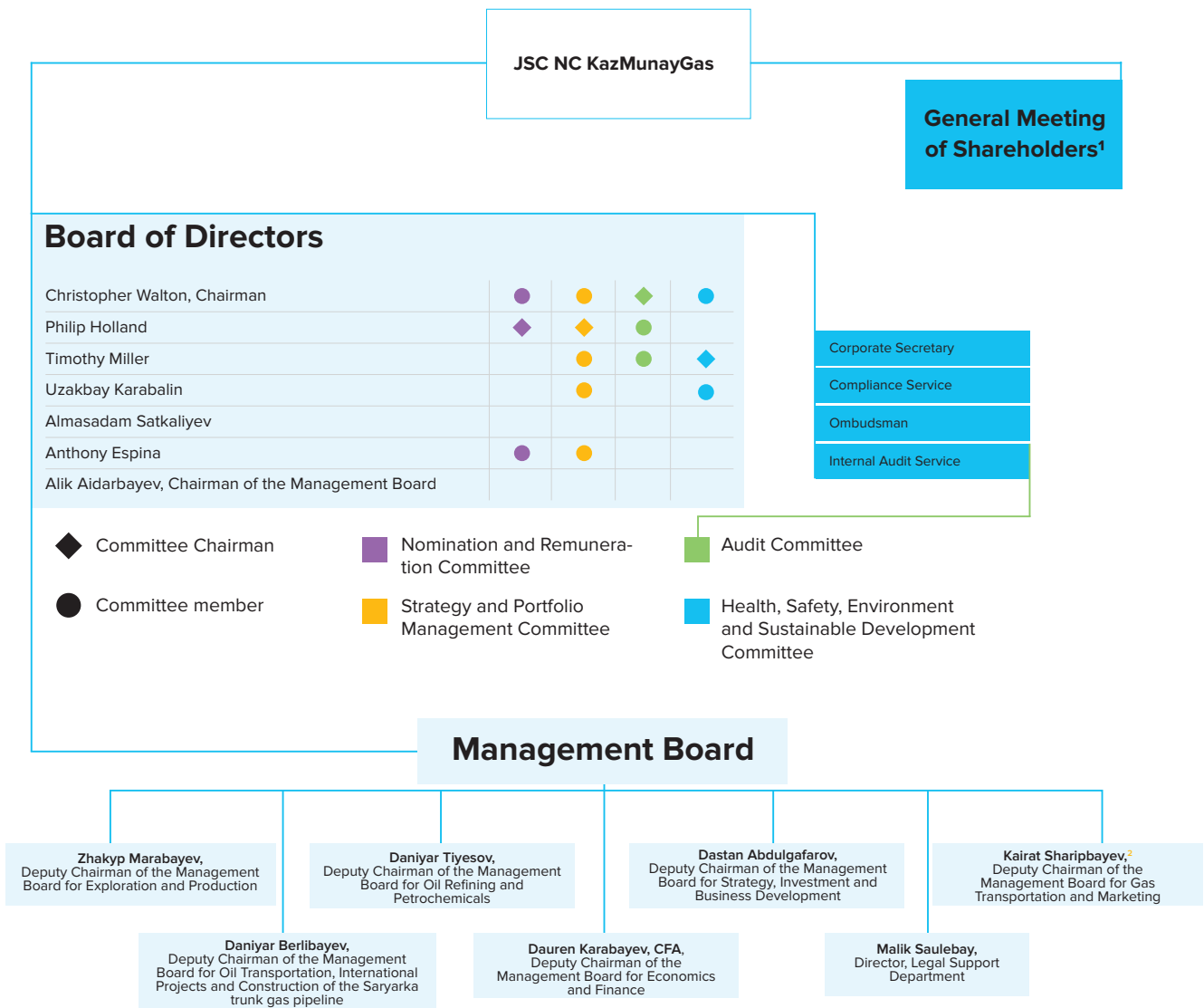


# CORPORATE GOVERNANCE FRAMEWORK

KMG’s corporate governance framework represents the totality of processes ensuring management and oversight of KMG’s activities and a system of relations between the shareholders (JSC Samruk-Kazyna and the National Bank of Kazakhstan), Board of Directors, Management Board and stakeholders.

The roles of KMG’s governing bodies are clearly delineated and set out in the KMG’s Charter.

## KMG’s corporate governance structure



<sup>1</sup> Represented by the Management Board of JSC Samruk-Kazyna.

<sup>2</sup> In April 2021, the powers of Kairat Sharipbayev, a member of KMG’s Management Board, were terminated early.

The Company's corporate governance framework comprises:

- ◆ Supreme body – General Meeting of Shareholders
- ◆ Governing body – the Board of Directors, reporting to the General Meeting of Shareholders
- ◆ Executive body – the Management Board, reporting to the Board of Directors
- ◆ Internal Audit Service – a centralised body that directly reports to the Board of Directors, controls financial and business operations at the Company and other KMG Group entities, members of the Fund pursuant to the Law of the Republic of Kazakhstan On the Sovereign Welfare Fund (“KMG Group”), appraises internal control and risk management systems, oversees implementation of corporate governance regulations and provides consulting on enhancing KMG's and KMG Group's performance
- ◆ Corporate Secretary – a permanent and independent employee who is neither member of the Board of Directors nor member of the Company's executive body, is appointed by, and reports to, KMG's Boards of Directors, and ensures implementation of corporate documents and control over KMG's corporate governance framework within their competence
- ◆ Compliance Service – reports to the Board of Directors, whose role is to ensure compliance with mandatory regulations and global best practices in pursuing anti-corruption policies and building corporate culture across KMG Group to foster transparency and integrity among its employees, as well as to create a business environment aligned with global best practices, internal policies, and Kazakhstan's laws
- ◆ Ombudsman – an appointee of KMG's Board of Directors, whose role is to advise KMG employees upon request and assist in resolving social and labour disputes, conflicts and issues, as well as to ensure compliance with business ethics principles among KMG employees.

KMG's corporate governance framework is based on respect for the rights and legitimate interests of KMG's shareholders and key stakeholders: the state, KMG's strategic partners and counterparties (suppliers and customers), investors, and employees, as well as municipalities, local communities, and residents in KMG's operating regions.

KMG's corporate governance framework is continuously improved to reflect the evolving requirements and standards of national and international corporate governance practices.

## CORPORATE GOVERNANCE DEVELOPMENT REPORT

As a corporate centre that actively engages in operations of subsidiaries and associates through a divisional management structure, building and implementing the development strategy, the Company is committed to best corporate governance practices and recognises high corporate governance standards and transparency as key drivers of investment appeal and operational efficiency, boosting confidence among potential investors, counterparties, and other stakeholders, mitigating the risk of inefficient use of corporate resources and increasing the national wealth and KMG's market value.

The KMG Corporate Governance Code (the “Code”<sup>1</sup>) adopted by decision of the Management Board of JSC Samruk-Kazyna on 27 May 2015 is the core document underpinning KMG's corporate governance framework and efforts to improve it. The Code was developed in accordance with Kazakhstan's laws and JSC Samruk-Kazyna's internal documents and incorporates principles of best Kazakhstan's and global corporate governance practice as well as JSC Samruk-Kazyna's Transformation Programme.

The Code sets out the principles underlying the Company's corporate governance framework. The Board of Directors and the Audit Committee monitor compliance with the Code's regulations at KMG.

According to the Code, the Corporate Secretary annually reviews KMG's compliance with the Code's provisions and principles using the “comply or explain” approach. At present, most of the Code's provisions have been complied with. Isolated instances of partial non-compliance with certain provisions of the Code have been listed in the Corporate Governance Code Compliance Report, along with the reasons for non-compliance. For KMG's 2020 Corporate Governance Code Compliance Report see the Appendix to this Annual Report.

<sup>1</sup> The KMG Corporate Governance Code is available on the Company's website ([https://www.kmg.kz/eng/kompaniya/vnutrennie\\_dokumenty/](https://www.kmg.kz/eng/kompaniya/vnutrennie_dokumenty/)).

Following an independent review conducted by an independent consultant in 2018 using the review methodology for corporate governance in legal entities in which 50% or more of the voting shares are owned directly or indirectly by the Fund (the “Methodology”), KMG was assigned a “BB” corporate governance rating which shows that the Company’s corporate governance framework in all materials respects most of the identified metrics, however, there is insufficient evidence to demonstrate that the framework operates effectively.

Throughout 2019 and 2020, KMG consistently and thoroughly implemented the recommendations presented by the independent consultant following the corporate governance diagnostic and included in the 2019–2020 Detailed Action Plan to Improve Corporate Governance at KMG (the “Corporate Governance Plan”), prepared by the Corporate Secretary in line with the Methodology and approved by KMG’s Board of Directors. The Corporate Governance Plan comprises over 500 activities covering various aspects of corporate governance such as the performance of the Board of Directors and the executive body, risk management, internal control and audit, sustainability, shareholder rights and transparency. The Corporate Secretary monitors and regularly prepares progress reports on the implementation of the Corporate Governance Plan and submits them for review by the Audit Committee and the Board of Directors. Following the review of these reports, the Board of Directors provides feedback via the Corporate Secretary to the Chairman of KMG’s Management Board and the heads of KMG’s functional units involved in the improvement of corporate governance practices. In 2020, the Company successfully implemented a number of initiatives under the Corporate Governance Plan.

Steps to enhance efficiency of the Board of Directors and the Executive Body as well as risk management and sustainability efforts were especially successful. According to preliminary estimates, they should drive the Company’s corporate governance rating upgrade to BBB, the target outlined in KMG’s Development Strategy which means compliance of the Company’s corporate governance framework with all material aspects of the majority of established criteria as well as an evidence to demonstrate that the framework operates effectively. According to the independent consultant, the BBB rating is optimal for the Company to hold an IPO.

In addition, the Fund’s and KMG’s Development Strategies until 2028 outline the milestones for the ambitious targets established by the “Corporate Governance Rating” KPI. These efforts demonstrate the increased focus on corporate governance shown by KMG’s major shareholder, Board of Directors, Audit Committee and management. The next independent assessment of KMG’s corporate governance framework to update its rating is planned for 2021. Following the independent assessment results, the Company will develop a new Corporate Governance Plan to further strengthen its corporate governance framework and achieve the corporate governance rating targets outlined in KMG’s Development Strategy until 2028.

In general, the Company’s efforts to improve its corporate governance are continuous and cyclic, and the key milestone of the process is assigning a rating and issuing respective improvement recommendations by an independent assessing party.

