company's Board of Directors of December 10, 2018, No.138 approved the Action Plan for the Implementation of the Expectations of the Sole Shareholder of the Samruk-Kazyna Real Estate Fund for 2019, within which the Company plans to withdraw from non-strategic assets, including the sale of a 49% stake in FN Management LLP in 2019. At the same time, the Company's Board of Directors of February 15, 2019 approved changes to the Charter of SK Development LLP (further - Partnership) regarding the expansion of the type of activity in the field of engineering research and the provision of technical advice. The Committee for the Regulation of Natural Monopoly, Competition Protection and Consumer Rights of the Ministry of National Economy of the Republic of Kazakhstan has granted the consent to the Partnership to expand the type of activity with the duration of the Partnership's activities up to end of 2025 (letters from 35-6-10/14305 of 07.02.2019) for the following projects: | | |
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| | | <p>- Atyrau region: Construction of KUS LLP facilities, United Chemical Company LLP;</p> <p>- Jambyl Region: Construction of Facilities of Khim-Plus LLP, "UK SEH Chemical Park Taraz" and United Chemical Company LLP.</p> | | |
| 1.2 | <p>Government participates in the management of the Fund and organizations solely by exercising the powers of the sole shareholder of the Fund provided for in the law "On the Sovereign Welfare Fund" and the Charter of the Fund, and representation in the Fund Board of Directors. Basic principles and issues of cooperation between the Government and the Fund are regulated in the Agreement on interaction between the Government of the Republic of Kazakhstan and the Fund approved by the Government of the Republic of Kazakhstan No.1599 of December 14, 2012 (hereinafter referred to as the Agreement on interaction). Principles of section 4 apply to the Government as a shareholder. "Rights of shareholders (participants) and fair treatment of shareholders (participants)" of this Code in the part not contradicting the law of the Republic of Kazakhstan "On the Sovereign Welfare Fund".</p> | | Not applicable | |
| 1.4 | <p>For the purpose of stable socio-economic development of the country, ensuring the sustainability of the economy and protection from the impact of possible adverse external factors, Fund management issues are considered at the meeting of the Fund Management Board (hereinafter – FMB), headed</p> | | Not applicable | |

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| | by the President of the Republic of Kazakhstan. FMB carries out its activity according to the regulation approved by the Decree of the President of the Republic of Kazakhstan No.1116 of December 6, 2010. | | | |
| 1.5 | Government provides the Fund and organizations with full operational autonomy and does not allow interference by the government and public authorities in the operational (current) and investment activities of the Fund and organizations except for cases stipulated by laws, acts and orders of the President of the Republic of Kazakhstan. Fund Management Board, Chairman of the Management Board, bodies of Organizations are fully autonomous and independent in making decisions and carrying out any actions within their competence. | | Not applicable | |
| 1.6 | Relationship (interaction) between the Government and the Fund, organizations are carried out through the Board of Directors of the Fund in accordance with the principles of good corporate governance. Role and functions of the Chairman of the Board of Directors and the Chairman of the Fund Management Board are clearly delineated and fixed in the Fund's documents. | | Not applicable | |
| 1.7 | Fund shall disclose all necessary information to the Government as a shareholder and the Board of Directors of the Fund on the Fund's activities in accordance with the Law of the Republic of Kazakhstan "On joint stock companies", Charter of the Fund, Agreement on Interaction and provides transparency of the Fund and organizations activities. | | Not applicable | |
| 1.8 | Investment activity of the Fund or organization is | Distribution of net income in favor of the Sole | Complied | |

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| | <p>carried out on market principles in accordance with the strategy of the Fund or organization and is aimed at increasing the value and optimal structure of assets.</p> <p>Cases of realization by the Fund or organization of low profitability and socially significant projects should be disclosed in the annual report of the Fund or the organization indicating sources of financing of such projects.</p> | <p>shareholder is carried out in the form of dividends on the basis of a formalized and transparent dividend policy.</p> <p>Participation of the Real Estate Fund in state housing programmes is revealed in the annual reports, indicating the sources of funding for the programmes.</p> <p>Investment activity of the Real Estate Fund is carried out within the framework of realization of development strategy and is directed on increase of cost and optimum structure of assets.</p> <p>Common approaches to the organization of investment activity are defined in the internal documents of the Real Estate Fund, regulating the issues of investment activity.</p> <p>On July 9, 2018, the board of Samruk-Kazyna board approved the Corporate Standard of Investment Activities of Samruk-Kazyna and legal entities, more than fifty percent of the voting shares (shares of participation) of which directly or indirectly owns Samruk-Kazyna.</p> <p>The corporate standard sets uniform requirements for the investment activities of Samruk-Kazyna and its Portfolio Companies (more - PC), as well as determines how the Fund and the PC interact within the framework of the implementation of investment activities and is mandatory for the Fund and PC to carry out investment activities. The company is guided by the Corporate Standard in the implementation of investment activities.</p> <p>By the decision of the Board of Directors of October 29, 2018, No. 136 approved the template of the financial model on the Company's core activities, which provides for the evaluation of projects on all major parameters and indicators.</p> <p>Real Estate Fund implements the "Nurly</p> | | |
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| | | <p>zher" programme of housing construction in the line of rent-to- own housing (formerly - programme of regions development until 2020, "Affordable housing-2020"). In 2018, the Company completed the introduction of the T4 Business Center, the last phase of the Green quarter project.</p> <p>All these programs are socially significant. The Company's Annual Report details activities in these areas.</p> | | |
| 1.9 | <p>Board of Directors of the Fund, the Fund Management Board, the committees of the Board, Corporate Secretary and the Internal Audit Service (hereinafter – IAS) of the Fund shall carry out their activities in accordance with the principles of sections 5 "Efficiency of the Board of Directors and Executive Body "and 6"Risk management, internal control and audit" in part not contradicting the law of the Republic of Kazakhstan "On Sovereign Welfare Fund".</p> | | Not applicable | |
| 1.10 | <p>For more in-depth and qualitative elaboration of questions, committees are created under the Board of Directors of the Fund: on audit, nomination and remuneration, specialized committee. Other committees may be established at the discretion of the Board of Directors of the Fund.</p> | | Not applicable | |
| 1.11 | <p>A corporate secretary is appointed in the Fund. Board of Directors shall decide on the appointment of a corporate secretary, determines its term of office, functions and procedure. Main functional duties of the Corporate Secretary include support of timely and proper taking of corporate decisions by the Board of Directors and the Sole Shareholder, acting as advisor for members of the Board of Directors in relation to all issues of their activities and applicability of provisions of this Code, as well as monitoring of its implementation and involvement in improvement of corporate governance of the Fund and</p> | | Not applicable | |

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| | organizations. | | | |
| 1.12 | Fund creates IAS. Fund Board of Directors determines the quantitative composition, term of office, appoints its head, and also prematurely terminates its powers, determines the procedure of its work, size and conditions of remuneration and bonuses of IAS employees, as well as the budget | | Not applicable | |
| 1.13 | The Fund creates a collegial executive body in the form of a Management Board. The Management Board is accountable to the Board of Directors and performs its activities within the competences defined by the Fund charter. The Fund Board of Directors monitors the effectiveness of the Fund's Management Board, including implementation of decisions of the Sole shareholder and the Board of Directors of the Fund. | | Not applicable | |
| 1.14 | <p>Fund and organizations should adhere to high ethical standards and implement the necessary procedures to ensure the continuous application of these standards by all employees and partners of the Fund and organizations.</p> <p>Notices of alleged violations must be sent directly to the IAS or to the Board of Directors of the Fund or organization. Executive Body and all its structural units, including the security service, shall not prevent the transmission of notices of alleged violations to the IAS or the Board of Directors.</p> | <p>In 2018, the Company has created a compliance function. The Compliance Controller is appointed by the Board of Directors and is re-elected on an annual basis. By the decision of the Company's Board of Directors of May 17, 2018, No.132 was appointed Compliance Controller.</p> <p>The contact details on "hot line" of the Company's website are posted by the Compliance Controller.</p> <p>By the decision of the Board of Directors of December 10, 2018, No.138 approved the Code of Conduct, with which all employees are acquainted and regularly confirm their knowledge about the Code. In particular, in December 2018, the Compliance Controller organized a training jointly with Samruk-Kazyna on anti-corruption. Previously, the Code of Business Ethics (the decision of the Board of Directors No. 26 of April 21, 2010 with changes No. 81 of April 15, 2014) was in force.</p> <p>The Board of Directors has also ensured that there is a mechanism in place to collect and review information on violations of principles and standards of conduct:</p> <p>- by the decision of the Company's Board of Directors of June 29, 2017, No.121 approved the Company's Initiative</p> | Complied | |

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| | | <p>Information Policy for Risk Management regarding violations of principles and standards of conduct, in particular the Code of Conduct, as well as for compliance with the Kazakhstan's legislation and the OECD's Anti-Corruption and Bribery Guidelines. The company may involve an external operator to enable employees and other associates to express their concerns to an independent third party, including on a confidential or, moreover, anonymous basis, 24/7 through a toll-free telephone line, e-mail and the Internet. In addition to the initiative information line administered by an external operator, the Company provides several other internal channels to express concern:</p> <ol style="list-style-type: none"> 1) Division heads; 2) Management; 3) Head of Compliance Service; 4) Head of the Internal Audit Service; 5) Ombudsman; 6) Chairman of the Board of Directors/Senior Independent Director. | | |
| 2. Interaction between the Fund and organizations. The role of the Fund as a national managing holding | | | | |
| 2.1 | <p>Corporate governance system in the Fund and the organizations ensures proper management and control of their activities and aims to increase long-term value and sustainable development. The Fund as a national manager of the holding performs the role of a strategic holding for its companies. Corporate governance must be based on efficiency, efficiency and transparency.</p> | <p>The Fund's interaction with the Company is carried out on the basis of a well-built system of corporate governance and in accordance with the Policy on Interaction with the portfolio companies of Samruk-Kazyna, approved by the decision of the Board of Samruk-Kazyna No.15/ 17, May 30, 2017.</p> <p>The sole shareholder sends letters of expectation to the Chairman of the Board of Directors of the Company, which are communicated to the Board of Directors. In accordance with the Company's Charter, the Board of Directors determines the direction of the Company's</p> | Complied | |

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| | | <p>activities in accordance with the expectations of the Sole Shareholder, approves the Development Strategy and the medium-term business plan for the five-year period, the management KPIs. The Board ensures the implementation of the Development Strategy, business plans and the achievement of approved strategic KPI and management KPIs periodically reporting to the Board of Directors.</p> <p>Paragraph 1.1 of this Report outlines the activities taken in 2018 as part of the adoption of the Company's Development Strategy and its implementation, and the following measures were also implemented:</p> <ul style="list-style-type: none"> - The decision of the Board of Directors of October 24, 2017 No.125 adopted the results of the discussion of the expectations of the Sole Shareholder for 2018-2022; - By the decision of the Board of Directors of November 9, 2017, No.126 approved the Company's Business Plan for 2018-2022. - quarterly reports on the performance of the Company's Business Plan for 2018 have been reviewed and taken into account by the Company's Board of Directors (statement from the Minutes of the Board of Directors of May 17, 2018 No.132, statement from the Minutes of the Board of Directors of September 11, 2018 135, statement from the Minutes of the Board of Directors dated December 10, 2018). | | |
| 2.2 | <p>Corporate governance system of the Fund and organizations is a set of processes that provide management and control over the activities of the Fund and organizations, as well as the system of relations between the Executive Body, the Board of Directors, shareholders and interested parties. Competence of the bodies and the decision-making</p> | <p>In the Company, the corporate governance system provides:</p> <ol style="list-style-type: none"> 1) Compliance with the hierarchy of the procedure of consideration of issues and decision-making: all issues submitted to the Board of Directors are carefully considered by the relevant Committees of the Board of Directors. At the same time, by the decision of the Sole Shareholder of September 24, 2018, No.27/18, the | Complied | |

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| | <p>procedure should be clearly defined and enshrined in the Charter.</p> | <p>composition of the Board of Directors is determined in the number of 3 members. Currently, committees of the Board of Directors are not held due to the lack of a quorum.</p> <p>2) A clear delineation of power and responsibility between the Board of Directors, the Board, officials and employees: the competence, powers and responsibilities of the bodies, as well as the way in which decisions are made, are clearly defined and enshrined by the Charter, Provisions on the Board of Directors and the Board; by order of the Chairman of the Board "On the distribution of responsibilities and powers" clearly delineated the areas of responsibility of members of the Board of Directors; The Company's structural units operate under the Division Regulations; Job instructions have been developed for each post.</p> | | |
| 2.3 | <p>Fund participates in the management of companies by implementing the functions of the shareholder (participant), as well as through the Board of directors, in the manner specified by the Companies' Charters and this Code.</p> <p>The Fund annually sends to the Chairman of the Board of Directors and representatives of the Fund in the Board of Directors of the company the expectations of the shareholder for the upcoming financial year.</p> <p>The boards of directors of companies have full autonomy in decision-making within the framework of their competence established by the charters of companies.</p> <p>The Fund's position on individual issues is communicated through the Fund's representatives</p> | <p>The Fund participates in the management of the Company through the implementation of the functions of the Shareholder, as well as through the Board of Directors, in the manner defined by the Charter of the Company. Representatives of the sole shareholder in the Board of Directors of the Company are Tutkushev Ye.B. (Chairman of the Board of Directors of the Company), Zhanadil Ye.B. (member of the Board of Directors).</p> <p>The expectations of the Sole Shareholder for 2018-2022 were sent by letter from No. 04-04-02/5005 of October 6, 2017.</p> <p>The Board of Directors has the autonomy to make decisions within its competence established by the Charter.</p> <p>The Fund's position on individual issues is communicated through the Representatives of the Sole Shareholder in the Board of Directors.</p> | Complied | |

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| | on the Company's Board of Directors. | | | |
| 2.4 | <p>Taking into account the discussions with the companies Fund forms a unified policy for companies, approves methodical recommendations and corporate standards for organizations.</p> <p>The decision to apply the Fund-approved corporate standards in the field of internal audit and internal control in the organization is taken by the Board of Directors of the organization, taking into account the compliance of these standards with the specifics organization's activities.</p> | <p>Taking into account the discussions with the companies Fund forms a unified policy for companies, approves methodical recommendations and corporate standards for organizations.</p> | Complied | |
| 2.5 | <p>Executive bodies of the foundation and the companies should cooperate in a spirit of cooperation in order to ensure sufficient ambition and realism of the development plans of the companies sent for approval to the Boards of Directors of companies, as well as their compliance with the Fund's strategy and development plan.</p> | <p>Fund represents the target parameters of the long-term KPI (financial and production) to provide for their achievement by REF management.</p> <p>Real Estate Fund maintains constant interaction with the Fund on implementation of the development strategy, including on the issues of long-term and medium-term planning, risk management, investment activity, personnel management, etc. Also, on a regular basis the Fund is provided with management and financial statements, reports on the implementation of State programmes.</p> | Complied | |
| 2.6 | <p>Distribution of net income in favor of the Fund as a shareholder is carried out in the form of dividends on the basis of a formalized and transparent dividend policy.</p> | <p>Fund approved the Dividend policy towards subsidiaries (decision of the Fund Management No.39/12of 02.10.2012). Fund has brought strategic KPI "Free funds for development and dividends". The fund has delivered a strategic "Free Funds for Development and Dividend" efficiency lettering the expectations of the Sole</p> | Complied | |

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| | | Shareholder for 2018-2022. | | |
| 2.7 | Management of organizations is carried out by bodies of organizations in accordance with the competences and procedures defined by the Charter of the Organization. This principle applies to organizations with several shareholders (participants). | Competences of the management bodies are defined by the Charter, regulations on BD, Management Board | Complied | |
| 2.8 | <p>The Fund, organizations and their officials are responsible for the long-term value growth and sustainable development of the Fund and organizations, respectively, and the decisions and actions/inaction taken, in accordance with the law of the Republic Kazakhstan and internal documents.</p> <p>The efficiency of the Fund and the executive body is the key element of the evaluation of the effectiveness of the Fund and the executive body. Through its representatives on the Board of Directors, the Fund sends its expectations to companies on efficiency. The list and target values of the company's efficiency are approved by the Company's Board of Directors.</p> <p>In order to achieve efficiency, companies are developing appropriate development plans.</p> <p>On an annual basis, the achievement of the Fund's and organizations' efficiency is assessed compared to the approved development plan. This assessment affects the remuneration of the leader and members of the executive bodies, is taken into account when they are re-elected, and may also be grounds for their removal from office ahead of schedule.</p> | <p>Company and officials are responsible for decisions and actions/inaction in accordance with the laws of the Republic of Kazakhstan, the Charter and other regulations. The increase in the long-term value of the company is determined by the strategic direction of the Company's activities. The growth of the long-term value of the company is determined in the specific targets of long-term efficiency - EVA companies, the responsibility for achieving which are the Company and its officials.</p> <p>Long-term strategic efficiency parameters for 2018-2022 were represented by the Sole Shareholder to ensure their achievement as part of the Company's Business Plan for 2018-2022.</p> <p>The implementation of the Business Plan is monitored on a monthly and quarterly basis.</p> <p>The strategic efficiency assessment is carried out as part of the Business Plan Performance Report on a quarterly basis.</p> <p>The requirement that this assessment affects the remuneration of the leader and members of the Executive bodies is taken into account when they are re-elected, and may also be the basis for their removal from office ahead of schedule, enshrined in the Rules evaluation of the Company's executives.</p> | Complied | |

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| 2.9 | <p>The Board of Directors of the holding company shall ensure the efficiency of management, growth of long-term value and sustainable development in all legal entities belonging to its group. Results of effective management in the group of the holding company shall be an increase of operational efficiency, improvement of the reporting quality, improvement of standards of corporate culture and ethics, greater openness and transparency, risk reduction, adequate internal control system.</p> | | Not applicable | |
| 3. Sustainable development | | | | |
| 3.1 | <p>Fund and organizations are aware of the importance of their impact on the economy, environment and society and, in an effort to increase long-term value, shall ensure their sustainable development in the long term, while balancing the interests of the parties concerned. Approach of responsible, thoughtful and rational interaction with stakeholders will contribute to the sustainable development of the Fund and organizations.</p> | <p>Company is influenced or influenced by stakeholders in the course of its activities. Engagement with stakeholders is governed by internal regulations (Charter, Disclosure Regulation, Sustainable Development Policy, Stakeholder Map, etc.).</p> <p>In 2017, the board's decision No. 33/2017 of 20.06.2017. A Committee on Sustainable Development has been established under the Board, whose main functions are to shape the implementation of the sustainable development system in the Company.</p> <p>The company annually reviews the relevance of the Stakeholder card, where the list of stakeholders is defined, with a degree of influence and interest. In 2018, the Company conducted a survey of stakeholders reflected in the updated Stakeholder Map to determine the significant aspects of the Sustainability Report. The results of the survey are taken into account when forming significant topics for disclosure in the report.</p> | Complied | |
| 3.2 | Fund and organizations shall ensure coherence of | The Company's strategic goals are reflected in the Development Strategy for 2018-2028, approved by the | Complied | |

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| | <p>their economic, environmental and social goals for sustainable development in the long term, which includes, among other things, the growth of long-term value for shareholders and investors. Sustainable development in the Fund and organization consists of three components: economic, environmental and social.</p> | <p>Board of Directors' decision No. 134 of 28.08.2018. The Company's main mission is to improve the living conditions of the people of Kazakhstan by providing quality and affordable housing, as well as to improve the efficiency of construction and project management of the group of companies "Samruk-Kazyna".</p> <p>In the Company's Sustainability Policy, approved by the Board of Directors No. 128 of 07.12.2017. The Company's sustainable development activities consist of three components: economic, environmental and social. The policy also includes the goals and obligations of the Real Estate Fund for the Environment and Occupational Safety.</p> | | |
| 3.3. | <p>Fund and organizations shall analyse their activities and risks in the three aspects, and strive to avoid or reduce the negative impact of their performance on the stakeholders.</p> | <p>The Company conducts an annual analysis of its sustainable development activities. In 2018, this report was approved as part of the 2017 Annual Report by the Board of Directors's decision of April 17, 2018 No.131. The report contains the results of the Society's impact analysis on the main three aspects, and plans to implement a sustainable development system. Sustainability risks are included in the risk register each year, and factors, probability, risk significance and minimization activities are updated.</p> | Complied | |
| 3.4 | <p>Principles in the area of sustainable development are openness, accountability, transparency, ethical conduct, respect for the interests of the parties concerned, legitimacy, respect for human rights, intolerance to corruption, inadmissibility of conflict Interests, a personal example.</p> | <p>The society recognizes and recognizes the basic principles of the UN Global Compact and pledges its commitment to it.</p> <p>These principles are defined in the Sustainable Development Policy, approved by the Board of Directors' decision No. 128 of 07.12.2017.</p> | Complied | |
| 3.5 | <p>Fund and organizations should have a sustainable development management system that includes, but is not limited to, the following elements:</p> | <p>1) The Charter, the Board of Directors Regulation, and the Board Regulation enshrine the competence of the Company's governing bodies in the field of sustainable development.</p> | Partially observed | <p>The formation and monitoring of sustainable development activities is part of the Corporate Governance Improvement</p> |

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| <p>1) adherence to the principles of sustainable development at the level of the Board of Directors, Executive Body and employees;</p> <p>2) analysis of internal and external situation on three components (economy, ecology, social issues);</p> <p>3) identification of risks in the field of sustainable development in social, economic and ecological spheres;</p> <p>4) building a map of interested parties;</p> <p>5) identification of goals and efficiency in the field of sustainable development, development of action plan and identification of responsible persons;</p> <p>6) integration of sustainable development into key processes, including risk management, planning, human resource management, investment, reporting, operational activities and others, as well as development strategies and decision-making processes;</p> <p>7) improvement of skills of officials and employees in the field of sustainable development;</p> <p>8) regular monitoring and evaluation of activities in the field of sustainable development, assessment of achievement of goals and efficiency, adoption of corrective measures, introduction of a culture of constant improvement.</p> | <p>By the decision of the Board of Directors No. 113 of December 7, 2016, the amendments and additions to the Regulation on the Committee on Strategic and Investment Affairs, which includes issues on the sustainable development of the Company, were approved.</p> <p>The Chairman of the Board approved the Order for the Distribution of Functions among the Board members, including the consolidation of functional responsibilities for sustainable development.</p> <p>2) From 2017, the practice of preparing a separate report on sustainable development in accordance with the GRI Guidelines, which includes an analysis of the situation on three components (economy, ecology, social issues) has been introduced.</p> <p>3) Sustainable Development Risks are included in the 2018 Risk Register approved by the Board of Directors on April 17, 2018.</p> <p>4) The Company's stakeholder map has been approved by the Sustainable Development Committee's decision of September 13, 2018.</p> <p>5) The Sustainable Development Goals are set in the Sustainable Development Policy approved by The Board of Directors No. 128 of 07.12.2017. The Sustainable Development Plan is reflected in the Mid-Term Plan for Corporate Governance For 2017-2019, which also enshrines responsible structural units and participants.</p> <p>The requirements for integrating sustainable development into key business processes are included in the Sustainable Development Policy. The principles of sustainable development are integrated into key processes: risk management (risk register contains</p> | | <p>Plan. At the end of 2018, 12 of the 14 planned sustainable development activities were completed. The 2019-2020 Corporate Governance Improvement Plan includes unfulfilled measures as well as recommendations from external auditors, including in the areas of environmental, occupational health and safety (Making changes to the Sustainable Development Policy in accordance with the new Development Strategy and the recommendations of the external auditor in the areas of environment, occupational health and safety).</p> |
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| | | <p>sustainable development risks), planning (sustainability) and human resource management (implementation social policies), investments (implementation of public housing programs to provide affordable housing, green projects), sustainability reporting, in accordance with GRI guidance, operations (creating new jobs at construction sites, etc.), development strategy (strategic efficiency).</p> <p>7) In September 2018, a remote training was held for board members on the topic of "New GRI Standards."</p> | | |
| 3.6 | <p>Fund and companies publish annual reports on sustainable development in order to ensure the clarity and transparency of their activities for stakeholders, taking into account the protection of information constituting official, commercial and other secrets protected by law. Sustainable development reporting is approved by the Board of Directors.</p> | <p>The Sustainability Report is included in the 2017 Annual Report, approved by the Board of Directors of April 17, 2018, No.131 (link to the website: https://fnsk.kz/data/nws/files/rus/fil_1007_1527.pdf) and posted on the website.</p> <p>The Company's internet resource contains a separate section on Sustainable Development, which includes subsections of key aspects of sustainable development.</p> | Complied | |
| 3.7 | <p>Fund and organizations should take steps to adopt and adhere to the principles of sustainable development in their relationships with partners.</p> | <p>1) Company in relations with partners strives to respect the principles of sustainable development. Requirements and principles for interaction with stakeholders are enshrined in the policy on sustainable development.</p> <p>2) Contracts of the Company with the developers provide for the cases of termination, related to the non-targeted use of funds, poor performance of construction works, non-elimination of the identified defects, initiation of criminal proceedings on officials of the developer, etc.</p> | Complied | |

4. Rights of shareholders (participants) and fair treatment of shareholders (participants)

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| 4.1 | <p>Observance of the shareholders (participants) rights is a key condition for attracting investments in the Fund and organization. Organization shall ensure the implementation of the shareholders (participants) rights. If there are several shareholders (participants) in the Organization, fair treatment of each of them should be ensured.</p> | <p>"Samruk-Kazyna" JSC is the Sole shareholder of the Company. Implementation of the shareholder rights is carried out in accordance with the legislation of RK, Charter.</p> | Complied | |
| 4.2 | <p>Rights, duties and competencies of the shareholders (participants) shall be determined in accordance with the legislation in force and the constituent documents. Rights of shareholders (participants) include, but are not limited to, timely receipt of information sufficient for the decision making in the manner established by the legislation of the Republic of Kazakhstan, the Charter and internal documents of the Organization in areas of information disclosure; participation at the general meeting of Shareholders (participants) and voting on issues of competence; participation in the determination of quantitative composition, term of office of the Board of Directors (Supervisory board and Executive Body), election of its members and termination of their powers, as well as determination of the amount and conditions of remuneration payment; receipt of dividends in the amounts and terms determined by the decision of the General Meeting of Shareholders (participants) on the basis of a clear and transparent dividend policy.</p> | <p>The rights, responsibilities and competences of shareholders are enshrined in the Company's Charter. In accordance with the Company's Charter and Disclosure Order, as well as the Fund's internal documents, the shareholder receives the necessary information, including through the annual report, website, information materials, briefings, through inquiries and Etc.</p> <p>The interaction of the Sole Shareholder with the Company is regulated by the Policy on Interaction with the portfolio companies of Samruk-Kazyna.</p> <p>Decisions on issues referred to by the law of the Republic of Kazakhstan and the charter of the Organization to the competence of the general meeting of shareholders are taken by the Sole Shareholder and are subject to written registration.</p> <p>The selection process for independent directors is governed by the Rules for the Selection of Independent Directors of Samruk-Kazyna Companies. The remuneration of independent directors is regulated by the Rules for the Payment of Remuneration and Compensation of the Expenses of Independent Directors of Samruk-Kazyna Companies.</p> <p>The distribution of net profit and dividend payments by companies with more than fifty per cent of the shares</p> | Complied | |

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| | | (shares) of which are owned by the Fund on the right of ownership or trust management, are carried out in accordance with the dividend policy, fund-approved in relation to subsidiaries. | | |
| 4.3 | In case of presence in the organization of several shareholders (participants), including minority shareholders (participants), the system of corporate governance shall ensure fair treatment of all shareholders (participants) and implementation of their rights, which should be enshrined in the Charter of the Organization. | | Not applicable | |
| 5. Performance of the Board of Directors and the Executive Body | | | | |
| 5.1 | Board of Directors is a management body, reporting to the General Meeting of shareholders, providing strategic management of the Organization and control over the activities of the Executive Body. Board of Directors shall ensure the implementation of all provisions of this Code. Executive Body is accountable to the Board of Directors, administers the daily activities of the Organization and ensures its compliance with the strategy, development plan and decisions adopted by the General Meeting of Shareholders and the Board of Directors. | These functions are enshrined in the Charter of the Society. | Complied | |
| 5.2 | Board of Directors shall be vested with sufficient authority to manage the organization and to supervise the activities of the Executive Body. Board of Directors performs its functions according to the Charter and pays special attention to the following issues: 1) definition of development strategy (directions and results); 2) setting and monitoring of key performance indicators of the development plan; 3) organization and supervision of | These functions are enshrined in the Charter of the Company, the Regulation of the Board of Directors and its committees, and are implemented in practice. | Partially observed | During 2018, there were significant deficiencies in the risk management and internal controls (see Principle 6. Risk Management, Internal Control and Audit) |

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| | <p>effective functioning of risk management system and internal control;</p> <p>4) approval and monitoring of effective implementation of major investment projects and other key strategic projects within the competence of the Board of Directors;</p> <p>5) election, remuneration, planning of continuity and supervision over the activities of the head and members of the Executive Body;</p> <p>6) corporate governance and ethics;</p> <p>7) compliance with the provisions of this Code and corporate standards of the Fund in the field of business ethics (Code of Business ethics).</p> | | | |
| 5.3 | <p>Members of the Board of Directors must properly discharge their responsibilities and ensure the growth of long-term value and sustainable development of the Organization. Board of Directors of the organization is accountable to the shareholders. This accountability is realized through the mechanism of the general meeting of shareholders.</p> | <p>This feature is enshrined in the draft changes and additions to the Company's Board of Directors Regulation</p> | Partially observed | <p>The draft amendments and additions to the Board of Directors Regulation were approved by the Company's Board of Directors decision of 27.02.18 No. 130 and submitted for approval by the Sole Shareholder</p> |
| 5.4 | <p>Board of directors and its committees shall be subject to a balance of skills, experience and knowledge, ensuring the adoption of independent, objective and effective decisions in the interests of the Organization and taking into account the fair treatment of all shareholders and the sustainable development principles.</p> | <p>This feature is enshrined in the draft changes and additions to the Company's Board of Directors Regulation</p> | Partially observed | <p>The draft amendments and additions to the SD Regulation were approved by the Company's SD decision of 27.02.18 No. 130 and submitted for approval by the Sole Shareholder</p> |
| 5.5 | <p>Board of Directors should provide a variety of experience, personal characteristics and gender composition. Board of Directors shall be composed of independent directors, sufficient to ensure the</p> | <p>These requirements are enshrined in the Company's SD Regulation. At the end of the reporting period, the Company's SD consisted of three members: Chairman of the Board of Directors, Single Shareholder Representative and Independent Director.</p> | Complied | |

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| | <p>independence of the decisions taken and fair treatment of all shareholders.</p> <p>Recommended number of independent directors in the Board of Directors of the company is up to fifty percent of the total number of the Board of Directors members.</p> | <p>In accordance with the Charter, the Board of Directors consists of no less than three members. In fact, the Board of Directors consists of three members. The SD Regulation states that the size of the Board of Directors is set individually, taking into account the scope of the activity, business needs, current objectives, development strategy and financial opportunities.</p> | | |
| 5.6 | <p>The General meeting of shareholders elects the members of the Board of Directors on the basis of clear and transparent procedures taking into account competencies, skills, achievements, business reputation and professional experience of candidates. In the case of re-election of individual members of the Board of directors or its full composition for a new term, their contribution to the effectiveness of the Board of Directors shall be taken into account.</p> | <p>The procedure for electing board members is regulated in the Rules for the Selection of Independent Directors of Samruk-Kazyna Companies.</p> <p>The Chairman of the Board of Directors is elected by the decision of the Sole Shareholder.</p> <p>In accordance with the decision of the Sole Shareholder of November 8, 2017, No.37/17 has been defined as the quantitative composition of the Board of Directors of the Real Estate Fund - 6 (six) people. By the same decision, independent directors of Nemgirov I.S. and Larionov D.V. were elected to the Board of Directors of the Company.</p> <p>In accordance with the decision of the Sole Shareholder of April 23, 2018, No.13/18 prematurely terminated the powers of chairman of the Board of Directors Munzhassarov Zh.A. from March 16, 2018 on the basis of his application, in accordance with paragraph 4) of Article 55 of the Act "On shareholders' companies." By the same decision, Tutkushev E.B. was elected Chairman of the Board of Directors, and Zhanadil Ye.B. was elected to the Board of Directors as a representative of the interests of the Sole Shareholder.</p> <p>The decision of the Board of Samruk-Kazyna No. 27/18 of September 24, 2018, defined the composition of the Board of Directors in the number of 3 (three) people with a term of 3 (three) years: Chairman of the SD Tutkushev Ye.B., EA Representative Zhanadil Ye.B. and</p> | Partially observed | <p>There is no Senior Independent Director in the Company. At the same time, the Shareholder's decision of September 24, 2018 No. 27/18 the composition of the Board of Directors is determined in the number of 3 members, of which 2 members of the Board of Directors are representatives of the shareholder, 1 member of the Board of Directors - an independent director</p> |

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| | | <p>independent director Larionov D.V.</p> <p>There are no members of the Government or civil servants on the Board of Directors.</p> <p>The term of office of the members of the Board of Directors coincides with the term of the entire Board of Directors and expires at the time of the general meeting of shareholders decision on the election of a new board of Directors.</p> <p>Members of the Board of Directors are elected for up to three years, and then, subject to satisfactory performance, may be re-elected for up to three years.</p> <p>Any term of election to the Board of Directors for more than six consecutive years (e.g. two three-year terms) is subject to special consideration, given the need for a qualitative renewal of the composition of the Board of Directors.</p> <p>An independent director may not be elected to the Board of Directors for more than nine consecutive years. In exceptional cases, elections are allowed for more than nine years, the election of an independent director to the Board of Directors must take place annually with a detailed explanation of the need to elect this member of the Board of Directors and the impact of this factor independence of decision-making.</p> <p>No person should be involved in decisions related to his or her appointment, election and re-election.</p> | | |
| 5.7 | The Board of Directors approves the programme of induction for newly elected members of the Board of Directors and professional development programme for each member of the Board of Directors. The corporate secretary ensures the implementation of these programmes. | The policy of introduction to office was approved by the decision of the Board of Directors of the Company of 29.08.2012 No. 65. In 2016, a program of introduction to office for newly appointed members of the Board of Directors: Mamytaliyev B.D. and Tutkushev Ye.B. was carried out. | Complied | |

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| | | <p>In 2017, a program of introduction to the post for newly appointed members of the Board of Directors was carried out:</p> <p>A.Sh. Zhetpysbay, Larionov D.V., Nemgirov I.S.</p> <p>In 2018, procedures were carried out to familiarize with all internal documents of the Company as part of the program of introduction to office for the newly appointed member of the SD: Zhanadil Ye.B.</p> | | |
| 5.8 | Chairman of the Board of Directors is responsible for the general management of the Board of Directors, ensures full and effective implementation by the Board of Directors of its core functions and creation of a constructive dialogue between the members of the Board of Directors, major Shareholders and the Executive Body. | These requirements are enshrined in the Charter and the Board of Directors Regulations. | Complied | |
| 5.9 | The role and functions of Chairman of the Board of Directors and the head of Executive Body shall be clearly delineated and enshrined in the Charter of the Organization, regulations on the Board of Directors and the Executive Body. | These requirements are enshrined in the Charter and the Board of Directors Regulations. | Complied | |
| 5.10 | The level of remuneration of the Board of Directors members should be sufficient to attract, retain and motivate each member of the Board of Directors at a level that is required for the successful management of the organization Establishment of remuneration for a member of the Board of Directors of the Organization shall be carried out in accordance with the methodology developed by the Fund, and should take into account the expected positive effect on the organization from individual's participation in the | <p>In practice, members of the Board of Directors are appointed by the decision of the Sole Shareholder. Every year, Sole shareholder collects information on the effectiveness of independent directors.</p> <p>The Committee on Appointments and Remuneration of the Board of Directors of the organization makes proposals on the amount of remuneration of candidates for independent directors.</p> <p>No person is involved in decisions related to their own remuneration.</p> | Complied | |

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| | composition Board of Directors. In organizations with several shareholders, the corresponding rules of remuneration of the members of the Board of Directors are developed on the basis of the Fund's methodology and approved by the General meeting of shareholders. Organization Board of Directors Committee on nomination and remuneration makes proposals for the remuneration of independent directors' candidates | These requirements are enshrined in the Rules on the formation of the board of directors of Samruk-Kazyna. | | |
| 5.11 | Committees of the Board of Directors contribute to a deep and thorough consideration of the issues falling within the competence of the Board of Directors and improvement of the quality of decisions, especially in such areas as audit, risk management, proper and effective application of rules for procurement goods, works and services of the Fund and organizations, appointment and remuneration of members of the Board of Directors and Executive Body, sustainable development, including safety and security of work and environment. Existence of committees does not exempt members of the Board of Directors from responsibility for decisions made within the competence of the Board of Directors. | <p>These requirements are enshrined in the Charter and the Board of Directors Regulations. The Board of Directors created:</p> <ol style="list-style-type: none"> 1) Audit Committee; 2) Remuneration and Appointments Committee; 3) Strategic and Investment Committee. <p>In accordance with the committees:</p> <p>Independent directors are chairs.</p> <p>The Audit Committee must consist of at least two members, including an independent director.</p> <p>The Strategic and Investment Committee should generally consist of at least three independent directors.</p> <p>The Nominations and Remuneration Committee must consist of at least two members, including an independent director.</p> | Partially observed | The Committees of the Board of Directors acted until the decision of the Sole Shareholder to reduce the composition of the SD on September 24, 2018, No.27/18 in the number of 3 (three) people. At present, committees are not held because of the lack of a quorum. |
| 5.12 | Preparation and holding of meetings of the Board of Directors should contribute to the maximum impact of its activities. In order to perform their duties, members of the Board of Directors must have access to full, up-to-date and timely information. | <p>These requirements are enshrined in the Board of Directors Regulations.</p> <p>The Board of Directors meets regularly to perform its functions effectively. Board meetings are held in accordance with the work plan approved before the start of the calendar year. Meetings of the Board of Directors</p> | Complied | |

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| | | <p>and its committees are held through face-to-face or absentee voting forms, and the number of absentee-voting sessions is minimized. Decisions on matters of an important and strategic nature are considered and made only at the meetings of the Board of Directors with a face-to-face form of voting. In special cases, both forms of meetings of the Board of Directors and its committees are combined.</p> <p>Meetings of the Board of Directors and its committees are properly recorded by the corporate secretary, with the full results of the discussions and decisions taken.</p> <p>In 2018, the Company held 10 face-to-face meetings of the Board of Directors (meetings No. 129 - 138). A total of 142 issues were considered on key aspects of the Company.</p> | | |
| 5.13 | <p>Board of Directors, committees and members of the Board of Directors shall be assessed on an annual basis within the framework of a structured process approved by the Board of Directors of the Organization. This process shall be consistent with the Fund's methodology. Assessment is carried out with involvement of independent professional organization at least once per three years.</p> | <p>The Company observes the process of evaluating the effectiveness of the Board of Directors.</p> <p>The decision of the Board of the Sole Shareholder of 14.12.2017. No44/17 approved Methodical Recommendations for Evaluation of the Board of Directors and its Committees, Chairman, Board members and Corporate Secretary of Samruk-Kazyna Organizations, developed in accordance with the Code corporate governance. In accordance with the Sole Shareholder's instructions, the evaluation process for boards, committees and board members of organizations must be in line with these Guidelines.</p> <p>In this regard, the decision of the Board of Directors of February 27, 2018. No.130 has been approved by the Assessment Policy of the Board of Directors and its committees, chairman, board members and Corporate Secretary of Real Estate Fund Samruk-Kazyna.</p> <p>In accordance with this Policy, in the first quarter of</p> | Complied | |

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| | | <p>2018, an assessment of the Board of Directors, the Board of Directors Committees for 2017, was carried out, as a result of which the Board of Directors Assessment Report and its committees were formed and heard at the Board of Directors meeting of April 17, 2018 No.131.</p> <p>The evaluation, involving an independent professional organization by the decision of the Sole Shareholder, was carried out in the second quarter of 2018 between January 2017 and March 31, 2018, which resulted in the formation and approval of the Plan for improving the corporate governance system for 2019-2020 by the Board of Directors decision of March 5, 2019 No.140.</p> | | |
| 5.14 | <p>Assessment should enable the Board of Directors and each of its members to contribute to the growth of long-term value and sustainable development of the Organization, as well as to identify directions and recommend measures for improvement. The assessment results are taken into account in the Board members re-election or early termination of their powers.</p> | <p>Provisions that the results of the evaluation are taken into account when re-election or early termination of the powers of the members of the Board of Directors are enshrined in the Policy of Evaluation of the Board of Directors and its Committees, Chairman, Members of the Board Directors and Corporate Secretary of the Real Estate Fund Samruk-Kazyna.</p> | Complied | |
| 5.15 | <p>In order to effectively organize the activities of the Board of Directors and the interaction of the Board of Directors, the Executive Body with shareholders, the Board of Directors appoints Corporate Secretary.</p> | <p>These requirements are enshrined in the Charter, the Board of Directors Regulation, the Corporate Secretary Regulation.</p> <p>The Corporate Secretary is accountable to the Board of Directors and independent of the company's executive body.</p> <p>The main responsibilities of the Corporate Secretary include assisting in timely and high-quality corporate decision-making on the part of the Board of Directors, the sole shareholder, and the role of advisor to board members for all issues of their activities and the application of the Code, as well as monitoring the</p> | Complied | |

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| | | <p>implementation of this Code and participating in the improvement of corporate governance in the Fund and organizations.</p> <p>The Corporate Secretary is also preparing a report on compliance with the principles and provisions of this Code, which is included in the Company's annual report.</p> | | |
| 5.16 | <p>The collegial Executive Body is created In the companies, in other organizations, and also in case of creation of the joint venture company it can be collegial or sole at the discretion of shareholders (participants). The head and members of the Executive Body must possess high professional and personal characteristics, as well as have impeccable business reputation and adhere to high ethical standards.</p> | <p>1) According to paragraph 39 of the Company's Charter, the company's executive body, the Board, is responsible for the current activities.</p> <p>2) The list of criteria for evaluating candidates for the Board of Directors of the Company (the decision of the SD of May 24, 2016 Minutes No. 103) has been approved for the evaluation and approval of candidates for the position of board members by the Board of Appointments and Remuneration Committees.</p> | Complied | |
| 5.17 | <p>Executive Body is accountable to the Board of Directors and manages the daily activities of the Organization, is responsible for the implementation of the Strategy, development plan and decisions adopted by the Board of Directors and the General meeting of shareholders.</p> | <p>These requirements are enshrined in the Charter of the Society.</p> | Complied | |
| 5.18 | <p>Board of Directors elects the head and members of the Executive Body, determines the terms of office, the size of the official salary, conditions of payment for their work.</p> <p>Board of Directors Committee for nomination and remuneration plays a key role in the process of</p> | <p>Requirements for the board's election of the Board of Directors are enshrined in the Company's Charter, with the exception of the Chairman of the Board.</p> <p>The Board of Directors may terminate the powers of the executive members at any time, with the exception of the Chairman of the Board.</p> <p>Members of the organization's executive body are elected for a three-year term. The terms of office of the members</p> | Partially observed | <p>The Company does not have an Executive Succession Plan that has a clear understanding of the strengths and development areas of each candidate; methods and scale of evaluation of</p> |

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| | search and selection of candidates to the executive body composition, determining remuneration of organizations Board of Directors. | of the executive body coincide with the term of the executive body as a whole. | | candidates. |
| 5.19 | Candidacy for the position of the first head of the company shall be agreed with the President or administration of the President of the Republic of Kazakhstan in case of inclusion in the corresponding list approved by the decree of the President of Kazakhstan | | Not applicable | |
| 5.20 | Head and members of Executive body are assessed by the Board of Directors. The main assessment criterion is the KPI achievement. | This requirement is enshrined in the Charter of the Society. Motivational KPI for the Head and members of the Company's Board may be submitted for approval by the Board of Directors in accordance with the Rules for the Evaluation of the Company's Executives at the same time as the Business Plan for the planned period, but not March 31 of the reporting year. | Partially observed | The Company's 2018 KPIs were approved by the Board of Directors decision of April 17, 2018. The Corporate Governance Improvement Plan requires approval of KPIs before the start of the financial year. |
| 5.21 | Cases of Code of Business ethics violation by members of the Executive Body shall be brought by the head of the Executive Body to the attention of the Board of Directors. A member of the Executive Body violating of the Code of business ethics may not be a member of the Executive Body of any other organization. | In accordance with the Code of Conduct (Board of Directors decision of 10.12.2018 No.138), previously the Code of Business Ethics (Board of Directors decisions of 21.04.2010 No. 26, amendments and additions from 11.04.2011 No44 and 15.04.2014 No. 81) on violations by the Board of Directors. Report to the Compliance Comptroller, the Ombudsman and the Board of Directors. | Complied | |
| 5.22 | In the event of corporate conflicts, participants seek ways to resolve them through negotiations in order to ensure effective protection of the interests of the Organization and interested parties. Corporate conflicts with the assistance of the Corporate Secretary are considered by the Chairman of the Board of Directors. If the Chairman of the Board of | This provision is enshrined in the draft amendments and additions to the Company's Board of Directors Regulation | Partially observed | The draft amendments and additions to the Board of Directors Regulation were approved by the Company's Board of Directors decision of 27.02.18 No. 130 and submitted for approval by |

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| | Directors is involved in a corporate conflict, such cases shall be considered by the nomination and remuneration committee. | | | the Sole Shareholder |
| 6. Risk management; internal control and audit | | | | |
| 6.1 | <p>A well-functioning risk management and internal control system should be established in the Fund and organizations, aimed at ensuring reasonable confidence in the Fund and organizations achieving their strategic and operational goals, and constituting a set of organizational policies, procedures, norms of conduct and actions, methods and mechanisms of management, created by the Board of directors and the Executive Body of the Fund and organizations to ensure:</p> <ul style="list-style-type: none"> - optimal balance between the growth of organization's value, profitability and their accompanying risks; - efficiency of financial and economic activity and achievement of financial stability of the company; - preservation of assets and efficient use of the company's resources; - completeness and reliability of financial and management reporting; - compliance with the requirements of the legislation of the Republic of Kazakhstan and internal documents; - proper internal control to prevent fraud and ensure effective support for the operation of core and auxiliary business processes and performance analysis. | <p>Risk management and internal control in the Company are consolidated through the introduction of the Corporate Risk Management System (CSU) at all levels of the Company.</p> <p>The structure of the Risk Management System in the Company is represented by risk management at several levels, involving the following bodies and divisions of the Company: The Board of Directors, the Board, the Risk Management Committee, the structural unit, Responsible for Risk Management, Internal Audit Service, Compliance Controller, other structural units.</p> <p>The Company's Board of Directors has approved documents defining principles and approaches to the organization of an effective risk management and internal control system, demonstrating the company's commitment to best practices in risk management and internal control. The Risk Management Policy approved by the Board of Directors is developed in accordance with the Company's Concept Corporate Risk Management (CSUR) and Sole Shareholder's Methodology.</p> <p>The Board's decision of 07.03.2018 amended the Regulation on Risk Management and Internal Control to include the provision of internal control system reports (the ICS) in the unit's function.</p> <p>The Company oversees the implementation of the risk management system in its subsidiaries, provides methodological, advisory support, and coordinates the development and improvement of the CSUR in the Company.</p> | Partially observed | <p>As part of the diagnosis of corporate governance by an external consultant in 2018, recommendations were made to update internal regulations on their relevance due to the revision of the Company's Development Strategy, changes in organizational structure of the Company, the approval of the register in parallel with the company's plans.</p> <p>The Internal Audit Service conducted an assessment of the CSUR for 2018, which amounted to 67.26% (for 2017 70.29%). The assessment identified inconsistencies and made recommendations. The report on the assessment of the CSUR and the ICS was heard at the Board of Directors meeting of March 5, 2019.</p> |

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| | | <p>According to the Company's Risk Management Policy, the effectiveness of the risk management system is evaluated on an annual basis. The IAS evaluates the effectiveness of the risk management system in accordance with the Corporate Risk Management Assessment Methodology. In addition, the effectiveness of the CSUR by an independent company is evaluated once every three years.</p> | | |
| 6.2 | <p>Board of Directors of the Fund and organizations shall define the principles and approaches to the organization of the risk management system and internal control, based on the objectives of the system and taking into account the best practices and methodology of the Fund in the field of risk management and internal control.</p> | <p>The Company's Board of Directors has approved the following documents defining principles and approaches to the organization of an effective risk management and internal control system, demonstrating the company's commitment to best practices in the field Risk management and internal controls:</p> <p>Risk Management Policy (Board of Directors' Minutes No.85 No.01.10.2014).</p> <p>Rules for identification and risk assessment (Board of Directors' Minutes No.92 of May 20, 2015).</p> <p>Liquidity Risk Management Rules (Board of Directors' Minutes No.13 of 19.10.2009).</p> <p>- Regulation on the internal control system (Board of Directors' Minutes No.124 of 24.08.2017).</p> <p>The Board of Directors decision of December 7, 2017, No. 128, approved the overall risk appetite, tolerance levels for key risks and the Company's key risk indicators for 2018.</p> <p>The Company identifies and assesses risks on an annual basis, and a risk register and a risk map is compiled on the basis of identification and risk assessment. At the same time, the risk register and map may be revised or supplemented within a year as information becomes available on the risks provided by the Company's structural units in identifying new or changing the status of existing risks, including due to changes in the domestic and external markets.</p> | Partially observed | <p>By the decision of the Board of Directors of 07.12.2017, the Risk Register for 2018 was sent for refinement due to the approval of the Board of Directors' decision of 09.11.2017 of the new Company Development Strategy for 2017-2028. The 2018 Risk Register was approved on April 17, 2018. At the same time, the Board of Directors was instructed to update the register and risk map due to the change in the organizational structure and the actualization of the Development Strategy in 2018. The development strategy was approved on 28.08.2018. However, due to the planned development and approval of the risk register and risk map for 2019, the issue of relevance of the adjustment of the risk register for 2018 has been</p> |

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| | | | | revised. |
| 6.3 | Executive bodies of the Fund and organizations should ensure the establishment and maintenance of an effective risk management and internal control system. Risk management process shall be integrated with planning processes (strategy and development plans, annual budget) and evaluation of the Organization's performance (managerial reporting). | <p>The Risk Management Policy identifies the functions of bodies and divisions.</p> <p>Risk management processes are integrated with planning processes (development strategy and plans, annual budget). The Company's objectives are determined at a strategic level and establish the basis for the development of operational goals. The process of developing strategic plans, which includes identifying and analysing risks that could influence the achievement of strategic objectives.</p> <p>In order to ensure horizontal communication and effective implementation of the CSUR, the Risk Management Committee, which is an advisory body to the Board of the Company, develops proposals for management Risk.</p> <p>Risk information is provided to the Board of Directors as part of the quarterly risk management report and to the Executive as part of the quarterly Risk Management Report and the Monthly Key Risk Monitoring Report.</p> | Partially observed | <p>The risk management process is not fully integrated with the organization's performance evaluation processes.</p> <p>The company plans to hold measures to implement this approach in the company.</p> <p>In 2018, there were cases of late receipt of information by the Board of Directors of the Company about significant changes in risks, as well as reports on risks.</p> <p>Risk reports for 2018 were submitted to the Board of Directors with a delay: Risk Report for 2017, for the first quarter of 2018 reviewed on Board of Directors of September 11, 2018 No.135.</p> |
| 6.4 | Risk management and internal control system of the Fund and organizations should be based on the high risk management culture carried out by the Executive Body, which requires the identification, evaluation and monitoring procedures of all significant risks, as well as the adoption of timely and adequate measures to reduce the level of risks that can adversely affect the achievement of strategic goals, implementation of operational objectives and reputation of the company. | <p>The Company's activities are aimed at creating an internal environment that enhances employees' understanding of risks and increases their responsibility for risk management.</p> <p>After the change in the organizational structure of the Company, when the structural units Regulations are updated, the functions of structural units are supplemented by the function of risk management and internal control within the framework of owning business processes.</p> | Complied | |

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| | | The executive board's KPIs includes an assessment of the implementation of the Risk Minimization Plan. | | |
| 6.5 | The Fund and organizations shall develop, approve, formalize and document control procedures in three key areas: operating activity, preparation of financial statements and compliance with the requirements of the legislation of the Republic of Kazakhstan and internal documents. | <p>The Company has a map of business processes, within the framework of operating activities, separate structural units. Within these maps, the main business processes and control points on operational processes are fully spelled out. There are also rules for the selection and consideration of housing projects, rules for the development and consideration of investment projects.</p> <p>In terms of financial statements, there is the Corporate Regulation for the preparation of consolidated financial statements and regulations of the accounting department.</p> <p>In terms of compliance with the requirements of the legislation of the Republic of Kazakhstan and internal documents, there is a procedure of the Company, where all the main business processes of the Company's work are written.</p> | Partially observed | The Internal Audit Service's assessment of the Internal Control System at the end of 2018 recommended that new business processes had emerged as a result of the organizational structure change, where several structural processes were interacting with units are not fully in control. |
| 6.6 | Fund and organizations should introduce transparent principles and approaches in the field of risk management and internal control, the practice of training employees and officials on the risk management system, as well as the process of identification, documentation and timely delivery of the necessary information to the attention of officials. | <p>The Company has approved internal documents regulating the sphere of risk management, based on transparent principles and approaches, in accordance with the model documents of the Sole Shareholder. In order to maintain and increase the risk culture, training is provided to familiarize new employees and periodically familiarize all employees of the Company (at least on an annual basis) with the current CSUR.</p> <p>As part of the Corporate Governance Improvement Plan for 2017-2019, the structural unit responsible for risk management conducted risk management training for the Company's employees in June 2018, in December 2018. In 2018, an introductory risk training was held for the company's newly accepted employees.</p> | Partially observed | In the course of the diagnosis of corporate governance by an independent consultant, as well as an assessment of the corporate risk management system by the Internal Audit Service, inconsistencies were found, including the lack of training and employee information. Internal Control System of the Company to enhance understanding of the roles and responsibilities of risk coordinators, risk holders and risk management and internal controls in risk management among the Company's employees. Information sessions were |

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| | | | | not held for risk holders and project managers to report business incidents and lessons learned. Due to changes in the Company's Development Strategy and structure, risk holders and three project managers, training information sessions were postponed to the 1st quarter of 2019. |
| 6.7 | Board of Directors of the Fund and the organizations should take appropriate measures to ensure that the existing risk management and internal control system complies with the principles and approaches of the Board of Directors for its Organization and is functioning effectively. Risk reports should be taken to meetings of the Board of Directors at least once a quarter and be properly discussed in full. | <p>The Company operates a Methodology for assessing the corporate risk management system (the "Method" (Board Of Directors Protocol No.68 of 22.11.2012), as well as the Internal Control System Assessment Methodology (Board Of Directors Protocol No.68 of 22.11.2012).</p> <p>The method of assessing the internal control system establishes the main approaches to assessing the effectiveness of the internal control system. This assessment includes an analysis and evaluation of the factors that affect the effectiveness of the internal control system in each of its five components: 1) Control Environment; 2) Risk assessment; 3) Control procedures; 4) Information and transmission; 5) Monitoring.</p> <p>The corporate risk management assessment methodology sets out key approaches to assessing the effectiveness of a corporate risk management system. This assessment includes an analysis and evaluation of the factors that affect the effectiveness of the risk management system in each of its five components: 1) the organization of risk management processes; 2) Identifying risks; 3) risk assessment; 4) Risk management; 5) Monitoring.</p> | Partially observed | Risk reports for 2018 have been submitted to the Board of Directors with a delay: Risk Report for 2017 and for the first quarter of 2018 reviewed by the Board of Directors of September 11, 2018 No.135. |
| 6.8 | Fund and organizations should establish the IAS for a systematic independent assessment of the reliability and effectiveness of the risk management system and internal control and corporate governance practices. | <p>This requirement is enshrined in the Charter, the Company's IAS Regulation.</p> <p>The IAS was created by the decision of the Board of Directors (Minutes No.9 of September 14, 2009).</p> | Complied | |
| 6.9 | Internal audit in the Fund and organizations | The Company's Board of Directors approved the | Complied | |

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| | <p>should be carried out by means of creation of separate structural Subdivision – IAS (in organizations in the form of limited liability partnerships the functions of internal audit should be assigned to Audit Committee/Auditor, functionally accountable to the supervisory board; in this case, purposes, functions and tasks of the Audit Commission/Auditor, procedure of its interaction with the bodies of the Organization shall be established taking into account the principles set forth in this code in relation to the Internal Audit Service). Objectives, powers and responsibilities of IAS, qualification requirements (requirements to the professionalism of the internal auditors) should be defined in the internal document of the company (Regulation on IAS). Regulation on IAS should be developed and approved taking into account the requirements of the international professional standards of internal audit and corporate standards of the Fund in the field of internal audit.</p> | <p>Regulation on the IAS in the new edition (The Minutes of the Board of Directors No.132 of May 17, 2018), enshrining the order of work, tasks, functions, rights, qualifications and responsibilities of the IAS, as well as the interaction of the IAS with Board of the Company. The activities of the IAS are overseen by the Audit Committee (further - AC), in accordance with the Regulation on the Committee on Audit (Minutes No.57 of 29.12.2011, with additions of 29.08.2012 Minutes No.65, with changes and additions from 30.12.2015, with additions of Minutes No.96, with changes and additions from 30.12.2015, with changes from 30.12.2015, with changes from 30.12.2015, with changes from 30.12.2015, with changes with changes and additions from 30.12.2015, with changes to the Minutes No.96, with changes with changes and additions from 30.12.2015, with changes from 30.12.2015. and an addition from 3.11.2016. Minutes No.111, with an addition of 29.12.2016 Minutes No.114), pre-approving the reports of the IAS, etc. issues of activity, after which the Board of Directors reviews and approves them. Functionally, the IAS is subject to the Company's Board of Directors.</p> | | |
| 6.10 | <p>To ensure the independence and objectivity of the internal audit, IAS must be organizationally subordinated and functionally accountable to the Board of Directors. Board of Directors makes decisions on approval of plans and strategy of activities of IAS, budget of IAS, determines the quantitative composition, size and conditions of remuneration and bonuses of employees of IAS.</p> | <p>In accordance with the Internal Audit Service Regulation, it is directly subordinated to the Board of Directors and provides an activity report to the Board of Directors, pre-examined by the Audit Committee.</p> <p>The Company's Board of Directors approves the plans for the work of the IAS and this statement is not formal.</p> <p>The Company's Board of Directors approves the appointment of the head and employees of the IAS, as well as approves the structure and amount of remuneration of the head and employees of the IAS (as part of the review of the performance of the quarterly efficiency of the IAS and its manager).</p> <p>The budget of the IAS is considered at the meeting of the Audit Committee with further approval at the meeting of the Company's Board of Directors.</p> | Complied | |

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| | | <p>The Board of Directors determines the size, size and conditions of pay and remuneration of IAS employees.</p> <p>Strategic plan for the development of the IAS for 2017-2019. approved at a meeting of the Board of Directors (Minutes No.116 of February 16, 2017).</p> | | |
| 6.11 | <p>The head of IAS in the organizations should develop internal documents regulating the activities of the unit, based on the corporate standards of the Fund in the field of internal audit and ensure their consideration and approval by the Audit Committee and Board of Directors.</p> | <p>Internal documents regulating the activities of the Company's IAS are developed by the Head of the SVA in accordance with the Fund's corporate standards and approved by the Board of Directors after a preliminary review by the Audit Committee. So, approved:</p> <ol style="list-style-type: none"> 1) The provision on the IAS in the new edition (Minutes No.132 of May 17, 2018); 2) Rules on the organization of internal audit in the Company (Minutes No.116 of February 16, 2017); 3) Methodology for evaluating the performance of the Internal Audit Service and its manager (Minutes No.66 of September 24, 2012); 4) Methodology for assessing the effectiveness of the corporate risk management system (Minutes No.68 of 22.11.2012); 5) The methodology for assessing the effectiveness of the internal control system (Minutes No.68 of 22.11.2012) | Complied | |
| 6.12 | <p>IAS carries out its activity on the basis of the risk-oriented annual audit plan approved by the Board of Directors. Results of audit reports and key discoveries are submitted to the Board of Directors on a quarterly basis.</p> | <p>When planning the Annual Audit Plan, the IAS takes into account the Company's risk maps, the wishes of Board of Directors members, the comments of the Company's management, and conducts its own risk analysis.</p> <p>The IAS makes quarterly reports on audits to the Board of Directors.</p> | Complied | |
| 6.13 | <p>In carrying out its activity, IAS should assess the effectiveness of internal control and risk management systems, assess corporate governance with the application of generally accepted standards of activity in the field of internal audit and corporate standards and recommendations of the Fund in the area of corporate governance evaluation, evaluation of the effectiveness of internal control and risk</p> | <p>In 2018, the corporate governance assessment was conducted by pricewaterhouseCoopers, an independent company, which resulted in the Company being given a B rating corresponding to the maturity level of Medium.</p> <p>The Internal Audit Service conducted an assessment of the Internal Control System and the Corporate Risk Management System in 2018 on the basis of approved practices.</p> | Complied | |

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| | management system. | | | |
| 6.14 | Head of the IAS should develop and maintain a guarantee and quality improvement programme covering all activities of the internal audit and providing for the mandatory internal and external evaluation of the IAS activities. | <p>The Internal Audit Service's independent external assessment was conducted by Dostyk Advisory, an external consultant, in 2016.</p> <p>Evaluation of the effectiveness of the IAS, its manager and employees is carried out by the Board of Directors on the basis of review of the IAS reports quarterly. This is followed by an assessment of the achievement of the quarterly efficiency of the IAS and its Chief Executive, "The number of comments from the Audit Committee, the Company's Board of Directors to the quarterly and annual reports of the IAS."</p> <p>The main criteria and requirements for the Internal Audit Service Guarantee and Improvement Program have been approved by the Head of the Internal Audit Service on 15.06.2017.</p> | Complied | |
| 7. Transparency | | | | |
| 7.1 | In order to meet the interests of interested parties, the Fund and the organizations shall provide timely and reliable information on all important aspects of their activities, including financial status, performance, ownership structure and control. | Disclosure of the Company is carried out in accordance with the law of the Republic of Kazakhstan, the Company's internal documents, including the Disclosure Policy approved by the Company's Board of Directors of November 3, 2016, No. 111 and the Disclosure Order approved by the Company's Board of Directors of 29.08.2017 No. 47/2017. | Partially observed | The annual report for 2017 was approved by the decision of Board of Directors No.131 of April 17, 2018. At the same time, the Company's Annual Report for 2017 is published on the Company's online resource in September 2018, that is, later than required by the Code, due to the approval of the Company's Annual Audited Reporting by the decision of the Sole Shareholder September 3, 2018. |
| 7.2 | Fund and organizations disclose information under the legislation of the Republic of Kazakhstan and | Disclosure of the Company is carried out in accordance with the law of the Republic of Kazakhstan, the | Complied | |

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| | <p>internal documents in a timely manner Fund and organizations shall adopt internal documents defining principles and approaches to disclosure and protection of information, as well as a list of information to be disclosed to interested parties. Fund and organizations shall determine the manner of attribution of information to access categories, conditions of storage and use of information, including the range of individuals entitled to free access to information, comprising commercial and official secrets and takes measures to protect its confidentiality.</p> | <p>Company's internal documents, including the Disclosure Policy approved by the Company's Board of Directors of November 3, 2016, No. 111 and the Disclosure Order approved by the Company's Board of Directors of 29.08.2017 No. 47/2017.</p> | | |
| 7.3 | <p>Fund, company and organizations, shares or bonds of which are traded on the stock exchange, should promptly place audited annual financial statements on their Internet resource prepared in accordance with the international standards Financial statements (hereinafter – IFRS), as well as financial statements prepared in accordance with IFRS for the first quarter, for the half-year and for the first nine months of the reporting period. In addition to the main forms of financial reporting, it is recommended to disclose additional information on the financial status of the Fund, companies and organizations whose shares or bonds are traded on the stock exchange.</p> | <p>In accordance with the terms of the Code of Corporate Governance, the Company on a quarterly basis conducts the posting of consolidated financial statements on the Internet resource within 60 days of the end of the reporting period. Annual audited financial statements must be posted within 120 days of the end of the reporting period. In addition, financial statements are posted on the Internet resource after receiving the statement of the decision to approve the annual financial statements of the Sole Shareholder.</p> | Partially observed | <p>The annual audited financial statements for 2017 were posted on the Company's online resource in September 2018 due to its approval by the Sole Shareholder on September 3, 2018.</p> |
| 7.4 | <p>Fund and organizations should conduct an annual audit of financial statements through the involvement of an independent and qualified auditor who, as a third party, provides an objective opinion to the parties concerned about the veracity of financial statements and its compliance with IFRS requirements. Rules in the part of the annual audit shall be applied if the audit of annual financial statements is provided by the legislation of the Republic of Kazakhstan and/or internal documents of the organization.</p> | <p>The Company conducts an annual audit of consolidated financial statements by engaging an independent and qualified auditor. The contract was signed on February 28, 2016.</p> <p>The choice of an external auditor is made on the basis of an open competition in accordance with the Rules for the choice of an audit organization for Samruk-Kazyna and organizations that vote more than fifty percent of voting shares (shares of participation) of which are directly or indirectly Samruk- Kazyna is owned by Samruk-Kazyna on the right of ownership or trust management approved by the Board of Samruk-Kazyna Board No. 46/16 of 27.12.16.</p> | Complied | |

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| | | <p>The Chairman of the Board of Directors and the independent director are members of the competition commission.</p> <p>Information about the external auditor is disclosed on the website as well as in the Annual Report.</p> | | |
| 7.5 | <p>Fund, companies and organizations, whose shares are traded on the stock exchange, shall prepare an annual report in accordance with the provisions of this Code and the best practice of disclosing information. Annual report is approved by the Board of Directors.</p> | <p>The Company prepares an annual report for a wide range of stakeholders on an annual basis. The Company's annual report is formed in accordance with the Schedule approved by the Chairman of the Company's Board, which determines the term, order and responsibility of the structural units for the preparation and presentation of information in the annual report, the procedure for its approval and approval.</p> <p>In accordance with the Company's Charter, the Annual Report is approved by the Board of Directors. The annual report for 2017 was approved by the decision of Board of Directors No.131 of April 17, 2018 and is published on the Company's website.</p> <p>The annual report is published in public, Russian and English.</p> | Partially observed | <p>At the same time, the Company's Annual Report for 2017 is published on the Company's online resource in September 2018, that is, later than required by the Code due to the approval of the Company's Annual Audit Report on the results of 2017 by the decision of the Sole Shareholder 3 September 2018.</p> <p>The Company will also take measures to improve the quality of the annual report in accordance with the recommendations of external consultants as part of the Plan to Improve corporate governance for 2019-2020.</p> |
| 7.6 | <p>The Internet resource should be well structured, convenient for navigation and contain the information necessary for interested persons to understand activity of Fund and organizations.</p> | <ol style="list-style-type: none"> 1) The Company's website contains a significant amount of the information provided by best practice. Key information is posted in Kazakh, Russian and English. 2) The internet resource is updated on a regular basis as needed. 3) All events and significant corporate events of the Company are accompanied by the issuance of press releases. 4) Disclosure on the Company's website is carried out in accordance with the law of the Republic of Kazakhstan, | Partially observed | <p>As a result of the corporate governance diagnostics conducted in 2018, an external consultant was provided with recommendations to improve the company's Internet resource, including the evaluation of the quality of the</p> |

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| | | <p>the Company's internal documents, including the Disclosure Policy approved by the Company's Board of Directors of 3 November 2016, No. 111 and disclosure order approved by the Company's Board of Directors of 29.08.2017. No47/2017.</p> | <p>company's website, the appointment of a person, responsible for the timely publication of information to be disclosed. These measures are reflected in the Plan to Improve Corporate Governance for 2019-2020, approved by the Company's Board of Directors of March 5, 2019 No.140.</p> |
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List of abbreviations:

AR - Annual Report

ISO - Independent Subsidiary

Organizations

IAS – Internal Audit Service

BD - Board of Directors

CIW - construction and installation works

CRMS – Corporate Risk Management System

Fund/Sole shareholder/SS - "Samruk-Kazyna" JSC

Real Estate Fund/REF/Company - "Samruk-Kazyna" Real Estate Fund

JSC

IAS – Internal Audit Service

BD - Board of Directors

CIW - construction and installation works

CRMS – Corporate Risk Management System

Fund/Sole shareholder/SS - "Samruk-Kazyna" JSC

/Company - "Samruk-Kazyna Construction"

JSC