



Approved by the Resolution of Board of Directors  
of “Real Estate Fund “Samruk-Kazyna” JSC  
of April 30, 2013 №73

**Corporate governance principles compliance report  
of “Real Estate Fund “Samruk-Kazyna” JSC for 2012**

The report contains information regarding compliance with principles entrenched in the Corporate Governance Code of “Real Estate Fund “Samruk-Kazyna” JSC (hereinafter referred to as the Company).

**1. Sole shareholder’s rights and interests protection principle (observed).**

In accordance with this principle the implementation of the Sole shareholder’s rights is provided within the corporate governance principles framework with regard to making key decisions; reliable information on Company financial and economic activities results is provided in accordance with the current legislation of the Republic of Kazakhstan, Charter, Company’s internal regulations; after approval of net income distribution procedure and making the decision on allocation of dividends, the dividends are being paid out on time and in full; according to the approved reporting package submitted to the Sole shareholder the governing and financial reporting is being promptly sent; additional information is provided on plans, achievements, problems of activities, as well as analytical materials and studies of other organizations regarding Company’s activity.

**2. The principle of Company’s efficient management by the Board of Directors and Management Board (partially observed).**

The activity of the Board of Directors is regulated by the Charter, Corporate Governance Code, and Provision on the Board of Directors. The provision on the Board of Directors (order of the JSC “Samruk-Kazyna” No 3-p dated 14.01.2010, resolution of the BD No 10 dated 23.09.2009) provides for, inter alia, the procedure for determining the agenda of the BD meeting, convening of BD meeting procedure, BD decision-making procedure and handling of the minutes of BD meetings, as well as BD members’ responsibility.

In order to improve the efficiency of BD activity the following was considered and approved in 2012:

- Assessment policy for the activity of the Board of Directors, Committees of the Board of Directors and each member of the Board of Directors of “Real Estate Fund “Samruk-Kazyna” JSC (BD resolution No 67 dated 24.10.12), activity assessment of BD, BD Committees and each member of the BD are scheduled for 2013;

- T&E policy for the members of the Board of Directors of “Real Estate Fund “Samruk-Kazyna” JSC and involvement of the external experts by the Board of Directors of “Real Estate Fund “Samruk-Kazyna” JSC (BD resolution No 65 dated 29.08.12). For implementation thereof an appropriate budget for 2013 was drawn up;

- Initiation policy for the newly elected members of the Board of Directors of “Real Estate Fund “Samruk-Kazyna” JSC (BD resolution No 65 dated 29.08.12);

- Report on the Board of Directors and Corporate Secretary activity for 2011;

- Provision on the Corporate Secretary Office of “Real Estate Fund “Samruk-Kazyna” JSC;
- Changes to the Provision on the Corporate Secretary Office of “Real Estate Fund “Samruk-Kazyna” JSC;
- Approval of amendments to the Provision on the Board of Directors of JSC “Real Estate Fund “Samruk-Kazyna”.

BD Committees for Audit, Remuneration and Appointments have started their work. Provisions on the Committees were approved by BD resolution No 57 dated 29.12.12. In accordance with good international practice the independent directors were elected on the position of BD Chairmen.

In accordance with the commission of JSC “Samruk-Kazyna” (Minutes No 49-r dated May 18, 2012) the Plan of Operation of the Board of Directors of JSC “Real Estate Fund “Samruk-Kazyna” was approved for the second half of 2012 in compliance with a new form.

In accordance with the Provision on the Board of Directors (Article 12) the BD meetings in presentia shall be held regularly, but at least six times per year in accordance with approved at the BD meeting plan of operation for the current year. BD considers and adopts resolutions on matters within the exclusive competence of the BD. The list of issues on which the resolutions of the BD may be taken only on the meetings in presentia is regularized in the Provision on the BD. In 2012 12 meetings of the Board of Directors were held, 121 issues were considered (in 2011 - 17 meetings, 92 issues considered), 9 of which were in presentia and 3 in absentia meetings. 218 resolutions were approved and 38 commissions were issued. Out of 38 commissions (Management Board - 30, IAS - 4, CC - 4) 1 commission was withdrawn, 35 commissions were performed, 2 commissions were executed in part or currently in progress. No violations regarding deadlines for performance of BD commissions occurred.

In 2012 the Board of Directors has considered and approved:

- The development strategy of “Real Estate Fund “Samruk-Kazyna” JSC for 2012-2022;
- The annual financial statements of “Real Estate Fund “Samruk-Kazyna” JSC for 2011;
- Card key performance leadership and management employees of "Real Estate Fund" Samruk-Kazyna JSC "with actual data for 2011;
- Key performance indicators cards of the leadership and management employees of “Real Estate Fund “Samruk-Kazyna” JSC for 2012;
- Pilot projects consideration and funding rules of “Real Estate Fund “Samruk-Kazyna” JSC;
- Annual report of the Internal Audit Service of “Real Estate Fund “Samruk-Kazyna” JSC for 2011;
- Corporate governance system improvement plan of “Real Estate Fund” Samruk-Kazyna” JSC;
- Projects selection rules in the field of residential development;
- Risk Management Policy of “Real Estate Fund “Samruk-Kazyna” JSC in new edition.

Preliminary approved:

- Amendments to the Charter of “Real Estate Fund “Samruk-Kazyna” JSC were approved.

The members of the Board of Directors, except for independent directors are carrying out their work on a free-of-charge basis. Payment procedure for remuneration and (or) reimbursement of costs to independent directors is governed by the Payment Rules of remuneration and reimbursement of expenses of independent directors of the “Samruk-Kazyna” Company. Remuneration consists of a fixed remuneration for the performance of duties of a member of the Board of Directors, payment of which shall be made in cash semiannually proportionally to the period of the director’s work in the corresponding calendar half year, and an additional remuneration for participation in meetings in presentia of the Board of Directors committees, which shall be paid within a month following the date of the Committee’s meeting in presentia.

The independent director is also reimbursed for expenses related to the trips for meetings of the Board of Directors (travel, accommodation, per diem), held outside the place of residence of an independent director. The size of remuneration of independent directors is specified in the annual report for 2012.

The Internal Audit Service (IAS) evaluated the corporate governance system of Real Estate Fund in accordance with the Corporate Governance Diagnosis Methodology in the group of companies of JSC "Samruk-Kazyna".

Based on evaluation results the corporate governance rating was 57.8%, which is above the level of 2011 by 8.7 percentage points. In 2012 IAS carried out nine scheduled and four unscheduled audits, including:

- Assessment of Company's resources application efficiency, compliance with the established procurement procedures;
- Assessment of the reliability and efficiency of the internal control system, including the risk management system;
- Assessment of the corporate governance system efficiency;
- Assessment of the accuracy and completeness of accounting and financial reporting;
- Assessment for compliance with the laws of the Republic of Kazakhstan, internal regulations, availability of the control environment;
- Assessment (examination) of IT infrastructure;
- Analysis of Company's decisions implementation (including those adopted on the basis of previous audits' results).

Following audit results the recommendations were made aimed at the efficiency of the Company Group activities improvement, mitigation of risks, improvement of internal controls and corporate governance.

Based on these recommendations the plans for corrective and preventive actions were developed, appropriate management decisions were taken.

The Management Board, as a Company collegial executive body, fulfills the decisions of the Sole shareholder and the Board of Directors is accountable to the Board of Directors and is responsible to him for the performance of assigned duties.

The rights and obligations of the members of the Board are determined by the Charter, Provision on the Management Board, employment contract.

Provision on the Management Board (BD resolution No 3 dated 09.06.2009) regulates the organizational and legal bases of the Management Board activity, its competence, responsibility, order of formation, operation procedure, procedure for filling out decisions and record-keeping of the meetings, responsibility of the Management Board members. The Management Board shall manage the Company's operating performance and take decisions on matters of the Company outside the competence of other bodies and officers of the Company. The Management Board shall timely and efficiently execute the decisions of the Sole shareholder and the Board of Directors. The Management Board meetings shall be held at least 1 time per week. In 2012 52 meetings of the Management Board were held, where decisions were taken on 220 issues (for 2011 - 61 meeting, 249 issues considered).

The main decisions taken by the Management Board in 2012:

- On issues arising in the process of investment projects implementation;
- On allocation of temporarily idle cash;
- On concluding the residential and non-residential premises trust agreements;
- On approval of internal documents regulating the activities of the Real Estate Fund and Fund's subsidiaries, such as:
  - Income tax calculation procedure of "Real Estate Fund "Samruk-Kazyna" JSC;
  - The bidding rules of the pledged assets of "Real Estate Fund "Samruk-Kazyna" JSC;

- Messaging policy with regard to possible or known facts of fraud, abuse and other illegal activities of “Real Estate Fund “Samruk-Kazyna” JSC;
- Card of “Real Estate Fund “Samruk-Kazyna” JSC stakeholders;
- Information security policy of “Real Estate Fund “Samruk-Kazyna” JSC;
- Environmental policy of “Real Estate Fund “Samruk-Kazyna” JSC;
- Provision on involvement of independent appraisers of “Real Estate Fund “Samruk-Kazyna” JSC;
- Accreditation procedure of commodity exchanges of “Real Estate Fund “Samruk-Kazyna” JSC;
- Rules for development, approval, monitoring and evaluation of the strategy implementation of “Real Estate Fund “Samruk-Kazyna” JSC;
- Rules for Financial Statements Detailed Analysis buildup;
- Project risks assessment methods of “Real Estate Fund “Samruk-Kazyna” JSC;
- Rules for planning, coordination and implementation of payments in “Real Estate Fund “Samruk-Kazyna” JSC;
- Anti-corruption policy of “Real Estate Fund “Samruk-Kazyna” JSC.

### **3. Independent activity principle (partially observed).**

Company operates independently to the best interests of the Sole shareholder under the current legislation, in accordance with the Charter and internal regulatory documents of the Company. Transactions and relationships between the Company and Sole shareholder are carried out within the current legislation framework. (Resolution of the Management Board of “Sovereign Wealth Fund “Samruk-Kazyna” JSC No10/09 dated 05.03.09, orders of JSC “Samruk-Kazyna” No3-p dated 14.01.10, No 99-p dated 26.10.11), Corporate Governance Code (Resolution of JSC “Samruk-Kazyna”, order No 119-p dated 06.12.11).

In order to distinguish competence of the management bodies the Company’s Charter was amended and restated (Resolution of the Management Board No 39/12 dated 02.10.2012).

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

In accordance with this principle the timely disclosure of information about the Company is ensured, including its financial position, performance, results of operations, ownership and management structure.

#### **Disclosure of information**

The Provision approved on the Disclosure of Information (BD minutes No 21 dated 03.03.2010), which determines the purposes and principles of the disclosure of information, range of interested parties, to whom the information is being disclosed, as well as the list and procedure for information disclosure to the various interested parties, including the frequency and terms of information disclosure. The provision on information disclosure is posted in the public domain on the corporate website.

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

In the Provision on disclosure of information the procedure is approved for information presentation to the Sole shareholder containing terms of presentation and responsible structural sub-divisions, as well as procedure for the disclosure of information to the members of BD, Management Board and other representatives of the Company. BD has considered the report on transparency and efficiency of information disclosure at the meeting as of August 29, 2012 (BD No 65).

The Company is preparing an annual report for a wide range of the interested parties. The integrated annual report for 2012 was preliminary approved by the BD on 20.03.12 No 71, after approval the EA will be posted on the Company's website and circulated among targeted interested parties in printed form.

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

The Company is preparing the annual, semi-annual and quarterly financial statements in accordance with IFRS. All three statements are posted on the Company's website. The annual financial statement is in the process of external audit (Report of "Ernst & Young" LLC dated 20.02.2013).

#### **External audit**

External audit of the consolidated financial statements of the Company for 2012 was performed by "Ernst & Young" LLC – the representative of the "Big Four", which confirmed the credibility of the financial position of the Company and its subsidiaries as of December 31, 2012, and its financial performance and cash flows for the year ended on the date specified in accordance with International Financial Reporting Standards. Recommendations fulfillment of the external auditor on the basis of 2012 was 100%.

### **5. The principles of legality and ethics (observed).**

The Company has adopted the Code of Business Conduct (BD resolution No 26 dated 21.04.10, amendments on the basis of BD resolution No 44 dated 11.04.11), which applies to all employees and officers, including members of the Board of Directors. In the process of implementation of the Code of Conduct, all Company's employees have read, understood and signed it. Clarification of the document to the newly introduced employees is held upon hiring to work. By the BD resolution No 67 dated October 4, 2012 the Company Ombudsman was appointed and Provision on Ombudsman was approved. It was approved and is effective the Messaging Policy for dealing with suspected or known facts of fraud, abuse and other illegal activities, where the mechanism for collection and processing of complaints regarding violations of the Code of Business Conduct was formalized (Resolution of the Management Board No 19/2012 dated 15.05.2012). The Anticorruption Policy was approved (Resolution of the Management Board No 38/2012 dated 15.09.2012).

### **6. Principles of efficient dividend policy (observed).**

The payment of dividends is governed by the Company's Dividend policy for 2011-2013 (BD minutes No 49 dated 02.07.2011). The Dividend policy provides principles and procedure for determining and terms of payments of dividends. For 2011 the amount of dividends was 30% of the net income of the Company (minutes of the Management Board of JSC "Samruk-Kazyna" No 20/12 dated May 2, 2012).

### **7. The principles of efficient HR policy (observed).**

The policy in the field of social and labor relations regulation is aimed at creating favorable conditions of work, improving the employees' quality of life, improving their skills level (HR policy, BD minutes No 44 dated 11.04.11, Rules of competitive selection to vacant positions – minutes of the Management Board No 19/2011 dated April 6, 2011; Rules for formation and organization of work with personnel reserve of the Fund – the minutes of the Management Board No 19/2011 dated April 6, 2011; Rules for labor remuneration and bonuses of employees (new version) – BD minutes No 55 dated December 2, 2011; Rules for evaluation and reward of the leadership and management employees following the results of work for the year – BD minutes No 55 dated December 2, 2011, changes approved by BD resolution No 66 dated September 24, 2012; Coefficient of performance cards of administrative employees, as

well as Coefficient of performance of leadership and management employees shall be approved annually (Coefficient of performance for 2013 was approved by BD resolution No 69 dated 24.12.2012).

Within the recruitment system an open competition is held to the vacant positions.

In 2012 12 competitions were held to fill the 22 vacancies. 79 applicants took part in competitions. According to the competitions results

15 persons were hired.

In order to ensure the continuity of the staff of the Real Estate Fund the personnel reserve is being formed.

The formation of personnel reserve of the Real Estate Fund is governed by the Rules for formation and organization of the personnel reserve. The personnel reserve system enabling career development planning in accordance with an individual plan consists of an internal personnel reserve of the Fund and Unified Personnel Reserve Program of the Sole shareholder.

Based on adjustment meeting results of the leadership and management employees 3 employees were recommended to the Unified Personnel Reserve Program of the Sole shareholder. According to the results of the final assessment (appraisal) of administrative personnel 11 employees were included to the personnel reserve of the Real Estate Fund.

The Company continues to implement the Company employees' performance evaluation system.

The cards of goals and individual development plans are being approved for administrative employees, performance monitoring and goals adjustment system was implemented.

In 2012, 51 employees have undergone the corresponding training and skills development. Expenditures on staff training in 2012 amounted to 8366 thousand tenge. In 2012 the employee turnover rate was significantly improved (13% lower than in 2011), despite optimization of the organizational structure. During the optimization process the structural units responsible for construction monitoring and investment and innovation activities were strengthened.

## **8. The principle of environmental protection (observed).**

The Company has adopted and observes the Environmental Policy (Resolution of the Management Board No 26/2012 dated 27.06.2012).

The Company is committed to uphold the principles of maximum respect for the environment and sustainable use of natural resources; it contributes to prevention of negative impacts on the environment, taking initiatives aimed at increasing the responsibility for the environment condition, contributes to the development and distribution of environmentally friendly and energy-saving technologies.

## **9. The principle of corporate conflicts and conflicts of interest settlement (observed).**

In accordance with the Corporate Governance Code all Company employees and officials shall behave so as to avoid a situation in which provides for possible conflict of interest, neither in respect to itself (or persons related thereto), nor in respect to other persons.

The Corporate Conflicts and Conflict of Interest Settlement Policy was approved and is being effective (BD resolution No 67 dated 24.10.2012). The Company Charter was amended to provide for the prohibition for Company BD and Management Board members to sit on BD and fill the executive offices in competing companies, preliminary notification to BD on concurrent employment in other organizations and positions by BD members (Resolution of the Management Board No 39/12 dated 02.10.2012).

In accordance with this Policy all Company officials and employees shall refrain from any action that will or may result in a conflict of interests, refrain from taking decisions on

matters in which there is a conflict of interest, provide direct supervisor and responsible unit with information about availability of the conflict of interests, keep the Company information confidential.

There is an ombudsman appointed in the Company. The Ombudsman's functions include the settlement of the conflict of interests, consideration of principles of violation procedures formalized in Code of Business Conduct.

The Company has a mechanism for collection and confidential review of information regarding violation of the Code of Business Conduct. This mechanism is formalized in the Messaging Policy with regard to suspected or known facts of fraud, abuse and other illegal actions.

In 2012 no events of violation by the Company's employees of the Code of Business Conduct and Policy for settlement of conflict of interests were identified.

Also, there were no complaints and reports of violations of the Code of Business Conduct, Policy for settlement of conflict of interests, laws of the Republic of Kazakhstan concerning the Company's employees and interested parties.

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

The Company seeks to establish effective and balanced relations with all interested parties. The Company's Stakeholders Card is approved and in effect (Resolution of the Management Board No 19/2012 dated 15.05.12) with strategy development of interaction with interested parties.

In order to exercise its rights as a shareholder/ founder the Company realizes the interrelations with its subsidiaries and affiliated organizations in accordance with the requirements of the legislation, Charter, Code and Company's internal documents, statutes of subsidiaries and affiliates.

The Company cooperates 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 legitimate activities; it complies with all conditions of contractual relationships. The Company is committed to continuous improvement of service standards and quality of services provided; shows respect and fairness in interrelationships in accordance with the Code of Business Conduct, corporate governance of the Real Estate Fund; ensures compliance with the generally accepted moral and ethical standards.

In order to implement the principles of corporate social responsibility and main aspects of Company's activities in the field of sustainable development the Policy was approved as for the corporate social responsibility (BD resolution No 65 dated 29.08.2012). A report in the field of sustainable development is set out in the integrated annual report of the Company for 2012 (preliminary approved by the BD resolution No 71 dated 20.03.12).