



**Approved**  
**by Samruk- Kazyna Real Estate Fund JSC**  
**Board of Directors Resolution No 82**  
**Dated May, 23 2014**

## **2013 Corporate Governance Principles Compliance Report** **Samruk-Kazyna Real Estate Fund JSC**

This report contains information on compliance with the principles attached to the Corporate Governance Code of Samruk-Kazyna Real Estate Fund JSC (hereinafter - the Company).

### **1. Principle of rights and interests protection of the Sole Shareholder (observed).**

In accordance with this principle, the enforcement of rights by the Sole Shareholder is being provided within the acceptance of key decisions by corporate governance, as well as reliable information on the results of financial and economic activities of the Company in accordance with the current Legislation of the Republic of Kazakhstan , the Charter , the Company's internal regulations; after the approval of the distribution order of net income and the decision to pay dividends in a timely manner, full dividends are being paid; according to the approved package statements , provides a Sole Shareholder by promptly sent management and financial reporting; provides additional information about the plans, achievements , problems, activities, and analyzes and studies of other organizations on the Community activities, based on the annual letters on Shareholder's expectations and measures are being taken to meet the expectations of shareholders.

### **2. Principle on effective governance of the Company's Board of Directors and Management Board (observed).**

The Board of Directors activity is regulated by the Charter, Corporate Governance Code, the Regulations for Board of Directors.

Company Charter defined the criteria for BD members, as well as for the independent directors of the Company (claim No 33). Furthermore, the requirements for Board members are defined by Law of RK On Joint Stock Companies and the Rules on independent directors selection for Samruk-Kazyna JSC.

The Board of Directors of the Company determined by the resolution of the Samruk -Kazyna JSC Management Board dated May 29, 2012. By decision of Samruk-Kazyna Management Board dated November 12, 2013 the powers of Directors Board Member Zhaksybayev B.K. were prematurely terminated in accordance with his statement.

The effectiveness of the Samruk –Kazyna Real Estate Fund JSC Board of Directors, Committees and each member were assessed by means of questionnaires and interviews.

In accordance with the Policy on improvement of the Director Boards Members skills and external experts attraction (resolution No 65 dated August 29, 2012) the training seminars for Directors Board Members were conducted.

Regulations for the Board of Directors (Samruk -Kazyna LLP order No 3-p dated January 14, 2010, decision of the Directors Board No 10 dated September 23, 2009) provides the procedure for determining the BD's agenda, a procedure for convening meetings of the BD, decision-making procedures, address of sessions minutes, as well as the responsibility of Directors Board Members.

In order to detail and to divide the powers between the Bodies of the Company, to improve corporate governance, the Board of Directors approved amendments to the following regulations:

- The Regulation on the Management Board of Samruk-Kazyna Real Estate Fund JSC;
- The Regulation on the Corporate Secretary of Samruk-Kazyna Real Estate Fund JSC;
- The Regulation on Internal Audit Service of Samruk-Kazyna Real Estate Fund JSC;
- Evaluation Policy for Samruk-Kazyna JSC Directors Board;
- Risk Management Policy for Samruk-Kazyna Real Estate Fund JSC ;
- Policy on Identification and Assessment of the Risks for Samruk-Kazyna JSC;
- The Regulations on Commercial or Other Secrets of Samruk-Kazyna JSC protected by Law.

Moreover, the distribution of powers between Directors Board and Management Board of Samruk -Kazyna REF JSC were determined concerning SK Development LLP.

Audit, Nominations and Remunerations are operated by BD Committees. According to the best international experience, independent directors were elected by Chairmen of BD Committees.

In 2013, according to the Board of Directors Plan 10 meetings of the Board of Directors were held, 9 of which are full-time and one is a part-time and 143 issues ( in 2012 were 12 meetings , discussed the issue 121 ) were considered. According to results of meetings were taken 268 decisions and 42 orders were directed to: the Management Board – 33, IAS - 5, KS - 4. 33 orders were executed completely, 7 orders were executed partially or being executed, execution of 2 orders was suspended due to the entry into force of the Adjustments to the Law on Equity Participation.

In 2013, the Board of Directors reviewed and approved the following issues:

1) formation of SK Development limited liability partnership with the absolute participation of Samruk-Kazyna REF JSC in its authorized capital. The basic directions of SK Development activity defined as follows:

development of housing through green technologies ;  
investment in the construction of infrastructure projects of Kazakhstan and abroad;  
development of industrial zones and business parks;  
involvement of institutional and private investors;

2) The annual financial statements of Samruk-Kazyna REF JSC for 2012;

3) Key Performance Cards of leadership and management employees of Samruk-Kazyna Real Estate Fund JSC with factual data for 2012;

4) Key Performance Cards of supervisory and managerial employees of Samruk-Kazyna REF JSC in 2013;

5) Rules on selection and consideration of Samruk-Kazyna REF JSC housing projects in the updated version;

6) approved the rules for the implementation of residential and commercial (non-residential ) premises of Samruk -Kazyna REF JSC;

7) Plan on improvement of corporate governance in Samruk-Kazyna REF JSC.

Board of Directors Members, except for independent directors, operates in a free of charge base. Procedure of remuneration and (or) reimbursement of expenses to the independent directors is governed by the Rules of remuneration and reimbursement of expenses of Samruk-Kazyna Independent Directors. Remuneration consists of fixed remuneration for performing duties of Directors Boar Member, which payments are made in cash semiannually proportionate to the period of the Director operation in the relevant half of the calendar year, and an additional fee for participation in in-person meetings of Directors Board Committees, which shall be paid within one month following the date when the in-person meeting was held.

Independent Director is reimbursed for expenses associated with departure for the Board of Directors meeting (travel, accommodation, per diem expenses) that is held far outside of the habitation of an independent director. Remuneration of independent directors is disclosed in the annual reports.

Internal Audit Service (IAS) annually assesses the corporate governance system of Real Estate Fund in accordance with the Methodology for diagnosis of corporate governance in the Samruk –Kazyna Group of Companies.

Following the evaluation results in 2013, the corporate governance rating came to 67.9 %, which is above the level of 2012 by 10.1 percentage points. In 2013, the IAS has carried out 12 planned audits, including :

evaluation of use of the Company's resources, compliance with established procurement procedures;

assessment of the reliability and effectiveness of internal controls, including risk management system;

evaluation of the Corporate Governance System effectiveness;

Evaluation of trust agreements performance;

analysis of calculation of penal sanctions for builders;

evaluation of Personnel Management System, including Personnel Management System diagnostics, maintenance of personnel documentation in accordance with existing regulations ;

correct calculation of supervisory and managerial employees performance efficiency;

evaluation of Corporate Governance System in accordance with the uniform methodology of shareholder for Corporate Governance evaluation;

assessment (examination) of IT- infrastructure.

Following the results of the audit, recommendations were formed to improve the efficiency of the Community Companies Group, to minimize risks and to improve the systems of internal control and corporate governance.

On the basis of these recommendations, were implemented plans of corrective and preventive actions and appropriate management decisions were taken.

The Management Board, as a collective executive body of the Community, performs the Resolutions of the Sole Shareholder and Board of Directors; it is accountable to the Board of Directors and takes responsibility before him for performance of duties. Rights and obligations of Management Board Members are regulated by the Charter, the Regulations on the Management Board, the employment contract. Regulations on the Management Board ( decision of BD No 3 dated June 9, 2009, with changes were approved by the BD resolution No 72 dated April 22, 2013) regulates the organizational and legal bases for BD operation, its competence, responsibility , formation order, operation order, decisions figuration and sessions recording, as well as Management Board responsibility. The Management Board performs the daily operations of the Company and responsible for decisions on Company matters, which are not related to the competence of other bodies and officials of the Community. The Management Board is responsible for timely and efficiently execution of the Sole Shareholder and Board of Directors resolutions. The Management Board holds meetings at least once a week.

In 2013, the Board held 58 meetings where decisions were made upon 233 issues ( against 52 meetings and 220 issues discussed in 2012).

The main groups of issues considered by the Board:

- Issues related to the examination, selection, housing projects financing, as well as issues appearing during the phase of residential properties construction;
- Monitoring of performance and updating of the development plan, approval, monitoring and adjustment of the Company budget;
- Issues of risk management, placing temporarily free money;
- Issues of real estate sales and asset management;
- Approval of the documents signed for organization of the Company's activity, unrelated to documents, approved by the Sole Shareholder or the Board of Directors. The Management Board approved the following documents:
  - Know Your Partner Policy;
  - Rules on cooperation of subsidiaries within corporate risk management system;
  - Methods of factor analysis of key performance indicators and Development Plan indicators;
  - Regulations, governing business processes for asset management .

### **3. Principle of independent activity (observed).**

The Community's activity is performed for the best compliance with interests of the Sole Shareholder in accordance with the provisions of the Corporate Governance Code, the Constitution and Legislation of RK. Community performs its activities independently.

Transactions and relationships between the Community and the Sole Shareholder are implemented under applicable law (decision of Samruk-Kazyna NWF JSC Management Board No10 /09 dated March 5, 2009, orders of Samruk- Kazyna No 3-p dated Januart 14, 2010, № 99-

p dated October 26, 2011, Corporate Governance Code (decision No 119-p Samruk- Kazyna NWF dated December 6, 2011, adjustments and additions, Samruk-Kazyna Management Board Chairman's order No31 –p dated May 24, 2013).

#### **4. Principles of transparency and objectivity of information disclosure (partially observed).**

In accordance with this principle, timely disclosure of information about the Company activity is provided, as well as its financial position, financial rates, performance results, ownership and management structures.

##### **Information disclosure**

The Regulations on Information Disclosure were approved (Protocol № 21 dated March 3, 2010), which determines the purposes and principles of the disclosure, the range of concerned parties to whom information is being disclosed, as well as inventory and order the disclosure of information to various concerned parties, including the frequency and timing of disclosure information. Disclosure Regulation was placed as publicly available on the corporate website.

The Company has approved an annual schedule of events for the publication of the Annual Report and Rules for posting information on the corporate website that provide a structured process of disclosure and determine the format for reporting, agencies, officials and functional units responsible for presentation and information delivery.

In the Disclosure Provision is approved the order of providing information for the Sole Shareholder that contains timing and responsible subsidiaries, as well as the order for disclosure by BD Members, the Management Board and other representatives of the Company. BD considered report on transparency and effectiveness of the disclosure during the SD session (Minutes No 75 dated June 26, 2013.)

The Company is preparing an annual report for a wide range of stakeholders. Integrated annual report for 2013 was approved by EA No 11/14 on May, 16 2014, and was posted on the Company's website and circulated among targeted stakeholders in printed form. In 2013, the Company's annual report for 2012 was exposed for participation in the Annual Reports Contest held by the Expert RA Kazakhstan rating agency, and was awarded as a Winner in The Best Annual Report in the Financial Sector nomination.

##### **Financial and non-financial reporting**

The Company prepares annual, semi-annual and quarterly financial statements in accordance with IFRS. All three types of statements posted on the website of the Company on time. The annual financial statement is in the process of external audit. Annual financial statements for 2013 were audited by Ernst & Young LLP (Report dated February 21, 2014).

##### **External audit**

External audit of the Company consolidated financial statements for 2013 is performed by Ernst & Young LLP - representative of the Big Four, which confirmed the accuracy of the financial position of the Company and its subsidiaries as of December 31, 2013, and its financial performance and its cash flows for the year ended on relevant date, in accordance with International financial Reporting Standards. Implementation of the recommendations of the external auditor on the results of 2013 consisted 100 %.

#### **5. Principles of legality and ethics ( are being observed ).**

The Company has adopted the Business Ethics Code (decision № 26 of the Board dated April 21, 2010, additions and changes of the BD decisions No 44 April 11, 2011g), which concerns all employees and officials, including members of BD. During the implementation of the Business Ethics Code, all employees of the Company were introduced against signature. Introducing document to new workers is being conducted. BD resolution No 67 dated October 4, 2012 approved the Regulations on the Ombudsman and the Ombudsman was assigned. In connection with the staff changes by the BD decision No 74 on May 23, 2013 the new ombudsman was assigned. The policy on dealing with reports of suspected or known facts of deception, abuse and other illegal activities, where formalized mechanism for the collection and processing of complaints against violation of the Business Ethics Code is approved and operating ( the BD's decision No 19/2012 dated May 15, 2012). As well as, Anticorruption Policy has been approved (BD decision No 38/2012 dated September 15, 2012).

In 2013, any violations by employees of the Company Business Ethics Code were not revealed. Besides, there have been no complaints and reports of Business Ethics Code and Kazakhstani Legislation violations caused by Company's employees and stakeholders.

#### **6. Principles of effective dividend policy (are being observed).**

Payout of dividends is regulated by the Company's Dividend Policy for 2011-2013 (Minutes of the BD No 49 dated July 2, 2011). Dividend policy provides principles, determination order and timing for dividends payout. For 2012 the dividends amounted up to 15% of the Company's net income (Minutes of Samruk -Kazyna BD No 22/13 dated April 29, 2013).

#### **7. Principles of effective staff management policy (are being observed).**

Policy on regulating social and labor relations is aimed at foundation of favorable conditions of work, improving the quality of employees lives, improving their qualifications under Staff Policy (Protocol No 44 dated April 11, 2011), Rules on the competitive selection of vacancies (Minutes of BD session No 19/2011 dated 6 April 2011); Terms of formation and organization of Fund personnel reserve (Minutes of the BD session No 19/2011 dated April 6, 2011); Terms on remuneration of Samruk-Kazyna REF JSC employees (Protocol No 76 dated July 10, 2013), Rules on evaluation of activity and remuneration of leadership and managerial workers, Head of IAS and Samruk- Kazyna REF JSC Corporate Secretary (Protocol No 76 dated July 10, 2013) ; Rules on professional training and development of Samruk-Kazyna REF JSC employees (Minutes № 46/2012 of the BD dated November 20, 2012); Rules on Samruk-Kazyna REF JSC employees social support (Protocol No 6 dated July 27, 2009); Additions to the rules on Samruk-Kazyna REF JSC employees social support (Protocol No 20 dated February 15, 2010). Adjustments to the Rules on provision of social support for Samruk-Kazyna REF JSC employees (Protocol No 76 dated July 10, 2013).

Cards of administrative staff efficiency, as well as the efficiency of supervisory and managerial employees are approved annually (efficiency coefficient for 2013 was approved by decision of the BD No 69 dated December 24, 2012).

Under staff election system an open competition for the vacant positions was held.

In 2013 was held 15 competitions for 15 vacancies. In the competition participated 61 people.

According to the results of competitions 15 people were hired, eight contestants are in the reserve.

To ensure continuity of staffing acceptance Real Estate Fund carried out formation of personnel reserve.

Formation of personnel reserve of the Real Estate Fund is governed by the Rules on formation and organization of personnel reserve. Personnel reserve system that allows planning of career development in accordance with the individual plan, consists of Fund internal personnel reserve and program of Sole Shareholder's personnel reserve.

According to the results of the final assessment (certification) of the administrative staff in 2013 the Fund personnel reserve included 15 professionals.

The Company continues to work on implementation of the Employees Performance Assessment System of the Company.

Goal cards and individual development plans for administrative workers are being approved; a system of performance monitoring and adjustment purposes is being introduced.

33 employees have received appropriate training and reeducation in 2013. Training costs in 2013 amounted to 12 992 thousand.

In 2013, the turnover rate remained at last year's level of 22%.

To motivate the employees there is a system of tangible and intangible stimulation. Under the system of material incentives for administrative staff was introduced a quarterly bonus system at the rate of no more than one official salary depending on the employee's performance. Intangible promotion includes remuneration awarded at the national level, awards given by Sole Shareholder and the Real Estate Fund. On the results of 2013 the best employees were awarded with certificates of honor by Real Estate Fund.

In accordance with the Rules on Social Support for the Company's employees a material aid to recovery is being paid; in connection with the birth of children, death of close relatives, etc in 2013 the social contributions and social support amounted to 126.4 million, which exceeds the figure of 2012 by 22%.

## **8. Principle of Environmental Protection (observed).**

The Company has adopted and implemented Environmental Policy (Management Board decision No 26/2012 dated June 27, 2012).

The Company aims to conduct the principles of high respect for the environment and sustainable use of natural resources, contributes to prevent negative impacts on the environment, takes initiatives aimed at increasing responsibility for the environment condition, contributes to the development and circulation of environmentally friendly and energy-saving technologies.

In accordance with the new strategy of development for 2014-2023 development of Green Building, aimed to decrease impact on the environment by reducing the consumption of energy and material resources, as well as improvement of the quality and living comfort, will be the one of the strategic directions of the Real Estate Fund.

In 2013, the Real Estate Fund launched the Green Quarter project in Astana.

## **9. Principle on regulation of corporate conflicts and conflicts of interest (is observed).**

In accordance with the Corporate Governance Code, all employees of the Company and public officials should behave so as to avoid a situations causing conflict of interest neither in relation to himself (or persons related), nor on the other.

The policy on regulation of corporate conflicts and conflicts of interest (decision of the Board No 67 dated October 24, 2012) was approved and set to operate. In the Company's Charter were set out adjustments to provide the prohibition for BD members and the Management Board of the Company to enter the structures of SD and replace executive positions in competitor companies, prior notification of BD about cooperation in other organizations and positions by BD members, (the Management Board decision No 39/12 dated October 2, 2012).

In accordance with the Policy, all officials and employees should abstain from actions that will or may potentially lead to an interest conflict, to refrain from taking decisions on matters in which there is a conflict of interest, to provide director and responsible divisions with information about conflict, not to disclose confidential information about the Company.

The ombudsman of the Company has been elected. The Ombudsman's responsibilities include conflicts of interest, consideration of procedures on violation of the principles of the Business Ethics Code.

The Company operates the mechanism for collection and review of confidential information on Business Ethics Code violations. This mechanism is fixed under the Policy on operation with reports about suspected or known facts of fraud, abuse and other illegal activities.

In 2012, any violations of the Business Ethics Code and the Policy on regulation of conflicts of interest by employees weren't identified.

Moreover, there were no complaints and reports of violation of Business Ethics Code Policy on regulation of interest conflicts, Republic of Kazakhstan Laws by Company's employees and shareholders.

#### **10. The principle of responsibility (is observed).**

The Company aims to establish an efficient and balanced relations with all concerned. The Card of Shareholders of the Company was approved and set into an action (the Board's resolution No 19/2012 dated May 15, 2012). Action Plan on concerned parties engagement for 2014 has been approved (decision of the Management Board No 05/2014 dated February 11, 2014).

In terms of implementation its rights as a shareholder /founder, the Company accomplishes relations with subsidiaries and affiliated entities, in accordance with the requirements of the Law, the Charter and the Code and the Company's Internal Documents, the Charters of subsidiaries and affiliate companies.

Company interacts with business partners on the basis of long-term cooperation, mutual benefit, respect, trust, honesty and fairness. The Company conducts business only with reliable business partners who are engaged in fair activities; comply with all conditions of the contractual relationships. The Company aims to continuous improvement of service standards and quality of service; shows respect and integrity of relationships, in accordance with the Business Ethics Code, Real Estate Fund Corporate Governance; ensures compliance with generally accepted moral and ethical standards.

In order to execute the principles of corporate on social responsibility and the main aspects of the Company's activities in the field of sustainable development The Policy on Corporate Social



Responsibility has been adopted (by decision No 65 of the BD dated August 29, 2012). The Company annually prepares report on sustainable development in accordance with the GRI Governance. Reports in the field of sustainable development are included in the integrated annual reports of the Company and published on the corporate website.