



Approved by a decision of the Board of Directors
JSC "Real Estate Fund "Samruk Kazyna"
of August 28, 2012 #64

Annual report about following principles of corporate management JSC "Real Estate Fund "Samruk Kazyna"

This report contains information about observance of the principles, fixed in the Corporate Governance code of JSC "Real Estate Fund "Samruk-Kazyna" (hereinafter-Company).

1. The principle of protection of rights and interests of the Sole shareholder.

In accordance with this principle, enforcement of rights of the Sole shareholder within a framework of principles of corporate management in taking key decisions are being assured, adequate information about financial and operating results of the Company are being provided in accordance with requirements of laws of the Republic of Kazakhstan in force, Charter, Policies and Procedures of the Company; upon approval of order of distribution of net profit and making a decision about payment of dividends, it pays dividends in a timely manner and at full scale; in accordance with approved reporting package, provided to the Sole shareholder, administrative and financial statements are being timely directed; additional information about plans, achievements, activity problems and analytical materials and researches of other organizations about the activity of Company are being provided.

2. The principle of efficient management by Company of the Board of Directors and Management

Statute concerning Board of Directors (hereinafter-BD) has been approved in the Company, (order of JSC "Samruk-Kazyna" #3 clause from 14.01.2010, Protocol BD #10 from 23.09.2009) which confirms, in particular, the order of determination of the business of the meeting of BD, the procedure of convening of meeting of BD, procedure of making decisions of BD and address of protocols of sessions of BD and the responsibility of members of BD. In accordance with the Statute concerning Board of Directors (Article 12) official meetings of BD must be conducted regularly, but not less than six times per year in accordance with work plan for the current year approved at BD session. BD considers and makes decisions on the questions, classified to the exclusive competence of BD: Approval of development strategy, development plan of the Company, key indicators of the activity of Executive Board members of the Company, reviewing of quarterly report of the Executive Board about the implementation of the development plan of the Company and etc. The members of the Board of Directors conduct sessions sufficient in amount and duration for the purpose of discussing the results of the Company activity. The list of questions, according to which decisions of BD can be made only at official meetings, is formalized in Regulation on BD. 12 sessions were conducted in 2011, 92 issues were considered (in 2010 - 23 sessions, 103 issues were considered). As of 01.06.2012 5 sessions have been conducted, 38 issues have been considered (including 3 official).

An audit committee and Nominating and Reward committee have been formed under the jurisdiction of BD. 4 sessions have been conducted for 01.06.2012, decisions were made concerning 34 issues.

Statute concerning Executive Board has been approved in Company (Protocol of BD #3 from 09.06.2009), which spells out procedural and institutional activity base of the Executive Board, its competence, responsibility, the order of education, work order, procedures for formalizing decisions and protocoling of sessions, responsibility of the Executive Board

members. The Executive Board executes administration of day-to-day operations of the Company and makes decisions concerning Company activity, not attributed to exclusive competence of other bodies and officials of Company: Approval and delivery at BD of development strategy, development plan of the Company, approval of a budget within a framework of development plan of Society, implementation of realization of development strategy, mid-term business plan of execution of annual budget, achievement of target values of Collective Action plans of Company and etc. It timely and rapidly executes decisions of the Sole shareholder and Board of Directors. Sessions of the Executive Board are conducted not less than once a week. 61 sessions were conducted in 2011, 249 issues were considered (in 2010 - 71 sessions, 317 issues were considered).

3. The principle of independent activity

The Company conducts its activities independently for the purpose of best observation of interests of the Sole shareholder within a framework of legislation in force, in accordance with the Charter and Policies and Procedures of the Company. Deals and relations between the Company and Sole shareholder are carried out within a framework of legislation in force. (Executive Board decision of JSC “National Wealth Fund “Samruk-Kazyna” from 05.03.09. #10/09. Orders of JSC “Samruk-Kazyna” from 14.01.10. #3 clause, from 26.10.11 #99-clause), Corporate Governance Code (Decision of JSC “Samruk-Kazyna”, order from 06.12.11 #119-clause).

With the adoption of new law of the RK “About national wealth fund” from February 1, 2012 #550-IV of the law of the RK independence of group of companies of JSC “Samruk Kazyna” is being significantly strengthened. In accordance with Article 13 of this law interaction of state bodies with the Fund and organizations, that fall under the Fund group, is being adjusted, intervention on the part of state bodies to the operational (current) activity of the Fund, organizations that fall under the Fund group is not being allowed, except for cases, prescribed by the law of the Republic of Kazakhstan, the provision of reporting to the state bodies by the Fund and organizations that fall under the Fund group has been simplified.

4. Principles of transparency and objectivity of information disclosure.

In accordance with this principle, timely information disclosure about the Company activity is being provided, including about its financial status, economic indicators, results of its activity, management and ownership structure.

Information disclosure

A statute about information disclosure has been approved (Protocol of BD #21 from 03.03.2010, which determines goals and principles of information disclosure, range of interested parties, which information is disclosed, and list and order of information disclosure to various interested parties, including periodicity and timeframe of information disclosure. State about information disclosure has been placed in public access on corporate web-site.

The Company has approved an annual schedule of measures for issuing annual report and Regulations on information layout on the corporate website, which provide a structured process of information disclosure and specify a reporting format, bodies, officials and functional units responsible for information disclosure and presentation.

In Provisions on information disclosure the procedure of information provision to the Sole shareholder, containing the terms of provision and responsible functional units, as well as the procedure of information disclosure by the members of the Board, BD, and other representatives of the Company. BD considered the report on the transparency and efficiency of information disclosure at the meeting held on October 17, 2011.

The Company prepares an annual report for a wide range of interested parties. Annual reports for 2010, as well as audited annual financial reports are available on the Company's website and distributed to targeted interested parties in print format. Annual reports are approved by the Sole shareholder.

Financial and non-financial reports

The Company prepares annual, semi-annual and quarterly financial reports in accordance with IFRS. All three types of reports are posted on the website of the Company. Annual financial reports are subjected to the procedures of external audit (report of "Ernst & Young" Ltd. of March 11, 2011). In the annual report for 2010 the Company disclosed remunerations to independent members of the Board, and the decision-making procedures for determining the amount of remunerations. Regulations on remuneration payment and expenses compensation to independent directors are available on the website (decision of the Board of The Company of May 22, 2009, № 55/09).

External audit

External audit of consolidated financial reports of the Company for 2011 was carried out by "Ernst & Young" Ltd. - the representative of "Big Four", which confirmed the accuracy of indication of the Company's financial position and its subsidiaries as on December 31, 2011, as well as its financial results and cash flows for the year ended on the given date, in accordance with International Financial Reporting Standards.

5. Principles of legality and ethics.

The Company functions in strict accordance with the law, the general principles of ethics, the Statute and internal documents of the Company and its contractual obligations. The Company has adopted the Code of Business Conduct (decision of BD of April 21, 2010, № 26, amendments and changes added (decision of BD of April 11, 2011, № 44), which applies to all employees and officials, including the members of the Board of Directors. During implementation of the Code of Business Conduct, all employees of the Company were familiarized with it against signature. Clarification of the document to new employees is carried out when hired for work. The Policy for dealing with reports concerning possible or known instances of fraud, abuse and other illegal activities, which formalized a mechanism to collect and review complaints regarding violations of the Code of Business Conduct (decision of BD № 19/2012 of May 15, 2012) has been approved and realized.

6. Principles of effective dividend policy.

Dividend payments are regulated by Dividend policy for 2011-2013 (Minutes of BM № 49 of July 02, 2011). Dividend policy includes principles and procedure for determining the order and terms of dividend payment. In 2010 dividend rate was equal to 15% of the Company's net income (minutes of the Board of JSC "Samruk-Kazyna" № 22/11 of May 25, 2011), which is a moderate amount and taking into account the Company's investment plans, Dividend policy is characterized as balanced.

7. Principles of effective personnel management policy.

Policy in the area of regulation of social and labour relations is aimed at creating favourable working conditions, improving employees' quality of life, their professional skills (Personnel Policy - minutes of BD of April 11, 2011, № 44, Regulations on competitive selection for vacant positions - minutes of BD of April 06, 2011 № 19/2011, Regulations on formation and organization of personnel reserve of the Company - minutes of BD of April 06, 2011 № 19/2011, Regulations on salary payment and bonuses awarding to employees (new version) - minutes of BD of December 02, 2011, № 55; Regulations on evaluation and rewarding governing and management employees by the end of the year - minutes of BD of December 02, 2011 № 55; Charts on efficiency of administrative staff, as well as efficiency of governing and management employees are approved annually).

In the framework of system for personnel recruitment, conditions of candidates' competitive selection have been formed. In 2011, on the basis of conducted competitions for filling vacant positions 19 people were employed, and in the 1st half of 2012 - 6 people. In order to maintain continuity in the Company's staff management, formation of personnel pool has been performed to identify high-potential employees, increase employees' motivation for career progress and professional and management skills development. In 2011, 14 employees of the

Company were included in the personnel pool, and two of them were transferred to higher positions during the reporting period. In the first half of 2012 on the basis of the results of calibration session of governing and management employees, three employees were recommended to be included in a single personnel reserve of the Sole shareholder. According to the results of a final assessment (certification) of administrative employees 12 employees were included in the Company's personnel reserve.

Since the beginning of 2012 personnel turnover has been carried out in the Company: Managing Director was elected to the Board, General Manager was appointed to the position of Department director, and four managers were transferred to the positions of General Manager.

Regulations on evaluation and rewarding governing and management employees by the end of the year (decision of BD of December 02, 2011 № 55) have been approved.

A new organizational structure of the Company has been developed and approved in order to improve staff management and efficiency of functional unit activity (decision of BD of May 30, 2012, № 62).

In April 2012 Charts on efficiency of governing staff, including strategic key performance indicators, have been approved (minutes № 60 of April 10, 2012).

8. The principle of environmental protection.

In its activities, the Company follows the principles of maximum careful and rational approach to the environment in accordance with the law.

The Company has approved and complies with Environmental policy, available on the website of the Company (decision of BD № 26/2012 of June 27, 2012).

9. Principle of regulation of corporate disputes and conflicts of interest.

In accordance with the Corporate Management Code, all the Company's employees and officials should behave in such a way as to avoid situations which may result in conflict of interest, neither with respect to themselves (or persons associated with them), nor to others. In accordance with the Code of Business Ethics officials and employees of the Company should promptly inform about the occurrence of conflict of interest and not participate in discussion and voting on matters the decision of which is associated with their personal interest. According to the Code of Business Conduct employees are required to inform the Company's management immediately about any commercial or other interest (direct or indirect) in BD transactions, contracts, projects related to the Company, and in connection with other matters of business activity. The Company is openly informed about potential conflict of interest. The members of the Board quarterly fill in the form with affiliated persons indicated. Also, the Statute establishes an obligation to present a notification of affiliation to executive body within seven days from the date of its occurrence. Regulations on the Board of Directors (Article 5) provide an obligation for the Board members to refrain from actions and avoid situations that will or may potentially result in a conflict between his/her interests and the interests of the Company, to submit information to BD about supposed transactions in which he/ she may be acknowledged as an interested party, to provide promptly an information to the Company about affiliated persons and changes in the grounds of their affiliation, and to refrain from voting on matters the decision of which is associated with their personal interest. In this case, the Board member should immediately disclose the fact of such interest and grounds of its occurrence to BD.

Members of BD quarterly fill in the form with affiliated persons indicated. Also, the Statute establishes an obligation to present a notification of affiliation to executive body within seven days from the date of its occurrence.

The Policy on regulation of corporate disputes and conflict of interest approved by the Board of the Company (decision of BD № 21/2012 of May 22, 2012), is under consideration by structural units, ensuring BD activities. Amendments to the Statute of the Company have been approved by the Board of Directors, imposing a ban on the Board members and other governing staff of the Company to be a member of BD and occupy governing positions in competing companies, providing prior BD's approval for combining work and positions by members of BD

(decision № 63 of BD of July 02, 2012). This matter is planned to be considered by the Board of JSC "Samruk-Kazyna".

10. The principle of responsibility.

The Company recognizes and respects the rights of all interested parties and aims to cooperation with them with a view of the Company's development and financial stability.

The Company aims to establish effective and balanced relations with all interested parties. The Chart of the Company's stakeholders including elaboration of cooperation strategies with stakeholders, available on the Company's website, (decision of BD of May 15, 2012, № 19/2012) has been approved and realized.