



# **ANNUAL REPORT** *2019*



**Dear Reader!**  
**You are holding in your hands Annual Report,**  
**which highlights our goals and the fruits of our work for the**  
**proper fulfillment of the role as the national welfare fund of**  
**Kazakhstan, and, most importantly, the result of our activities in 2019.**  
**We hope you enjoy reading!**

*The name of the fund "Samruk-Kazyna" comes from a combination of two words in the Kazakh language - "Samruk" and "Kazyna", which have a special and sacred meaning not only in Kazakh, but also in oriental culture as a whole.*

*"Samruk" is the eastern analogue of the mythical bird Phoenix, among the many special qualities of which was the ability to infinitely regenerate magically: the transfer of heat and light at the end of one of its life cycles in a blazing fire and renewal - during its rebirth from the ashes.*

*In turn, "Kazyna" is the concentration and accumulation of values, one way or another connected with well-being, the reliability of capital and heritage.*

*The logo depicts Samruk bird with a national ornament of Kazakh culture.*

*The main visual theme of the Annual Report is to paint life with bright colors using brushes and paints. Thus, through canvas and paints, we want to express our position, our attitude to life and the tasks set, that, making every effort, we strive to make our life and the life of the future generation brighter and colourful.*





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## WHO WE ARE

Sovereign Wealth Fund Samruk-Kazyna Joint Stock Company is the Fund, where the Sole shareholder is the Government of the Republic of Kazakhstan.

The Fund was founded in 2008 by the Decree of the President of the Republic of Kazakhstan through the merger of the joint stock companies Sustainable Development Fund "Kazyna" and Kazakhstan Holding for Management of State Assets "Samruk".

Today, the Fund is a commercial structure - an investment holding, in which concentrated assets of Kazakhstan in the oil and gas, transport and logistics sectors, the chemical and nuclear industries, the mining and metallurgical complex, energy and real estate.

## OUR MANDATE

The mission of Samruk-Kazyna JSC is to increase the national wealth of the Republic of Kazakhstan and long-term sustainability for future generations.

The vision by 2028 defines the Fund as an investment holding that deliver strong financial performance, investment returns and portfolio development on par with leading sovereign wealth funds.

## OUR GOALS

Our Development strategy is fundamentally consistent with national development, key economic objectives and emphasizes the importance of the Fund as a sovereign fund in achieving the development goals of the Republic of Kazakhstan.

The Fund's Development Strategy defines three strategic objectives:



*Efficiency  
of Companies*



*Portfolio  
Management*



*Sustainable  
development*

New strategic initiatives within the framework of the Strategy include specific measures to further improvement the profitability of the Fund's companies, optimization of the portfolio structure, income diversify diversification, implementation of best corporate governance practices and sustainable development at the level of the world's leading sovereign wealth funds.

*(You can find more details in the "Development Strategy of the Fund" section)*







# OUR HISTORY

## 2008

Immediately after establishment, the Fund became one of the catalysts for the recovery of the economy of Kazakhstan after the crisis. During these years, the Fund addressed several issues:

- 1 Stabilization of the financial sector through the recapitalization of commercial banks
- 2 Dealing with challenges in the shared equity-construction market
- 3 Refinancing expensive mortgage loans
- 4 Lending to small and medium-sized businesses and implementation strategic investment projects

## 2010

After successfully fulfilling the function of a crisis management tool, priority areas of the Fund's activities were identified - promoting economic modernization and improving corporate governance





# 2012

**The Law of the Republic of Kazakhstan “On the Sovereign Wealth Fund” was adopted.**

The adoption of this law is aimed at improving the interaction and clearer definition of the powers of the Government and the Fund, increasing the effectiveness of the strategic planning system and control of key performance indicators of the Fund and its subsidiaries, as well as procurement

**The Development Strategy of the Fund for 2012-2022 was approved taking into account the main directions of state policy in industrial-innovative, socio-economic and other directions of the Fund’s activities.**

# 2014

# 2014

**Launch of Transformation Program**

The Fund was assigned with a task to move from the model of the administrator of state assets to the model of a commercial holding company that effectively manages its assets portfolio and develops new industries.

# 2018

**The Development Strategy of the Fund for 2018-2028 was approved, the main priority for which will be to improve sovereign welfare, through an increase in the profitability of portfolio companies**

**Updated Transformation Program was approved.**

# ASSETS PORTFOLIO\*



## NC KazMunayGas JSC

Kazakhstani operator on hydrocarbon exploration, production, processing and transportation

90.42% shares

[www.kmg.kz](http://www.kmg.kz)



**KAZATOMPROM**  
NATIONAL ATOMIC COMPANY

## NAC Kazatomprom JSC

Kazakhstani operator on import-export of uranium, rare metals, nuclear fuel for nuclear power plants

81.28% shares

[www.kazatomprom.kz](http://www.kazatomprom.kz)



## Samruk-Energy JSC

The largest diverse energy holding in Kazakhstan, successfully integrated into the international energy balance

100% shares

[www.samruk-energy.kz](http://www.samruk-energy.kz)



## NMC Tau-Ken Samruk JSC

Kazakhstani operator for exploration, development, production, processing and sale of solid minerals

100% shares

[www.tks.kz](http://www.tks.kz)



## Air Astana JSC

The largest air carrier of Kazakhstan

51% shares

[www.airastana.com](http://www.airastana.com)



## Qazaq Air JSC

Kazakhstani airline operating regional flights

100% shares

[www.flyqazaq.com](http://www.flyqazaq.com)



**NC KTZ JSC**

The largest operator of the main railway network of Kazakhstan

[www.railways.kz](http://www.railways.kz)

100% shares

**Kazakhtelecom JSC**

The largest telecommunications company in Kazakhstan, has the status of a national telecom operator

[www.telecom.kz](http://www.telecom.kz)

52.03% shares

**KEGOC JSC**

System operator of the unified electric power system of Kazakhstan

[www.kegoc.kz](http://www.kegoc.kz)

90.00% +1 shares

**Kazpost JSC**

The postal operator of Kazakhstan, represents the Postal Administration of Kazakhstan at the Universal Postal Union

[www.post.kz](http://www.post.kz)

52.03% shares

**Samruk-Kazyna Construction JSC**

Kazakhstani company managing construction for Samruk-Kazyna JSC Group of companies

[www.skcn.kz](http://www.skcn.kz)

100% shares

**United Chemical Company LLP**

Kazakhstani operator for the development and implementation of investment projects in the chemical industry

[www.ucc.com.kz](http://www.ucc.com.kz)

100% interests

\*As of December 31, 2019. The list is not exhaustive

# KEY EVENTS OF THE REPORTING PERIOD AND AFTER

## March

### Launch of the second wave of Digital Summer internship program

In the training program developed by the Fund in conjunction with leading companies in the IT industry, interns gain invaluable experience and knowledge that provide a clear advantage in the competitive and dynamic world of IT, as well as practical experience working with products from SAP, Microsoft, Oracle, Cisco, HP, IBM, Huawei.



## April

### For the first time in Kazakhstan, a direct feeder vessel was launched in Aktau

A joint project of NC KTZ JSC (KTZ Express Shipping LLP) and NC KazMunayGas JSC (NMSC KMTF LLP) to create a feeder line along the TCIT route. Feeder ships will run regularly on a weekly basis. Consolidated transit cargo from China to Europe along with Kazakhstan export cargo in containers will be transported in an accelerated mode.



## May

### Low-cost airline FlyArystan made its first flight



*"The emergence of a new player in the airline market will contribute to improving the quality of services for passengers. Services and pricing policies of FlyArystan are aimed at making air transportation services accessible for a wide range of people and increasing mobility between regions"*

**Akhmetzhan Yessimov, CEO of the Fund**



## July



### The construction of the Martial arts palace in Nur-Sultan is completed

The complex will host international competitions in all types of martial arts - boxing, wrestling, judo, as well as other sports. The project cost amounted to about KZT19.6 billion. Project Administrator - Corporate Fund "Company for the construction of facilities"

## October



### Completion of the Saryarka gas pipeline

The Saryarka gas pipeline is designed to gasify the capital of Kazakhstan, Nur-Sultan, and the central and northern regions of the country. The total length of the gas pipeline was 1,061.3 km. coverage - 171 settlements. The project cost is KZT267.3 billion

## December



### Samruk-Kazyna JSC Board of Directors' composition has changed

By the decision of the Sole Shareholder of the Fund (decree of the Government of the Republic of Kazakhstan dated December 6, 2019 No. 907), independent directors Jon Dudas, Ong Boon Hwee and Kairat Mazhibayev were elected to the Board of Directors. Sir Richard Evans and Wilhelm Bender resigned.

## February (2020)



### Chairman of the Board of Directors of Samruk-Kazyna JSC was elected

By the general vote of the members of the Board of Directors of Samruk-Kazyna JSC Independent Director Jon Dudas was elected as Chairman of the Board of Directors of the Fund.

### Renewal of the compositions of the Board of Directors' committees



# MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS

**Dear colleagues, partners and investors!**

During 2019, Samruk-Kazyna continued to deliver against the strategic objectives set by the Head of State, which are focused on strengthening the economy and improving the welfare of all citizens.

The operating results of Samruk-Kazyna JSC for 2019 demonstrate how a diverse, but well balanced portfolio, can consistently and sustainably add value to the underlying businesses.

The major subsidiaries exceeded their targets, resulting in a consolidated net income attributable to shareholder in 2019 of KZT1,243 billion, which exceeds the planned level by 36.7% and the previous year's result by 4.3%. During 2019, the group of companies which comprise Samruk-Kazyna JSC paid (in total) taxes and budget contributions amounting to KZT1,102.7 billion, which is KZT9.3 billion more than in 2018.

In 2019, the dividends paid to the Sole shareholder (KZT63,750 million) was a five-fold increase on 2018. In accordance with resolutions of the Head of State and the Government of the Republic of Kazakhstan, the Fund also contributed "Other distributions to the shareholder" in the amount of KZT131,518 million. Combined, KZT195,268 million was allocated to the Sole shareholder of the Fund in 2019.

As part of measures taken to improve financial sustainability, the Fund continued its efforts to reduce external debt. During 2019, external debt was decreased USD1.1 billion and advance obligations were reduced to USD2.9 billion. When added to the repayment of external debt in 2018, over two years the external debt has

reduced by USD8.0 billion.

In order to develop economic and investment cooperation internationally, as well as to promote foreign direct investment, the portfolio companies of the Fund concluded relevant agreements valued at USD1.7 billion during the year. It is anticipated that these initiatives will attract up to USD260 million of foreign direct investment to the economy of the Republic of Kazakhstan.

In 2019, Samruk-Kazyna JSC revised its approach to the implementation of its Transformation Program. The main focus was directed at improving the effectiveness of key production processes of the portfolio companies with the greatest potential benefit. This reorientation of effort provided benefits of KZT69 billion against the planned KZT59 billion.

The Fund's group of companies also continued with charitable work. Thirty nine social projects costing more than KZT7.5 billion were implemented, resulting in support for over 392,000 people.

On May 1, 2019, Kazakhstan's low-cost airline FlyArystan became operational. The availability and level of service, geography and schedule of FlyArystan flights have had a positive impact on the mobility of the population and social development of the regions of Kazakhstan. By the end of 2019, Air Astana and FlyArystan airlines had safely carried more than 5.1 million passengers; in particular, FlyArystan carried about 700,000 passengers and sold over 870,000 tickets.

On behalf of the Sole Shareholder of the

Fund, the construction of a number of large facilities in Turkistan was financed as part of its transformation into a regional centre. Amongst these facilities were: a Congress Hall, Digital Office Administrative building, museum named after Kh.A. Yasavi, Palace of Schoolchildren, a stadium with 7,000 capacity and an amphitheater.

Considerable work has also been carried out in the reconstruction of damaged social objects in Arys (Turkistan region). In total, 68 facilities at a cost of KZT7 billion have been restored.

The Fund and its group of companies truly appreciates the contribution and professionalism of its employees in achieving the 2019 strategic goals through a socially responsible approach to business and care for employees and the environment.

The effectiveness of the social, HR and communication policies of the Fund is evidenced by the Social Stability Index, which was measured at 72% in 2019. This is a high and significant result, not only for Kazakhstan, but also for international companies.

In 2019, the Fund launched Samruk Qyzmet, a unified online recruiting platform for the portfolio companies. The objective is to ensure transparency of the staff selection processes and strengthen the brand of the portfolio

companies of the Fund. Samruk-Kazyna JSC also implemented projects supporting people development, such as Zhas Orken and Digital Summer- aimed at training young managers and highly qualified staff.

The strong performance of Samruk-Kazyna JSC during 2019 has contributed significantly to the growth of national welfare by increasing the long-term value of its portfolio companies and improving distributions to the Sole Shareholder.

Unfortunately, the business and operational environment in 2020 has been severely impacted by the global coronavirus pandemic COVID-19, with a quarantine regime in place in many countries. The Fund has taken the necessary measures to mitigate the spread of COVID-19 in the workplace. However, the sustained decline in global oil prices will have a negative impact on the economy, including the activities of the Fund's companies. The Board of Directors constantly monitors the risks associated with COVID-19 and actively supports management in their plans to balance health and financial challenges.

Going forward, despite the difficult situation in the country and in the world, the Fund will continue to identify and implement activities to deliver the vision of the Head of State for the sustainable development of the economy.

## JON DUDAS

Chairman of the  
Board of Directors of  
Samruk-Kazyna JSC



# MESSAGE FROM CHAIRMAN OF THE MANAGEMENT BOARD

**Dear colleagues, partners and investors!**

Summing up the results of 2019, we note that the past year was successful for the Fund. This is evidenced by our positive strategic, operational and financial results. According to the results of 2019, the consolidated net profit attributable to shareholder amounted to KZT1,243 billion, exceeding the 2018 amount by KZT57 billion.

In accordance with the Development Strategy for 2018-2028, the Fund has identified three strategic goals – efficiency of companies, portfolio management and sustainable development, as well as four key development initiatives: improvement of companies' profitability, optimization of portfolio structure, income diversification, corporate governance and sustainable development.

The Fund looks to develop its investment activities both inside and outside the Republic of Kazakhstan. The goals of new investments are to reduce the level of capital concentration risks by diversifying the Fund's portfolio by sectors of the economy and geography, and obtaining new asset classes; the formation, preservation and enhancement of financial well-being for future generations; ensuring long-term sustainable growth in the value of the Fund's portfolio and a reasonable increase in existing equity. In 2019, by decision of the Board of Directors of the Fund, the Fund's Investment Policy was approved, which determines the target portfolio structure of the Fund's until 2028, investment goals, criteria and principles of the Fund.

In 2019, portfolio companies continued to actively implement production projects using digital technologies. As part of the updated Transformation Program, a continuous improvement process is underway, with the search and

analysis of new ideas and projects to increase the effectiveness of the core business of portfolio companies. As of January 2020, the project portfolio included 54 projects and 103 events with a total amount of net benefits in the amount of KZT130 billion for 2020-2024, including KZT66 billion, directly affecting financial indicators.

As part of the implementation of the Comprehensive Privatization Plan for 2016-2020, in September 2019, the Fund additionally placed 3.8% of the shares of NAC Kazatomprom JSC on the Astana International Financial Center and the London Stock Exchange. Given this placement, the total revenue from the implementation of the Comprehensive Privatization Plan amounted to more than KZT390 billion.

At the end of 2019, the Fund's Group included 306 companies. The reduction of legal entities in the structure of the Fund's assets, the review of the current investment portfolio of the Fund and portfolio companies, the assets allocation into an updated portfolio, as well as the exit from non-strategic assets of the Fund will allow for further balance and diversification of the portfolio.

Along with this, one of the strategic goals of the Fund continues to be the improvement of corporate governance and sustainable development. Systematic work is underway to improve corporate governance practices and implement the principles of sustainable development in the Fund's Group. In 2019, the compositions of the boards of directors of NC KazMunayGas JSC, NC KTZ JSC, Kazakhtelecom JSC, Samruk-Energy JSC, NAC Kazatomprom JSC, Air Astana JSC, NMC Tau-Ken Samruk JSC were renewed.



We tried to attract the best international experts with relevant industry expertise and experience in international public companies, which is especially important in view of the upcoming IPOs of some of them. In addition, at the beginning of 2019, Action Plans for improving the corporate governance of 6 Portfolio companies were approved, taking into account the recommendations of the Fund after the diagnostics of corporate governance of Portfolio companies.

For the development of personnel and human capital, the Fund is consistently improving the procedures for competitive selection of personnel and transparency of employment. The Fund launched the Samruk Qyzmet platform (qsamruk.kz), which allows candidates to search for jobs in all portfolio companies. Since the launch of the platform, more than 1,700 vacancies from 144 companies have been published and more than 240 job seekers have been employed. In addition, the Fund's Talent Management Rules were approved, in accordance with which new approaches were introduced to form a talent pool and a pool of successors, their career and professional planning, including priority consideration for vacant positions.

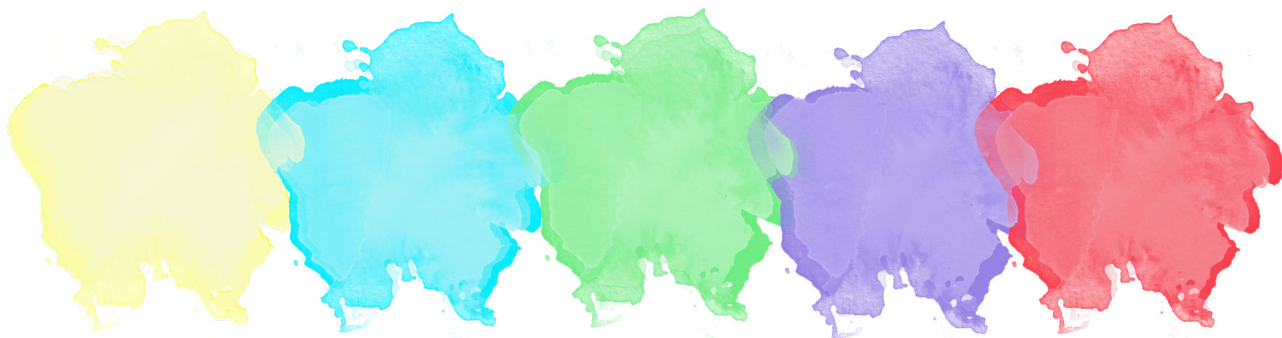
Improving the transparency of procurement is another key objective of the Fund. In order to implement the new procurement model, the Fund developed and approved the Procurement Procedures and the Procurement Management Standard, which combined 15 previously existing internal regulatory acts in the field of procurement management. The grounds for procurement from a single source were revised, and the conditions for deciding on procure-

ment based on the results of failed tenders were tightened. In general, thanks to the measures taken, over the past two years there has been a significant increase in competitive procurement through open tender and request for quotations. So, the volume of purchases by open tender increased by 4 times in 2019 (from KZT284 billion in 2017 to KZT1.1 trillion in 2019), by the method of requesting for quotations increased by 2 times (from KZT25 billion in 2017 up to KZT55 billion in 2019). Procurement savings increased from KZT121 billion in 2018 to KZT155 billion in 2019.

For the year 2020, the Fund has no less ambitious goals. Among them: together with international financial institutions and strategic investors, further work on participation in private equity funds, implementation of investment projects with strategic partners in the chemical and energy sectors as part of attracting direct investment to Kazakhstan.

The year 2020 began rather uneasy, and given the current global economic situation, we understand that this year will be difficult for both the country and the Fund. We anticipate that global economic growth will slow in 2020 due to the COVID-19 pandemic. Already, our companies are feeling this effect through a decrease in consumer demand, especially in air and rail transportation, in a decrease in the consumption of oil and oil products.

However, the results of effective work in past years allow us even in this difficult time to look confidently into the future and be ready to carry out new tasks to improve the welfare of the country.



This is evidenced by the first positive aspects of the recovery process, the ability to save jobs and business.

The Board of Directors, the management and employees of the Fund have made great efforts

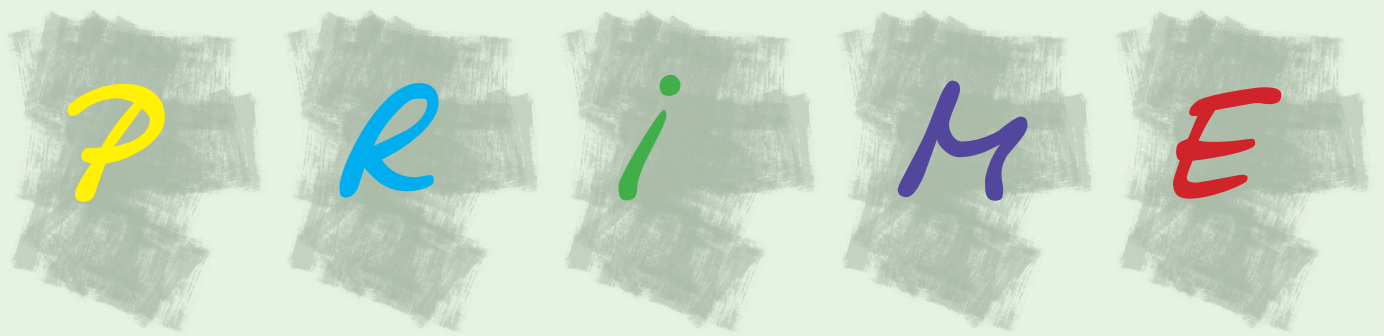
to lay the strategic foundation for the future so that we can move forward in short time since the start of the implementation of the new Development Strategy of the Fund.

I would like to thank all the employees of the








# OUR VALUES




## PARTNERSHIP

 We work in partnership and trust the team


 We put the interests of the team above personal ones

 We build long-term and trusting relationships with stakeholders


## INTEGRITY


 We fulfill our commitments


 We do what we say

 We are always fair and honest

## EXCELLENCE


 We work rationally and at the highest level of quality, using best practices and technologies

 We accept responsibility by acting in order to create added value

 We are curious, constantly learning and developing the Fund


## RESPECT


 We take care of everything that surrounds us

 We act with trust and respect

 We follow laws and traditions.

## MERITOCRACY

 We choose worthy professionals

 We give everyone, regardless of the role, the opportunity to speak their mind

 We encourage the achievement of results

# OUR BUSINESS MODEL

## MISSION

To increase national wealth of the Republic of Kazakhstan and long-term sustainability for future generations

## VISION

An investment holding that delivers strong financial performance, investment returns and portfolio development on par with leading sovereign wealth funds

### STRATEGIC GOALS

- 1 Efficiency of companies
- 2 Portfolio management
- 3 Sustainable development

### STRATEGIC INITIATIVES

- 1 Improvement of companies' profitability
- 2 Optimization of portfolio structure
- 3 Income diversification
- 4 Corporate governance and sustainable development

### STRATEGIC RESULTS






- Revenue increase
- Financial sustainability
- Cost reduction
- Implementation of the Transformation Program and Digitalization
- Privatization Program implementation
- Exit from non-strategic assets
- Rebalance of investment portfolio
- Investment into new sectors in Kazakhstan
- International investments
- Effective corporate governance
- Human capital development
- Implementation of Sustainable development initiatives



## STRENGTHS

-  A sustainable asset portfolio with a significant role in the national economy
-  Experienced leadership and team with professional capabilities
-  An important contribution to the economic development of Kazakhstan in attracting potential investors
-  Impact on portfolio performance through divestments and reinvestments
-  Adopted Corporate Governance Code based on the UK Governance Code
-  The willingness and readiness of the Fund to change

## FACTORS AFFECTING 2019 INDICATORS

-  Depreciation of KZT against USD
-  Improvement of Financial Sustainability
-  Increase in operational performance
-  Growth of Brent oil price compared to the plan
-  Impairment loss

## CREATING VALUE FOR STAKEHOLDERS

### Sole shareholder

High efficiency, dividends pay and other distributions to the shareholder, transparency and shareholder rights

### Personnel

Competitive salary, safe work conditions, career development, quality social package, guarantee respect for human rights and ethics

### Portfolio companies

Implementation of best practices and standards, methodological support in the areas of development

### Local communities, NGOs, Society

Sponsorship and charity

### State authorities

Tax and social security contributions, investments in projects that affect the population, job creation, social stability rating

### Business partners and clients

Transparency of procurement of goods, works and services (reliability, stability of results, compliance with requirements), ethical business practices, Anti-corruption

### Business community and Media

Transparency and proper disclosure

## KEY RISKS

### Strategic risks

- » Risks of significant investment projects
- » Risks of Assets Privatization Program

### Financial risks

- » Liquidity Risks and Covenant / Listing Violations
- » Currency risk
- » Credit risk

### Operational risks

- » Social instability risk
- » Risk of accidents
- » Sanctions legislation risk

### Legal risks

- » Risk of litigation

# MACROECONOMIC REVIEW

Kazakhstan's real GDP growth accelerated to 4.5% in 2019, compared to 4.1% in 2018. The positive dynamics was supported by growth in domestic demand, increase in government spending driven by social programs and implementation of investment projects in the oil and gas industry, housing and infrastructure. On the supply side, construction (12.9%), wholesale and retail trade (7.6%), information and communications (5.2%), transportation and warehousing (5.1%), manufacturing (4.4%) and mining (3.7%) have been the primary growth contributors.

Over the medium term, manufacturing, agriculture, construction, transportation and services will be the primary growth contributors. The development of the manufacturing sector will be underpinned by the implementation of the Third Program of Industrial Modernization. Industrial expansion will also be supported by the further implementation of the Republican Industrialization Map, covering 24 projects for KZT6.8 trillion, and Regional Entrepreneurship Support map that includes approximately 600 projects for over KZT5.6 trillion.

## EXCHANGE RATE

In 2019, USDKZT exchange rate averaged at 382.75, 11% higher than the average rate in 2018.

Since the beginning of 2020, the USDKZT exchange rate rose by 10%, trading at 421.16 KZT/USD on May 14. In January-February 2020, tenge has strengthened, with USDKZT exchange rate reaching 375.87 on February 22. The tenge strengthening was supported by (1) the sale of foreign currency from the National Fund in the amount of USD489.4mln in January 2020 as part of the transfer of funds to the republican budget of the Republic of Kazakhstan, (2) the inflow of portfolio investments from non-residents of the Republic of Kazakhstan, in particular increase in

investments in government securities amidst the high real interest rates, (3) the taxation period in February for excise duty, VAT, income taxes, rental tax for export, mineral extraction tax.

However, in early March, tenge started to rapidly depreciate due to the fall in oil prices on the back of escalation of Covid-19 pandemic and the oil price war between Saudi Arabia and Russia, and on April 2, the USDKZT exchange rate reached 448.52. The National Bank of the Republic of Kazakhstan contained possible devaluation pressure through foreign exchange interventions, increase of the key interest rate, and foreign exchange trading through the Frankfurt auction.

## GLOBAL COMMODITIES OUTLOOK

**Brent oil prices** rose in the beginning of 2019, reaching a five-month high of USD74 pb in April. Prices were supported by supply concerns due to strong compliance with Vienna Agree-

ment cuts, sanctions against Venezuela and Iran and unrest in Libya. However, oil prices reversed and declined in the second quarter due to concerns over slowdown of the global economy. In



September, oil prices rose sharply to USD70 pb due to attack on the oil infrastructure of Saudi Arabia. By the end of 2019, oil prices rose amid the conclusion of the first phase of a trade deal between US and China, as well as an escalation of the conflict between US and Iran.

Since the beginning of 2020, oil prices started a rapid decline amidst the escalation of the Covid-19 pandemic. The fall in prices intensified after the introduction of strict lockdown measures around the world and the start of the oil price war between Saudi Arabia and Russia in March. On April 21, Brent crude oil price reached USD19.33 pb. According to International Energy Agency estimates, the decline in oil demand in April amounted to 29 million bpd, with decrease for 2020 expected at 9.3 million bpd. Demand for crude oil will recover by the beginning of 2021, with the annualized decline

narrowing to 2.7 million bpd.

Starting from May 1, OPEC + countries agreed on the unprecedented reduction in production by 9.7 million bpd, and G-20 countries, including the US and Canada, will provide additional reduction in production by 5 million bpd due to natural reduction. However, this decrease may not be enough to compensate for the drop in demand, potentially leading to the excess supply in 2Q2020 from 10 to 15 million bpd and downward pressure on prices in the first half of the year.



### BRENT CRUDE OIL PRICE, USD PB

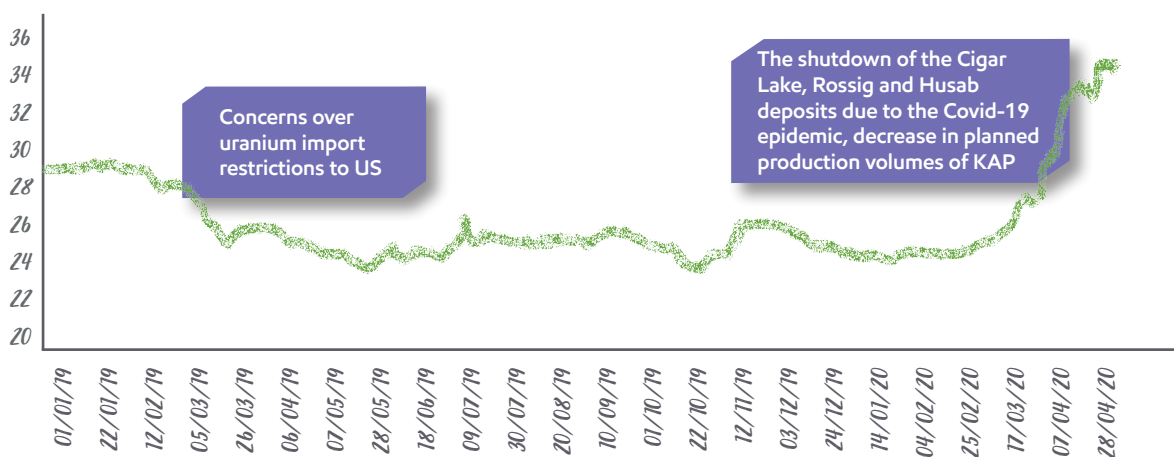


Source: Bloomberg, Samruk-Kazyna

**Uranium price** declined by 13% in 2019 due to expectations of uranium import restrictions to the US. However, in middle of the year, import

restrictions have not been introduced by the US administration, with uranium prices stabilizing.

### URANIUM PRICE, USD PER POUND



Source: Bloomberg, Samruk-Kazyna

From March 20 2020 to May 11 2020, the price of uranium increased by more than 40% due to the shutdown of the world's largest uranium deposit Cigar Lake of Cameco, and the Rossing and Husab deposits in Namibia due to the Covid-19 pandemic. In addition, Kazatomprom announced reduction in the planned uranium production by 4,000 tons in 2020. The demand

for uranium has not been affected by the pandemic, as the work of nuclear power plants was not interrupted due to the high costs of shutting down and restarting them. World uranium production is expected to grow from 62,400 tons in 2019 to 66,200 tons by 2025, while consumption will remain at the level of 2019. However, production will continue to be limited compared

to the overall demand. The price of uranium is expected between USD34 and USD47 per pound for 2020-2024.

Over 2019, **zinc price** fell by 8% amidst concerns over slowdown of the global economy due to US-China trade war. Demand for zinc, which is mainly used for galvanizing steel, was weak in China due to relatively low demand from end sectors, such as construction and automotive.

The zinc price is expected to be under significant pressure in 2020 due to the Covid-19 pandemic and the associated global decline in industrial activity. A significant decrease in demand for zinc is expected in 2020 with a gradual recovery in 2021-2023. The highest level of excess zinc supply is expected in 2020 at approximately 500,000 tons.

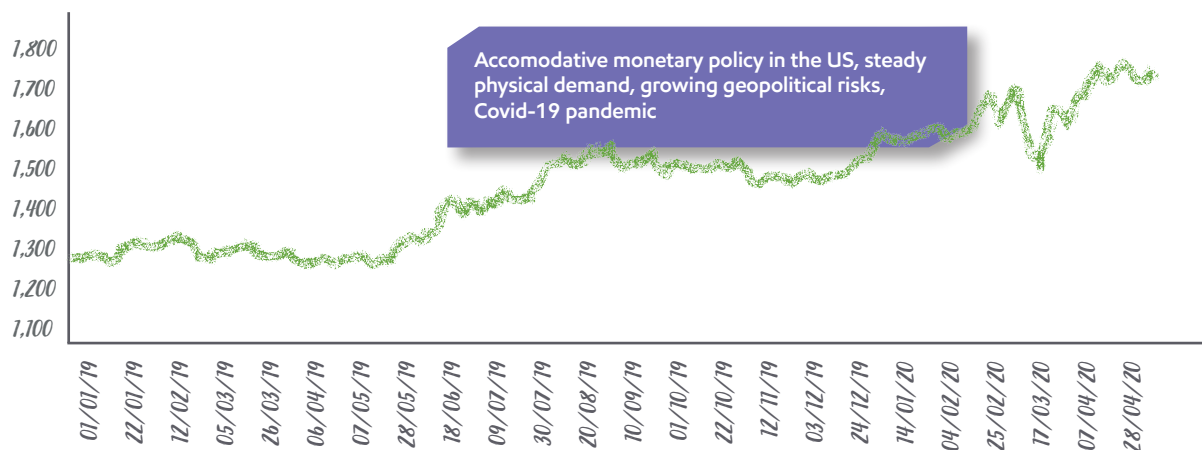


Source: Bloomberg, Samruk-Kazyna

**Gold price** rose by 18% in 2019, supported by high physical demand, accommodative monetary policy in US and rising geopolitical tensions. Physical demand was supported by the purchase of gold from central banks, the growth of jewelry sales in India, inflow of liquidity into

ETFs by market participants amid purchases of gold as a hedge against volatility and uncertainty.

## GOLD PRICE, USD PER OUNCE



Source: Bloomberg, Samruk-Kazyna

Since the beginning of 2020, gold price rose by 12% amidst a massive outflow from risky assets due to the escalation of the Covid-19 pandemic. Gold prices are expected to reach USD2,000 per ounce, supported by Federal Reserve unlimited quantitative easing program.

**Risks and challenges remain.** The global economy is expected to enter into the recession in 2020 due to unprecedented lockdown measures around the world and the closure of enterprises. The main influence will be felt via consumer demand, especially tourism, air travel and rail transportation.

Almost all sectors of the economy will be affected globally, with the most negative impact on (1) aviation, (2) railway transportation, (3) logistics, (4) tourism and entertainment, (5) hotel services, (6) metallurgy, (7) mining and (8) the oil and gas.

The International Monetary Fund estimates that the Covid-19 pandemic will cause the global economy to fall by 3% in 2020, worse than during the financial crisis of 2008-2009, with the fall of the developed economies (-6.1%) being stronger than the decline in the economies of emerging markets (-1%). According to the baseline scenario, the pandemic will moderate in the second half of 2020, and lockdown measures will be gradually lifted. In 2021, global GDP growth will recover to 5.8%, supported by significant fiscal and monetary stimulus measures.



# DEVELOPMENT STRATEGY OF THE FUND

The Fund's Development Strategy for 2018-2028 was developed taking into account the experience of leading sovereign wealth funds like Temasek (Singapore), Khazanah (Malaysia) and Mubadala (United Arab Emirates), the operational and investment activities of which are fully directed on commercial focus, and is aimed at making changes into the portfolio of investment projects and assets, revising approaches for reinvesting funds, ensuring income diversification in order to avoid concentration risk, and preserving and increasing the welfare of future generations. The Fund's Development Strategy

was approved by the decision of the Sole shareholder dated October 17, 2018 (decree of the Government of the Republic of Kazakhstan No. 656).

The Fund's Development Strategy is aimed at implementing the strategic goals and development directions of the Republic of Kazakhstan.

## STRATEGIC DIRECTIONS OF DEVELOPMENT

### Efficiency of companies

As part of the mandate of improving the efficiency of companies, the Fund pays great attention to financial sustainability, synergy between portfolio companies and the effective implementation of the Transformation program

### Portfolio management

The Fund's assets portfolio management is carried out through exit from non-strategic assets and the Privatization program, through the involvement of strategic partners as well. The Fund also focuses on its income diversification through new investments in Kazakhstan and abroad

### Sustainable development

Sustainable development through effective corporate governance and implementation of sustainable development initiatives.

The selected strategic directions of development will allow the Fund to achieve the target model of strategic investment holding by gradually moving from the current stage of development to the target model by achieving short, medium, and long-term goals on effective and active management of the asset portfolio.

Corporate governance and sustainable development are one of the key components of the implementation of the Development Strategy, which will be implemented throughout the implementation of the Strategy, from 2018 to 2028.









# MANAGEMENT REPORT

Financial and operating results 28

Transformation program 33

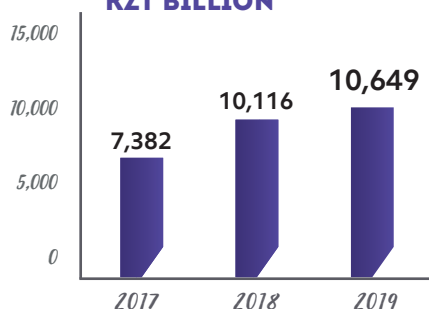
Privatization program 39

Investment activity 41

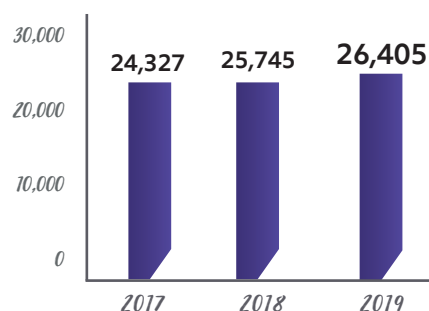


# FINANCIAL AND OPERATING RESULTS OF THE FUND'S GROUP

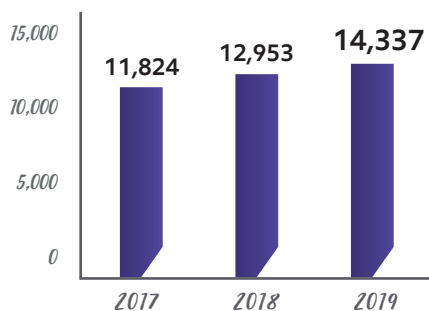
**CONSOLIDATED REVENUE,  
KZT BILLION**



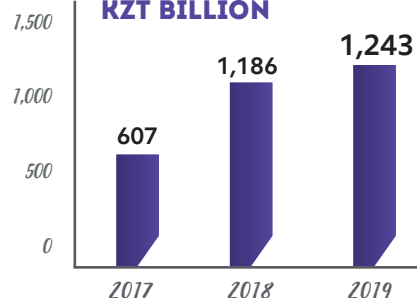
**ASSETS, KZT BILLION**



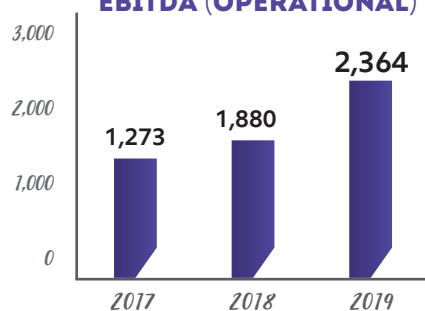
**EQUITY, KZT BILLION**



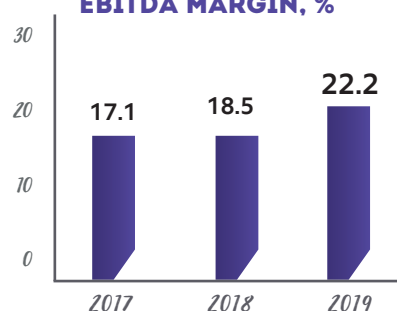
**CONSOLIDATED NET INCOME  
ATTRIBUTABLE TO SHAREHOLDER,  
KZT BILLION**



**EBITDA (OPERATIONAL)**



**EBITDA MARGIN, %**



In 2019, the Fund's Group demonstrated an increase in key financial indicators compared to previous years.

According to the results of 2019, the amount of consolidated revenue amounted to KZT10.6 trillion, exceeding the indicator of 2018 by KZT532 billion, or by 5.3%. Compared to 2018,

the largest revenue growth was observed in such segments as telecommunication services (by KZT219 billion, 102% increase), sales of refined gold (by KZT178 billion, 69%) and railway cargo transportation (by KZT112 billion, 13% increase).

#### REVENUE BY SEGMENTS, KZT BILLION

	2017	2018	2019
Sales of crude oil	2,509	3,757	3,529
Sales of oil refined products	1,779	2,603	2,590
Railway cargo transportation	766	858	970
Sales of gas products	342	783	875
Sales of uranium products	234	400	468
Oil and gas transportation fee	333	315	389
Air transportation	255	292	331
Electricity complex	264	278	240
Sales of refined gold	194	257	436
Telecommunication services	200	214	432
Oil processing fees	129	175	195
Electricity transmission services	124	145	222
Railway passenger transportation	83	85	86
Interest income	153	46	39
Postal services	39	43	46
Less: Crude oil Quality Bank	(22)	(18)	(15)
Less: indirect taxes and commercial discounts	(399)	(500)	(587)
Other revenue	398	383	400
	7,382	10,116	10,649

# THE MAIN FACTORS THAT ACCOUNTED FOR THE INCREASE IN REVENUE IN 2019



## SALES OF URANIUM PRODUCTS

The growth of the spot quotation from USD24.64 to USD25.84 per pound and an increase in the exchange rate of the USD by an average of 11% compared to the same period in 2018.



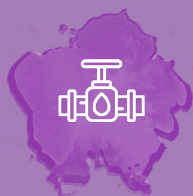
## CARGO TRANSPORTATION

Mainly, the growth in revenue from cargo transportation was due to an increase in revenue from freight wagon operating services, in revenue from an increase in the average level of tariffs, an increase in the exchange rate and transit revenue (for 12m in 2018, the average rate was KZT352 for 1 Swiss franc, for 12m in 2019 – KZT385), an increase in cargo turnover by 1.8%, as well as an increase in revenue from additional fees and changes in average revenue rates.



## SALES OF REFINED GOLD

Price increase (by USD48, from USD1,264 to USD1,412) and refined gold sales amounts (by 7.0 tons, from 18.9 tons to 25.9 tons), enhanced by an appreciation of the USD by 11% compared to 2018.



## OIL AND GAS TRANSPORTATION

The resumption of the transit of Turkmen gas to Russia, the increase in export volumes of Uzbek gas, as well as the provision of transport services for Gazprom Export from GMS Dombarovka (Kazakhstan) to GMS Akbulak (Russia).



## AIR TRANSPORTATION SERVICES AND MAINTENANCE

The increase was mainly due to an increase in revenue from passenger transportation by KZT27 billion due to an increase in passenger traffic by 18%.



## EE TRANSPORTATION AND RELATED SUPPORT

The increase was mainly due to the implementation of services to ensure capacity readiness to bear the load (+68 billion) in the framework of the functioning of the capacity market from January 1, 2019 (revenues received by FRC of RE LLP).



## TELECOMMUNICATION SERVICES

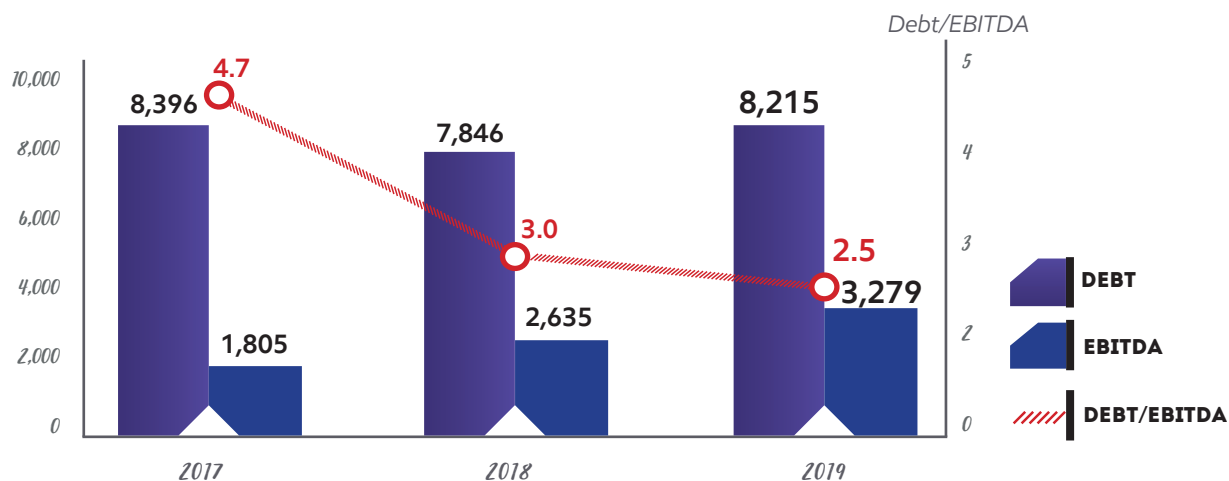
Due to the growth of income from FTTx Internet access services, from fixed wireless broadband access services, the growth of converged services (FMS / FMC), and revenues from corporate infocommunication services. Significant growth in mobile services due to the merger of Kcell from 2019 and MTS from the second half of 2019.



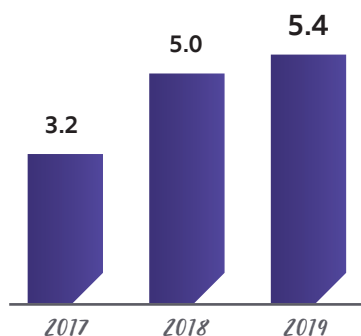
The consolidated assets of the Fund Group amounted to KZT26.4 trillion as of December 31, 2019, which is KZT660 billion, or 2.6% more compared to the same period in 2018. EBITDA (operating) and EBITDA margin in 2019 amounted to KZT2,364 billion and 22.1%,

respectively, while similar indicators in 2018 amounted to KZT1,880 billion and 18.5%. At the end of 2019, the Fund's Group paid to the budget taxes and payments in the amount of KZT1,102.7 billion. General and administrative expenses amounted to KZT469.9 billion.

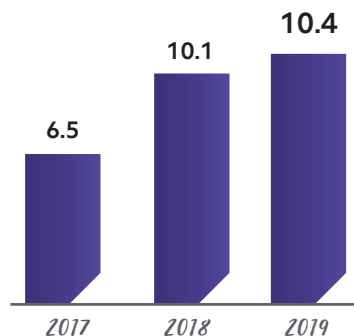
#### DEBT AND EBITDA OF THE FUND, KZT BILLION (CONSOLIDATED)



#### ROA, % (RETURN OF ASSETS)

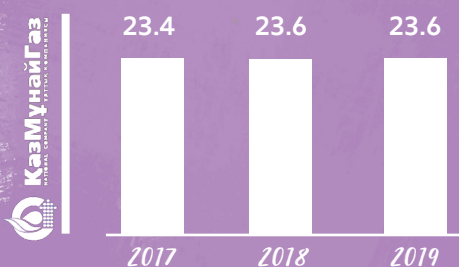


#### ROE, % (RETURN ON EQUITY)

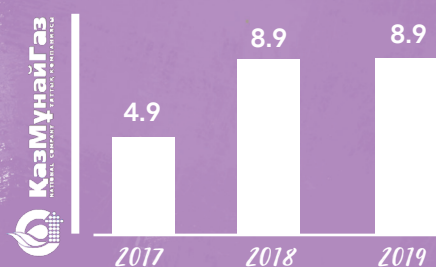


## KEY PERFORMANCE INDICATORS OF THE FUND'S LARGEST PORTFOLIO COMPANIES

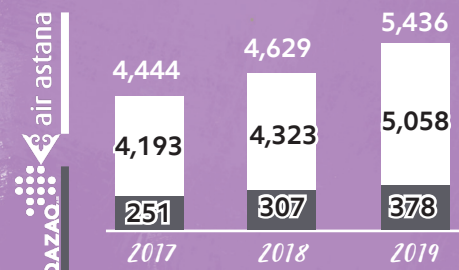
Oil and gas condensate production, million tons



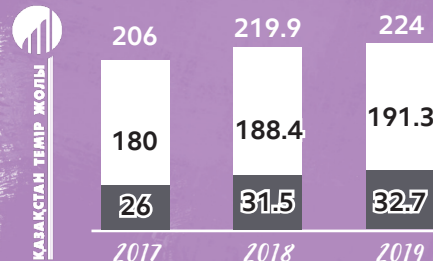
Volumes of sales of commercial gas for export, billion m3



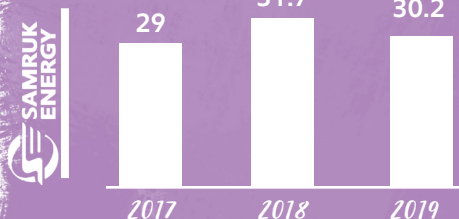
Passenger turnover by air transport, thous. people



Cargo turnover by railway, inc. transit, billion tons-km



Power generation, billion kW/h



Uranium production and sales of the Group by share, thous. tons



# TRANSFORMATION PROGRAM

Transformation Program of the Fund is included in the Strategic Development Plan of the Republic of Kazakhstan for 2025, which is identified as a key factor in the success of the strategic role of the Fund in the effective completion of the transformation processes from quasi-public to high-tech and efficient institutions.

Transformation Program is being implemented in six large Portfolio companies of the Fund: NC KazMunayGas JSC, NC KTZ JSC, Kazpost JSC, NAC Kazatomprom JSC, Samruk-Energy JSC and KEGOC JSC.

The Program is a tool for the implementation of the strategic goal No. 1 of the Fund "Efficiency of companies", which is achieved by:

**1** business problems solving (using digital technologies that are converted into business benefits: reducing downtime, commercial losses, operating efficiency increase, etc.) aimed at achieving strategic KPI of PC and the Fund;

**2** key PC system problems solving that have a significant negative impact on the implementation of PC development strategies.

An analysis of the experience of implementing the Transformation Program in Portfolio Companies conducted in the first half of 2019 revealed a number of limitations that hinder the successful implementation and obtaining the declared benefits, as a result of which the implementation approaches were revised. Updated vision of the Program approved by the Fund Management Council on May 22, 2019.

The transformation of only corporate functions does not allow to realize a large-

scale transformation and achieve the necessary results. The main potential benefit lies in improving the efficiency of production processes. Precisely, in this direction the use of advanced digital technologies makes it possible to extract the maximum financial benefit.

Another one of the most important updates to the Program is the focus on the use of digital technologies in implementing large-scale changes in companies.

The implementation of the Program is based on the concept of introducing changes in four areas: "People, Processes, Technologies and Data". To implement the changes in these four areas, the Fund's Management held a number of strategic sessions, during which the following initiatives of the Program were identified:

## 1. PROCESS SAFETY:

The initiative is aimed at implementing the Reference model "Process safety management for Portfolio companies of Samruk-Kazyna JSC in 6 Portfolio companies which are in the scope of the Transformation Program, as well as continuous improvement of the HSE management systems of the Fund's PC, implementation of the best international HSE management practices in 12 main Portfolio companies of the Fund within the framework of the activities of the Committee on Health, Safety and Environment.

## 2. A CULTURE OF HIGH PRODUCTIVITY:

To attract, motivate, retain and develop employees with the right behavior in the Fund's Group, a fundamental restructuring of the human resources management system is necessary. For this task, a very important point is the formation and development of modern and effective HR tools and competencies.

## 3. A SET OF INDIVIDUAL INITIATIVES

#### **AIMED AT IMPROVING THE EFFICIENCY OF PCS (KEY BUSINESS):**

Projects and actions that solve key systemic problems of activity and contribute to achieving strategic KPI of PCs in order to optimize costs, increase profitability, find new sources for growth and improve the value chain of productions.

#### **4. A NEW PROCUREMENT MODEL OF THE FUND GROUP:**

The implementation of a comprehensive procurement management system in the Fund's Group aimed at ensuring production, implementing investment projects, solving business problems and, ultimately, strategic goals and KPI of the Fund's PC.

#### **5. IT EFFICIENCY IMPROVEMENT:**

The development of the function of information technology management, provision of business continuity, taking into account a balance between obtaining benefits and optimizing risks and resources, as well as development of the domestic IT market by transferring part of the functions of IT of Portfolio companies to the competitive environment.

#### **6. IMPROVING THE EFFECTIVENESS OF THE DATA MANAGEMENT FUNCTION:**

Obtaining added value through analysis, processing and combining the internal and external data in the form of new products creation, data monetization and cost optimization for the Fund's Group.

#### **7. IMPLEMENTATION OF THE FUND GROUP'S CYBERSHIELD:**

Building management and information security system at the group level based on the service model will increase the maturity level of management processes and information security, reduce their risks, reduce response time, and optimize the costs of eliminating the consequences of information security incidents.

To achieve the goals of the Transformation Program, each Portfolio company prepared and approved Roadmaps for the implementation of projects and actions. Monitoring of the Program at the Fund level is carried out within the framework of the Transformation Program Progress Control Committee under the Board of Directors of the Fund.

In 2019, Portfolio companies continued to actively implement production projects using digital technologies.

A continuous improvement process has been launched around the perimeter of the updated Transformation Program, in the framework of which there is a constant search and analysis of new ideas and the initiation of projects to increase the effectiveness of the core business of Portfolio companies. As of January 2020, the project portfolio included 54 projects and 103 activities with a total amount of net benefits of KZT130 billion for 2020-2024, including KZT66 billion, which are directly reflected in financial indicators.



## THE FOLLOWING PROJECTS IN PORTFOLIO COMPANIES OF THE FUND CAN BE NOTED AS SUCCESSFUL EXAMPLES IN 2019:

- 1** Transition to a 3-year overhaul period at Atyrau Oil Refinery and Pavlodar Oil Refinery (KMG);
- 2** Competence Center creation for category management of procurement (KMG);
- 3** Implementation of a new model for technical maintenance and repair management in Mangistaumunaigas JSC (KMG): reduced costs for technical maintenance and repair of oilfield equipment, increased inventory turnover for repairs and reduced inventory levels;
- 4** "Mobile diagnostic complexes": due to the introduction of the complexes, 73 thous. km were diagnosed, of which 1,699 km with an unsatisfactory rating, and 217 acute defective rails, that is, places of potential derailment (KTZ);
- 5** "Implementation of a new marketing and sales model" - new websites of KTZ Express JSC and Kaztemirtrans JSC were put into operation, contact centers for customers were launched, contracts for the provision of transportation services without intermediaries were concluded by participating in the Fund's procurement and on the public procurement portal (KTZ);
- 6** Implementation of the target model of the marketing and sales function (KAP);
- 7** Implementation of the Energy Saving and Energy Efficiency Improvement Action Plan (KAP).

AT THE END OF THE YEAR, NET BENEFITS AMOUNTED TO  
KZT69 BILLION

## IN 2020, COMPANIES WILL IMPLEMENT THE FOLLOWING KEY PROJECTS:

- 1** Introduction of a training and certification system for production personnel of the RK oil refineries through the introduction of computer training complexes (KMG);
- 2** Transformation of core business functions and implementation of ERP (KMG);
- 3** "Train Control Center" (KTZ);
- 4** Implementation of the ACS "Magistral": the introduction of 6 mobile diagnostic complexes (KTZ);
- 5** Development of fiber optic communication lines for data transmission (KEGOC);
- 6** Implementation of a monitoring and control system based on synchrophasor technology (WAMS / WACS) (KEGOC);

- 7** The introduction of a centralized emergency control and duty automation system for managing the operating modes of the UES (KEGOC).

**NET BENEFITS IN 2020 ARE EXPECTED TO AMOUNT TO KZT29 BILLION**

**IN THE YEARS 2021-2024, NET BENEFITS ARE PLANNED IN THE AMOUNT OF KZT101 BILLION DUE TO THE CONTINUED IMPLEMENTATION OF THE PROJECTS MENTIONED ABOVE**

**AS PART OF THE TRANSFORMATION PROGRAM, 14 PROJECTS AND ACTIVITIES OF THE FUND'S GROUP ARE INCLUDED IN THE STATE PROGRAM "DIGITAL KAZAKHSTAN", OF WHICH 5 PROJECTS HAVE ALREADY BEEN IMPLEMENTED:**

- 1** Transition to an extended overhaul period at the refineries of the Republic of Kazakhstan at KMG (including automation of the equipment maintenance and repair system). The effect in 2019 amounted to KZT3.0 billion;
- 2** The creation of a multimodal transportation system (KTZ);
- 3** Improvement of legislation on the development of the business environment and the regulation of trade activities, as well as customs legislation (Kazpost), allowed the launch of a transit service for international mail from the SEZ of the Khorgos ICBC. A bonded warehouse was launched on the territory of the SEZ. Today, contracts have been concluded with the logistics companies GrandBillion, Grandpost, Post Chain, SF Express, Chang Da Yong Yue, Clevy;
- 4** Introduction of a payment instrument integrated with the e-government infrastructure for transferring citizens to a cashless environment in order to promote mobile payments and mobile government (Kazpost). Within the framework of this project, an electronic wallet was launched on the post.kz portal and work was done on integration with the electronic government portal for 42 services for payment with a payment instrument. Additionally, on the e-government portal (egov.kz), payment of budget payments has been launched through the mobile balance of Activ / Kcell / Beeline mobile operators;
- 5** Creation and implementation of an open digital platform for SMEs (KTK) - the basic functionality of the ismet.kz platform was implemented as part of the project, which has been removed from monitoring since December 2018 after successfully passing the state certification for information security. Currently, the platform is developing in accordance with the needs of the market. (Note: despite the fact that Kazakhtelecom JSC is not included in the perimeter of the Transformation Program implementation, the Fund monitors the implementation of the project included in the Digital Kazakhstan State program)

## 9 PROJECTS ARE UNDER IMPLEMENTATION:

- 1** "Intelligent Field" (KMG);
- 2** Implementation of the ACS "Magistral" (KTZ) - 3 mobile diagnostic complexes (MDCs) were put into operation; an additional 3 are expected to be introduced;
- 3** Implementation of the Digital Mine project (KAP) - on December 31, 2019, the Digital Mine IS was put into trial operation at the enterprises included in the organizational perimeter of the project (Kazatomprom-SaUran LLP, RU-6 LLP, Ortalyk LLP). Preparations are underway for launching commercial operation;
- 4** Automation of the management of the regimes of the Unified Electric Power System of Kazakhstan (KEGOC). The project includes three components: DSPA, ARCM and WAMS / WACS. The implementation of APFC and WAMS / WACS is included in the portfolio of the KEGOC Transformation Program as 2 separate projects. A comprehensive non-departmental examination is expected on the basis of CEMS / APFC; WAMS / WACS carried out services procurement for the development of WACS system working algorithms;
- 5** Provision of service support in electronic commerce (Kazpost) - in 2019, the E-commerce center was opened in Karaganda and in Shymkent;
- 6** Development of the postal infrastructure to reduce the delivery time of postal items - a self-service network for issuing postal items has been introduced: - parcel supermarket - 248; partner offices - 520;
- 7** Conducting training courses on basic digital skills for the population, reskilling of personnel (Kazpost). In 2019, the training program of the seminar was developed for the courses: "Development of electronic commerce", "Hypermarket of online services post.kz" and "Digital office" for conducting training among the population in order to increase digital literacy of the population. Together with local official bodies, training events are held to prepare speakers for further training among the population in order to increase digital literacy. In the context of 16 centers, 17 Connection Points self-service zones were organized, where employees of Kazpost JSC conduct training on receiving services online on the post.kz website. As of September 4, 2019, 673 companies on a daily basis use the online filling of forms, the formation of partial money transfers, registered letters, as well as the creation of EMS items;
- 8** Use of building sites (QR-code with New postal codes) by local official bodies and CAO when interacting with the population (annually until 2021). In 2019, 31,128 address plates were installed;
- 9** Providing broadband Internet access to rural settlements of the Republic of Kazakhstan. The project provides for the connection of 2,496 state institutions in 828 rural settlements of the RK.

**Net benefits from the implementation of the Transformation Program amounted to KZT68.8 billion, of which direct benefits amounted to KZT61.9 billion.**

## NET BENEFITS ON TRANSFORMATION IN 2019

2018

2019

KZT  
**27.8**  
BILLION

KZT  
**68.8**  
BILLION



**DIRECT  
BENEFITS**

**INDIRECT  
BENEFITS**



# PRIVATIZATION PROGRAM

The Fund is involved in improving the efficiency of the economy of Kazakhstan, reducing the share of the quasi-public sector in the economy of Kazakhstan through active participation in the Comprehensive Privatization Plan for 2016–2020 by transferring its assets included in the Plan to a competitive environment. The Fund also works on the exit non-strategic assets / divestment for the purpose of effective portfolio management and optimization of the asset

structure. The success of the measures taken will stimulate an increase in the level of corporate governance, the development of healthy competition in the private sector, a decrease in the state's presence in the competitive sectors of the economy, an improvement in the investment climate of the Republic of Kazakhstan, as well as the attraction of new technologies to the country's economy and a decrease in government regulation in the business sector.

## IMPLEMENTATION OF THE COMPREHENSIVE PRIVATIZATION PLAN FOR 2016–2020

According to the Comprehensive Privatization Plan for 2016–2020, 167 assets of the Fund's Group\* are subject to withdrawal.

(Kazakhtelecom JSC, Air Astana JSC, Samruk-Energy JSC, NC KazMunayGas JSC, Kazpost JSC, NMC Tau-Ken Samruk JSC, Qazaq Air JSC and NC KTZ JSC).

### IPO/SPO/SALE TO A STRATEGIC INVESTOR TOTALLING 9 LARGE COMPANIES:

- **1 asset** – NAC Kazatomprom JSC – 18.8% of shares placed on the London Stock Exchange and the AIFC Stock Exchange worth KZT218 billion (in 2018 – 15% of shares, in September 2019 – 3.8%);
- **8 assets** are in preparation

### 158 ASSETS ARE SUBJECT TO DISPOSAL FROM THE FUND'S GROUP IN OTHER WAYS, AND AMONG THEM IN 2016-2019 AS OF DECEMBER 31, 2019:

- 84 assets are sold for KZT172 billion;
- 51 assets are dissolved or reorganized.

## EXIT FROM NON-STRATEGIC ASSETS

In order to balance the asset portfolio as part of the implementation of the Fund's Development Strategy, measures are being taken to exit non-strategic and non-core assets taking into account market conditions. In 2018–2019, only 48 assets were withdrawn from the Fund's Group, including 17 assets during 2019. In 2019, 3 companies were sold in the amount

of KZT61.6 billion (KMG Retail LLP, Summit Atom Rare Earth Company LLP (SARECO), FN Management LLP), 5 assets were transferred to state ownership (Atyrau International Airport JSC, Aktobe International Airport JSC, Pavlodar Airport JSC, MAEC-Kazatomprom LLP, MC SEZ Chemical Park Taraz JSC (90%) and 9 assets of portfolio companies were dissolved.

\* according to the amendments to the decision of the Sole Shareholder (decree of the Government of the Republic of Kazakhstan No. 1141 dated December 30, 2015)

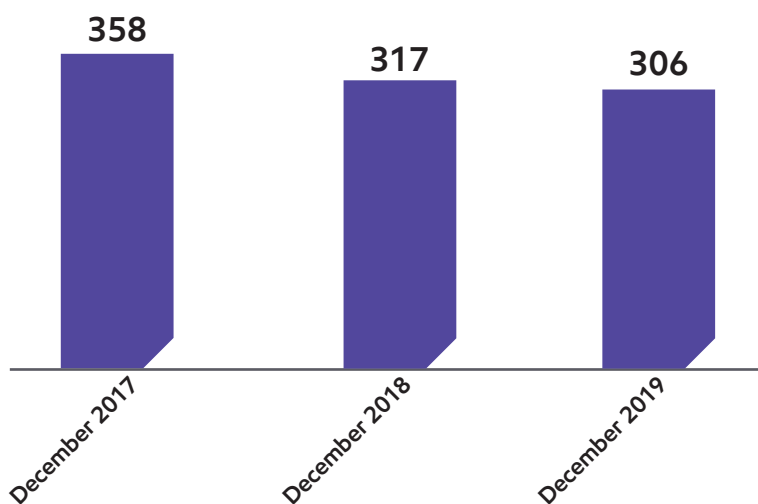
## REDUCTION IN THE NUMBER OF LEGAL ENTITIES IN THE FUND'S GROUP

The goal of reducing the number of legal entities in the Fund's Group relates to the current portfolio of the Fund's assets, until the Fund starts investing in shares / assets / projects for the purpose of actively managing the investment portfolio.

The Fund aims at maintaining the levels in the structure of the assets of the Fund's Group not more than 5 and the number of legal entities - not more than 300.

Maintaining the optimal asset structure, both at the Fund's level and at the level of Portfolio companies, will allow us to comply with the best practices of similar funds, increase competitiveness and respond quickly to market changes in the internal and external environment when making business management decisions

### NUMBER OF LEGAL ENTITIES IN THE FUND'S GROUP



# INVESTMENT ACTIVITIES

## INVESTMENT PORTFOLIO REVIEW

In 2019, work was completed on introducing a portfolio approach to managing investment projects in the Fund and in all PCs. As part of the implementation of the portfolio approach, the Fund carried out work on the review and ranking of current and promising investment projects of the Fund's Group.

The main directions of the Fund's capital investments are the implementation of investment

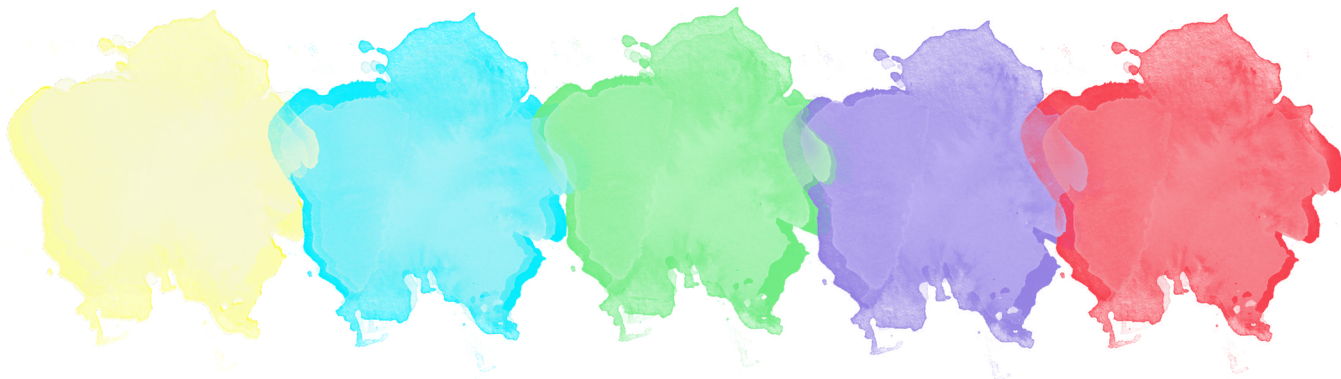
projects in subsidiaries of KMG, UCC, KTZ and others. The main investment projects that require large capital investments are oil and gas exploration and production, railways construction, a gas chemical complex construction, a train station construction, power lines construction and other equally important projects.

## PARTICIPATION ON THE FUND IN NATIONAL INDUSTRIAL DEVELOPMENT PLANS

The Fund also continues to fulfill its function of supporting the country's economy through the implementation of infrastructure projects, as well as regional projects and industrial development projects. Thus, the Fund participates in 54 investment projects under the state program "Nurly Zhol" and SPIID with a total investment cost of about KZT8.1 trillion, of which, currently, the Fund's Group has implemented 47 projects

for a total cost of KZT5.9 trillion, and 7 projects at the implementation stage, the cost of which is amounted to KZT2.2 trillion.

These projects cover mainly transport, logistics, energy and infrastructure sectors. The implementation of these projects will create more than 8,000 permanent jobs.



## LARGEST INVESTMENT PROJECTS OF THE FUND'S GROUP

Company and total cost of the project

### 1 NORTH CASPIAN PROJECT (EXPERIMENTAL PROGRAM DEVELOPMENT)

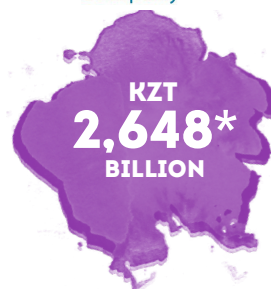
Exploration, development and production of oil and by-products on the contract area.

Oil production is carried out at the Kashagan field, production wells of Islands "D", "A", EPC-2 and EPC-3 are open, the facilities of the OTC of Island "D" and IOGTU "Bolashak" are in operation.



### 2 CONSTRUCTION OF AN INTEGRATED GAS CHEMICAL COMPLEX (SECOND PHASE)

Polyethylene production in the amount of 1,250 thous. tons / year



### 3 CONSTRUCTION OF AN INTEGRATED GAS CHEMICAL COMPLEX (FIRST PHASE)

Creation of the IGCC for the production of polypropylene with a capacity of 500 thous. Tons/year in Atyrau region



### 4 CONSTRUCTION OF INFRASTRUCTURE FACILITIES OF THE SEZ "NATIONAL INDUSTRIAL PETROCHEMICAL TECHNOLOGY PARK"

Construction of infrastructure facilities of the special economic zone "National Industrial Petrochemical Technology Park" in Atyrau region



\* the total cost of the project is restated at the exchange rate of USDKZT at 390



## 5 CONSTRUCTION OF "BEYNEU-BOZOY-SHYMKENT" GAS PIPELINE



Construction of a main gas pipeline with a length of 1,475 km in a single-cut design with 2 compressor stations (hereinafter - CS) Bozoy and Karaozek, as well as 4 additional compressor stations built by ICA. The construction of the main gas pipeline to provide natural gas to the southern regions of the Republic of Kazakhstan, diversification of export supplies of Kazakhstani gas and the creation of a unified gas transportation system



## 6 RECONSTRUCTION AND MODERNIZATION OF ATYRAU OIL REFINERY



Provision of the production of K4, K5 motor fuels, in accordance with the requirements of the Technical Regulations of the Customs Union, increase in the balanced processing capacity to 5.5 million tons per year



PROJECT COMPLETED

## 7 RECONSTRUCTION AND MODERNIZATION OF SHYMKENT OIL REFINERY



Production of oil products of classes K4, K5. Increase in refinery yield. Refining capacity increase up to 6 million tons of oil per year.



PROJECT COMPLETED

## 8 CONSTRUCTION OF A NEW RAILWAY LINE "ZHEZKAZGAN - BEYNEU"



The project is being implemented as part of the implementation of the Decree of the Government of the Republic of Kazakhstan dated June 7, 2012, No. 758 "On measures for the implementation of projects of the construction of the Zhezkazgan-Beyneu and the Arkalyk-Shubarkol railway lines". Formation of the shortest cargo routes from the Kazakh-Chinese border, taking into account the launching of the Zhetysay-Korgas line, to the port of Aktau, followed by exit to Turkmenistan and taking into account the launching of the Uzen railway line



PROJECT COMPLETED

## 9 CONSTRUCTION OF A FERRY COMPLEX IN THE KURYK PORT AND OPERATION OF UNIVERSAL CARGO AND PASSENGER FERRIES

Creating an effective logistics hub and development of the Caspian maritime infrastructure and an increase in the transit potential of Kazakhstan. Development of cross-border trade and economic relations, an increase in transport and socio-economic potential



## 10 EXPANSION AND RECONSTRUCTION OF EKIBASTUZ GRES-2 WITH INSTALLATION OF POWER UNIT OF STATION NO. 3

Meeting the growing needs of Kazakhstan in electricity and electric capacity, increasing the export potential of Kazakhstan; Improvement of the reliability of power supply to consumers; Provision of sustainable efficient operation of the energy source in market conditions



## 11 MODERNIZATION OF SHARDARA HPP

Replacement of obsolete equipment to improve plant productivity and safety



## 12 EXPANSION AND RECONSTRUCTION OF EKIBASTUZ GRES-1 (BLOCK NO.1 RECOVERY)

Provision of reliable power supply to consumers. Increase in available capacity in order to provide reliable power supply to consumers

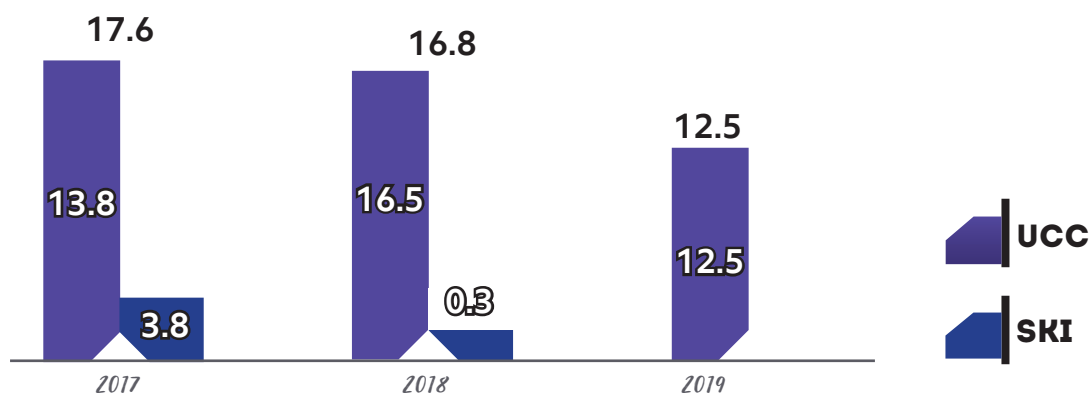


## 13 INDUSTRIAL DEVELOPMENT OF THE SHALKIYA POLYMETALLIC ORE DEPOSIT IN THE KYZYLORDA REGION

Launch of an ore-dressing plant with a capacity of 4 million tons / year for the purpose of subsequent production of zinc and lead concentrates



### INVESTMENTS IN GROWING COMPANIES, KZT BILLION



### NEW INVESTMENT

The mission of the Fund is to increase the national wealth of the Republic of Kazakhstan and long-term sustainability for future generations. The vision by 2028 defines the Fund as an investment holding that delivers strong financial performance, investment returns and portfolio development on par with leading sovereign wealth funds.

As part of the implementation of its mission, the Fund defines the following investment objectives:

- 1** provision of the long-term sustainable growth in the Fund's portfolio value and a reasonable increase in capital;
- 2** formation, preservation and augmenting of financial well-being for future generations;
- 3** provision of portfolio diversification by geography, industry, and asset classes.

In this regard, specific work is being carried out for the systematic formation of a portfolio of direct and indirect international investments, as well as work to build up new investments in the sectors of the economy of the Republic of Kazakhstan, which are high-priority for development and are strategically important within the framework of key state programs in the national economy and strategy.

### IN 2019, AS PART OF THE DEVELOPMENT OF NEW INVESTMENTS, THE FOLLOWING ACTIVITIES WERE CARRIED OUT:

- The Board of Directors of the Fund approved the Fund's Investment Policy, which defines the investment objectives, criteria and principles of the Fund, as well as the long-term target structure of the Fund's portfolio;
- The Management Board of the Fund approved (1) the Rules for the implementation of new investments of the Fund, which determine the process and criteria for new investments, (2) the Rules for the implementation of international investments in the framework of the formation of the Fund for future generations, which determine the criteria and directions for international portfolio investments, (3) the Rules on selection of external fund managers, which determine the criteria and process for selecting external asset managers;
- The experience of the sovereign wealth funds such as Khazanah, GIC Private Limited, Korea Investment Corporation, Temasek, Mubadala and the National Bank of the Republic of Kazakhstan on the implementation of international investments was studied;

- Meetings and detailed negotiations were held with custodian banks, a legal adviser and more than 40 external fund managers;
- Together with CITIC (PRC) and Baiterek NMH JSC, the Eurasian Nurly Investment Fund (PRC) was established. The Fund will carry out projects priority in the Republic of Kazakhstan, which will create jobs and

attract additional investment in the country;

- And also, the concepts of new investment projects implemented jointly with strategic partners were considered.

## RESULTS OF THE ACTIVITIES OF THE INVESTOR RELATIONS

### INTERNATIONAL EVENTS

**In 2019, business council meetings were held:**

- On September 11, 2019, the 6th meeting of the Kazakhstan-China Business Council was held in Beijing, China.
- On October 23, 2019, the 3rd Session of the Kazakhstan-British Business Council and the Global Kazakhstan Investment Forum 2019 were held in London, United Kingdom, in conjunction with Kazakh Invest JSC, the Embassy of the Republic of Kazakhstan in the United Kingdom of Great Britain and the Financial Times.

**Also, in 2019, a number of international events were held:**

- MarketSite in Dubai, UAE, dedicated to the Fund's Development strategy and privatization program.

- On April 25, 2019, a round table on investment cooperation between the Republic of Kazakhstan and the People's Republic of China was held in Beijing, China.
- On March 28, 2019, a round table was held with investors at the Nasdaq Dubai venue.

### INTERNATIONAL INVESTMENT COOPERATION

- On September 9, the Eurasian Nurly Investment Fund (ENIF) Investment Subscription Agreement was signed (first closure - USD200 million).
- On October 22, 2019, an agreement was signed on the basic conditions for investing in a fund of new technologies with Da Vinci Capital (Great Britain) (first closure - USD100 million).



## INVESTMENT PLANS FOR 2020

- Determining the investment and corporate structure that ensures the highest possible level of asset preservation from third-party claims and operational efficiency;
- Further work on the creation of private equity funds in conjunction with international financial institutions and strategic investors; Implementation of investment projects with strategic partners in the chemical and energy sectors as part of attracting direct investment in Kazakhstan;
- Further work on the formation of internal infrastructure and competence to accompany investment activities for international indirect and direct investment.









# CORPORATE AND SOCIAL RESPONSIBILITY

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# HR MANAGEMENT

## HR POLICY OF THE FUND AND PC AND PROFESSIONAL DEVELOPMENT OF EMPLOYEES

HR policies of the Fund and Portfolio companies are functional policies aimed at implementing the development strategies of the Fund and PC. They indicate priorities for working with personnel until 2027-2028. This is the development of corporate culture, transparent recruitment, compliance with the principles of meritocracy, talent management and other processes that contribute to attracting and retaining high potential and effective employees.

In order to implement HR policies, targeted HR management processes have been introduced in the PCs (personnel recruitment and assessment), amendments and additions have been made to internal documents on the HR issues (training, selection, remuneration, assessment rules) and the Fund's Group's corporate HR management standard

For the Portfolio companies of the Fund, the initiative "Culture of High Performance" for 6 Portfolio companies has been formed and is being implemented as part of the Transformation Program, consisting of the elements:

-  Corporate culture development
-  Leadership development
-  Development of HR competencies.

### SEARCH AND PERSONNEL RECRUITMENT

In 2019, the Fund closed 109 vacancies, of which 63 candidates were candidates from the Fund's Group (52%). At the same time, the average number of responses to 1 vacant position amounted to 243 people, and the average duration of the search and selection of 1 candidate

was 24 working days.

The work with internal candidates was strengthened. The search and selection process is re-structured so that priority is given to internal candidates (first, candidates from the succession plan are considered, then other internal candidates, only if there are no internal candidates, external candidates are considered).



This made it possible at the end of 2019 to achieve the level of vertical rotation (appointment to higher posts) - 64%.

In 2019, the Fund launched the Samruk qyzmet platform for job search as a single operator of the Portfolio companies. Since the launch of the platform, more than 1,700 vacancies from 144 companies have been published and more than 240 job seekers have been employed.

### TALENT MANAGEMENT

In 2019, by the decision of the Management Board of the Fund, the Rules for managing talent of the Fund were approved. In accordance with the Rules, new approaches have been introduced to form a talent pool and a pool of successors, their career and professional planning, including priority consideration for vacant positions.

#### At the end of 2019:

-  A Succession Plan for key positions was formed, which amounted to 10% of the total number of staff positions of the Fund;
-  1 successor was appointed to the key posi-



tion of the Managing Director for Strategic Development, so the share of appointment from the pool of successors to senior positions was 100%, which is 30% higher than the target (plan - at least 70%).

In addition, in 2019, a succession plan was approved and career cards were formed for all successors to key positions, as well as employees included in the Presidential Youth Personnel Reserve. Career cards are aimed at motivation and phased development of high-potential employees of the Fund.

## PROFESSIONAL DEVELOPMENT OF EMPLOYEES

In 2019, by the decision of Management Board of the Fund, the Rules for professional training and development of the Fund's employees were updated. The main additions are aimed at improving the efficiency of the training process for the Fund's employees, including the organization of international certification programs, internships, doctoral and master's programs, as well as corporate types of training.

In accordance with the Plan for the implementation of the Fund's Development Strategy and the Plan for the Implementation of the Fund of Future Generations mandate, the criteria for selecting participants for relevant training and internships have been developed, and training for employees has been organized under the London Stock Exchange program and international certification programs.





During 2019, developmental events were organized as well, as functional committees for HR of Portfolio companies, events on teamwork development and the Leadership Program.

## THE SHARE OF EMPLOYEES OF THE

## COMMERCIAL UNIT WITH QUALIFICATIONS, KNOWLEDGE AND EXPERIENCE IN THE INVESTMENT FIELD

In 2019, the share of employees of the commercial unit of the Fund with qualifications, knowledge and experience in the investment sector is amounted to 78%, which is 38% higher than the planned value (plan - 40%).

In 2019, a number of measures were taken to strengthen the Fund's investment competencies:

-  requirements for the organization of international internships and training have been developed and approved;
-  more than 60 international investment organizations have been reviewed and a short list has been defined;
-  requirements and criteria for selecting a pool of workers for referral to international training and internships were developed and approved, a short list of applicants was determined;
-  contractual conditions with employees, the procedure for granting leave for passing exams on certification programs are defined.

As part of the human capital development, in accordance with the Fund's HR Policy for 2018–2028, the Fund implements measures to further develop the corporate culture in the Fund, to develop measures to increase employee engagement, to improve the employer's brand, to introduce leadership development programs for managers, and introduce corporate standards for attracting, developing and retaining talents, succession and transfer of knowledge, compensation and remuneration, as well as the implementation of a career planning system.

## REMUNERATION AND ASSESSMENT

The remuneration and bonuses system is based on the assessment of positions and performance of employees:

- to assess positions, the Fund and companies use a grading system according to the methodology of the Hay Group company. A unified approach to job matching allows to objectively compare positions between companies, compare salaries of specialists in the country, in the region and globally;
- the process of performance efficiency assessment is the basis for remuneration, incentives, bonuses, training and professional development, and also serves to retain employees.

Assessment of the effectiveness of employees' performance allows to determine the requirements for work results, skills, knowledge and competencies of employees to fulfill the strategic goals of the Fund and is based on the fol-

lowing basic principles:

- provision of fair and objective feedback built on trust;
- aiding with identifying training and development needs;
- assistance in improving individual performance indicators.

The motivation system adopted by the Fund ensures a clear dependence of the remuneration of our employees on the results of their work, including the implemented system of performance assessment and remuneration.

Creating a cost-effective remuneration system needed to attract, retain and motivate employees is a priority. The focus is on aggregate remuneration, which, in addition to remuneration and bonuses, also includes benefits and non-monetary remuneration.

## CORPORATE ACTIVITIES AND VALUES OF THE FUND

In 2019, a number of events were held aimed at developing an effective corporate culture and increasing staff engagement:

- sessions featuring CEO-1 and CEO-2 to confirm commitment to PRIME values and a targeted corporate culture;
- meetings without ties with the participation of the Deputy CEO;
- team-building and corporate events for the Fund's employees were organized (team

building, celebration of March 8, Children's Day, Independence Day and others);

- organized participation of workers in charity events;
- regular publication of information about new employees of the Fund in the SK News newspaper;
- adaptation courses for newly hired employees have been developed and are being conducted, and others.





An annual study of the level of employee involvement in the Fund was conducted. Based on the results of this study, communication with managers (up to CEO-2) was carried out and the PRIME Corporate Culture Development Plan for the Fund was drawn up.

2019 in the Fund was held under the aegis of the Year of Youth and more than 500 events were held by the Fund's Group aimed at charity, popularization of sports and a healthy lifestyle, training of young managers, for example:

#### **"BEST IN PROFESSION" (AUGUST 28, 2019)**

The contest "Best in Profession" is aimed at promoting the idea of universal labor and popularizing manufacturing professions.

##### **Project Objectives:**

-  Development of internal communications among young specialists of the companies of the Fund's Group;
-  Promotion of the ideas of the Universal Labor Society;
-  Popularization of manufacturing professions among youth;
-  Strengthening common values within the Fund's Group.

When determining the winner of the contest, more than 7,000 people took part in the voting. In total, candidates' videos have already collected more than 81,000 thous. views. Based on the results of online voting, the top 10 candidates are selected.

#### **"YOUTH CON JAS SAMURYQ" (NOVEMBER 26, 2019)**

The youth con "Jas Samuryq" for employees of the Fund's Group was held in Nur-Sultan. The con was attended by 330 employees of the Fund's Group.

The con allowed the participants to sum up the Year of Youth, as well as to meet all the young activists who were involved in the activities of the Fund during 2019 under the aegis of Jas Samuryq.

Employees of the Fund's Portfolio companies from almost all regions of the country gathered in the capital, including large production companies: NC KTZ JSC, NC KazMunayGas JSC, NAC Kazatomprom JSC, KEGOC JSC, Kazpost JSC, Kazakhtelecom JSC, Samruk-Energy JSC and others.

The participants discussed two main topics of the event - personal development and corporate volunteering. The participants were delivered a speech in the storytelling format by opinion leaders - top managers of the Fund's Group of companies, representatives of the Committee on Youth and Family Affairs of MISD of the RK, volunteer organizations, athletes and public figures of the country.

#### **MEETING OF THE CEO WITH THE YOUTH OF THE FUND'S GROUP (DECEMBER 18, 2019)**

CEO of Samruk-Kazyna JSC Akhmetzhan Yesimov met with the Jas Samuryq Youth Headquarters. It consists of representatives of youth councils of all the companies of the Fund. The meeting was held as part of the Digital Samruk 2019 Conference.

At the meeting, events held as part of the Year of Youth, as well as digitalization projects in companies were discussed. Participants also told the Head of the Fund about the activities of their youth organizations.

### **SAMRUK DEBATE DAY (THE FUND'S GROUP DEBATE TOURNAMENT) (DECEMBER 25, 2019)**

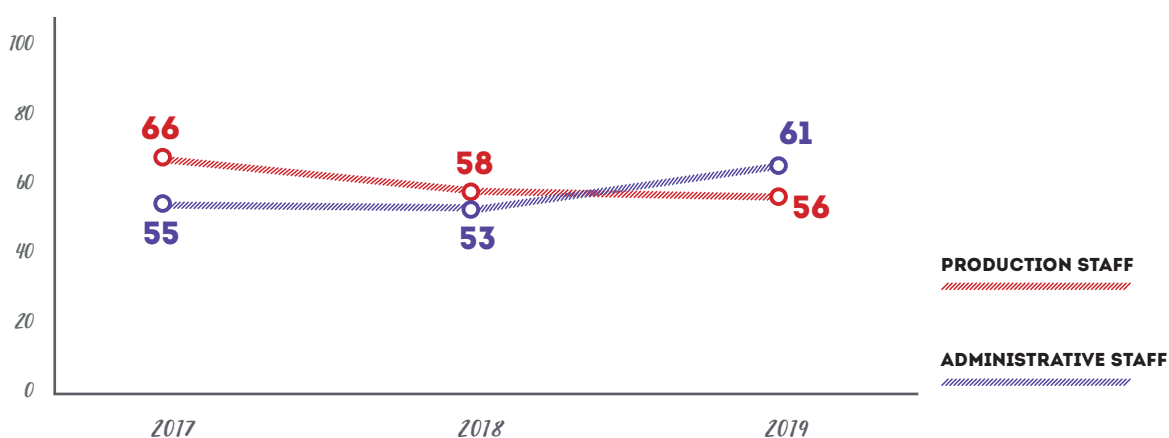
The tournament allowed to achieve several goals at once:

- Содействие личностному росту молодых сотрудников Группы Фонда

- Создание коммуникационной площадки для обмена идеями и мнениями в рамках Фонда
- Укрепление среди молодых сотрудников имиджа Фонда как открытой и транспарентной группы компаний

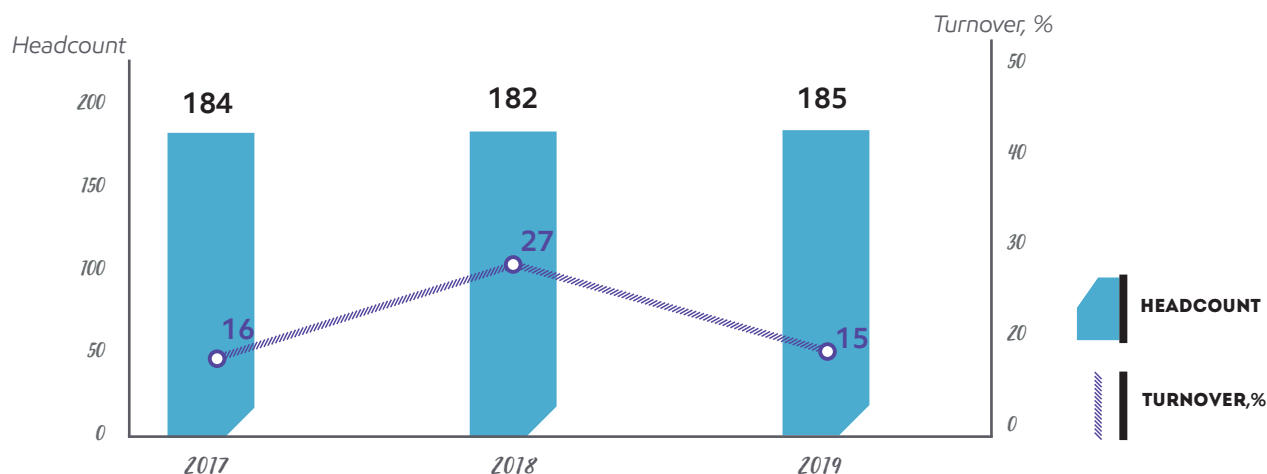
В дебатном турнире участвовало 50 сотрудников Группы Фонда.

### **INVOLVEMENT OF THE STAFF OF THE FUND'S GROUP, %**

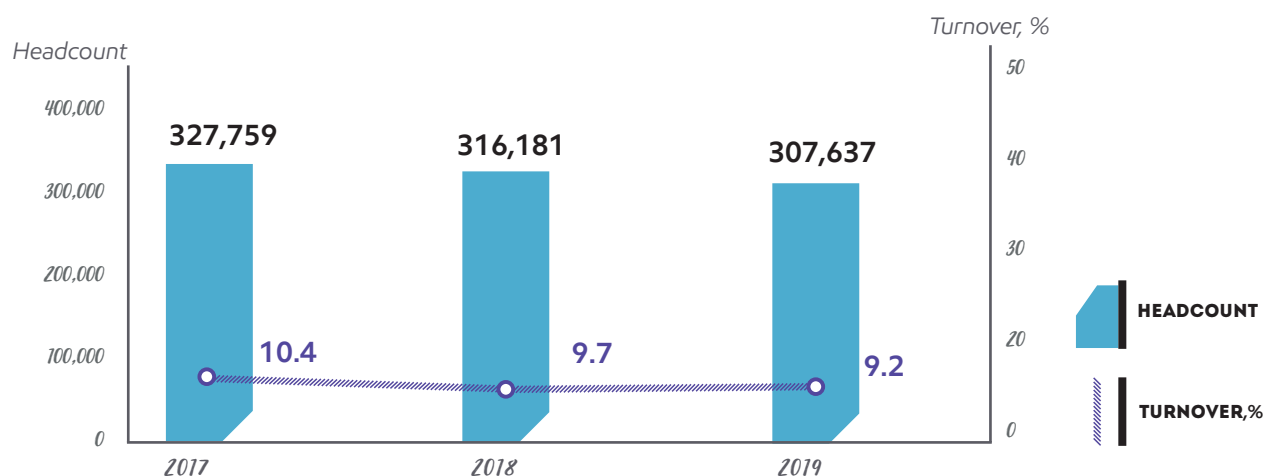




### HEADCOUNT AND TURNOVER OF EMPLOYEES OF THE FUND \*



### HEADCOUNT AND TURNOVER OF EMPLOYEES OF THE FUND'S GROUP



### THE STAGE OF INVOLVEMENT OF STAFF IN THE FUND'S GROUP AND THE FUND

The Fund's Group annually measures staff involvement. The study of involvement allows managers to receive structured, according to a science-based methodology, feedback from employees, and based on the results make informed decisions on social and labor relations.

The efforts of the heads of the Fund's Group in matters of involvement are reflected in the results of the study. For 2013-2019, Portfolio companies introduced changes aimed at developing of staff and increasing their involvement: introducing meritocracy principles, grading po-

\* The graph shows the average staff number




sitions, increasing salaries, various incentive programs, reviewing the social package, developing a corporate culture, etc.

The results of the 2019 involvement study show that production staff at the Fund's Portfolio companies talk about high standards of "em-

ployee care", in particular in terms of equipping job places, providing work clothes, meals, employee value, and recognition. They also note the existence of streamlined work processes and communications. A good brand of the Fund's companies has developed in the eyes of its employees.

#### STAFF INVOLVEMENT IN THE FUND'S GROUP OVER 7 YEARS

STAFF CATEGORY	2013	2014	2015	2016	2017	2018	2019
Production staff	35%	46%	50%	51%	66%	58%	56%
Administrative and management staff	54%	55%	55%	58%	55%	53%	61%

 **RISK ZONE**
 **STABILITY ZONE**
 **POSITIVE ZONE**

#### Note:

In 2019, the involvement of production personnel was determined for 10 Portfolio companies (previously there were 8 companies): NC KTZ JSC, NC KazMunayGas JSC, NAC Kazatomprom JSC, Kazpost JSC, Kazaktelecom JSC, Samruk Energy JSC, KEGOC JSC, Air Astana JSC, NMC Tau-Ken Samruk JSC, United Chemical Company LLP.

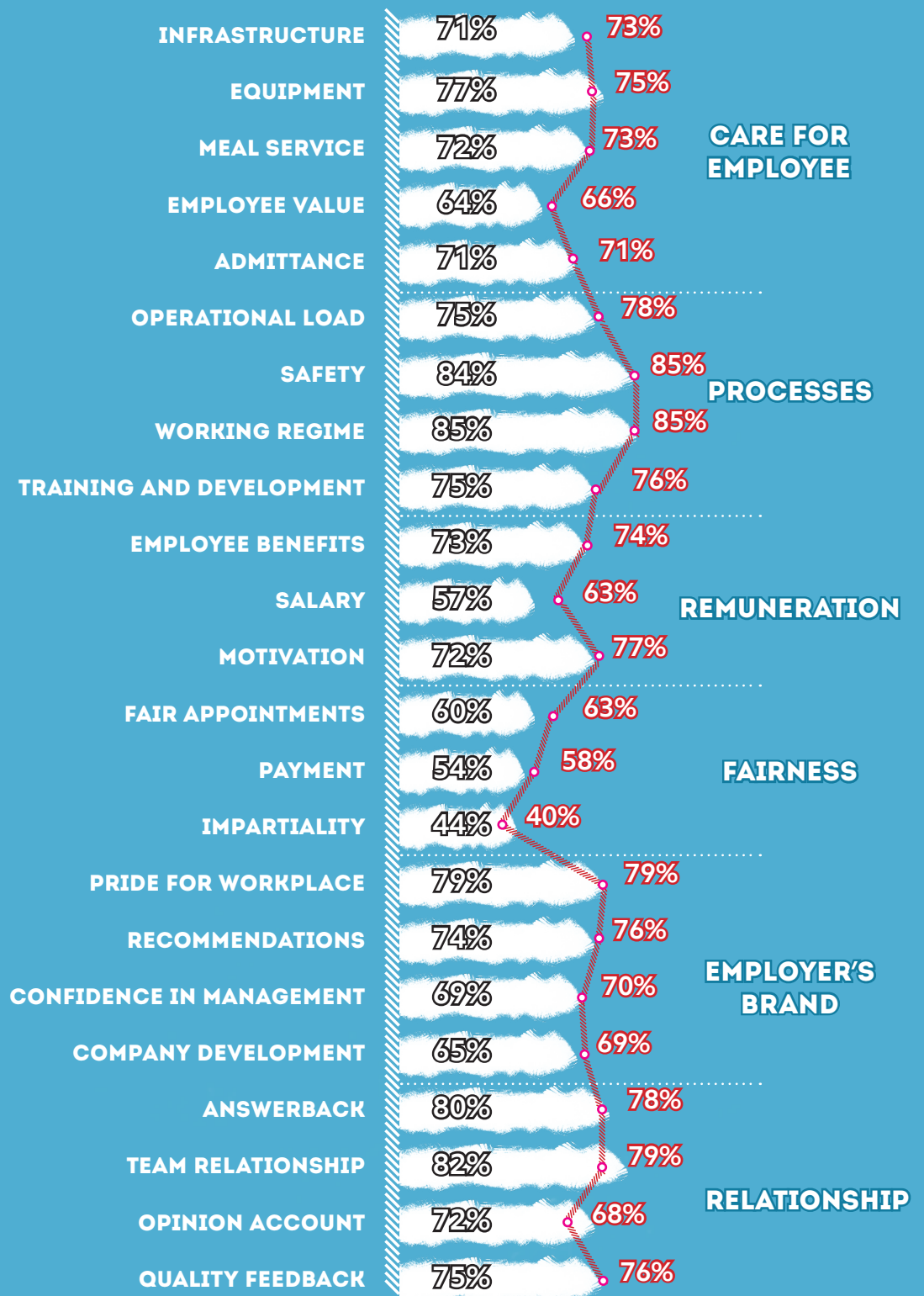
In 2019, a consolidated indicator of administrative personnel involvement was presented for 14 Portfolio companies and the Corporate

center of the Fund: NC KTZ JSC, NC KazMunayGas JSC (with subsidiaries), NAC Kazatomprom JSC, Kazpost JSC with branches, Kazaktelecom JSC with branches, Samruk Energy JSC, KEGOC JSC with branches, Air Astana JSC, NMC Tau-Ken Samruk JSC, United Chemical Company LLP, Qazaq Air JSC, Samruk-Kazyna Construction JSC, Samruk-Kazyna Contract LLP, Samruk-Kazyna Invest LLP.

The results of a study on the involvement of production personnel indicated that a good brand of the Fund's Portfolio companies was formed among the employees: 79% were proud of their work, 74% were ready to recommend the company as a good employer. At a high level, processes are organized to

support employees and build relationships between employees. 84% of employees speak of a well-established security policy in the company and 85% are satisfied with the work schedule

# PRODUCTION STAFF INVOLVEMENT FACTORS



Based on the results of measuring involvement, point decisions are made to improve processes, develop internal communications and feedback.

2019  
2018

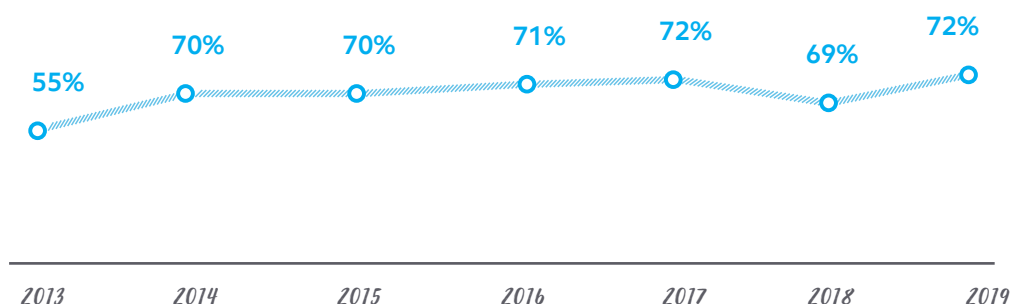
## SOCIAL STABILITY INDEX

In the Fund's Group annual monitoring of the social situation in production teams is conducted. For this purpose, the study "Social Stability Index" (hereinafter - SSI) is carried out.

According to the results of the SSI 2019, the aggregate indicator for the Fund's Group amounted to 72%, which corresponds to the level

"above average". The Fund's Portfolio companies pay increased attention to the social mood of employees. The social background and the mood of the production personnel indicate their positive attitude and a constructive approach to solving problems.

### SOCIAL STABILITY INDEX DYNAMICS



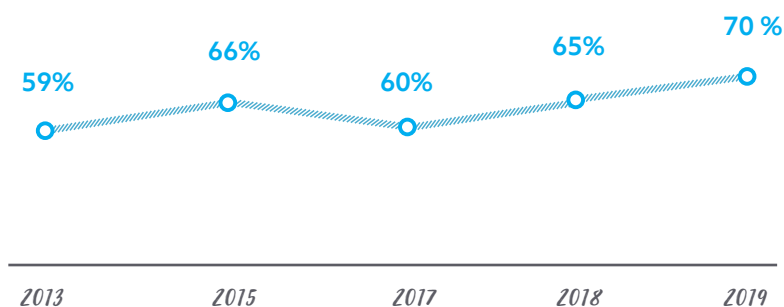
The results indicate that the Fund's companies are able to maintain social stability and employee involvement in accordance with international best practices.

Based on SSI results, Portfolio companies carried out corrective actions. An analysis of the measures taken shows that significant efforts have been made to improve working conditions. Given the level of development of the companies themselves, the measures taken are various, ranging from improving living conditions and ending with the broadcasting of corporate culture in teams.

One of the key parameters of SSI is the Social Calm Index. The results show an improvement

in social calm for the Fund's Group as a whole. According to the results of the survey, the Social Calm Index amounted to 70% against 65% in 2018. Workers have become more aware of the various ways to protect their labor rights. In a number of companies, the role of the leader in considering issues of protecting the rights of workers has strengthened, in some companies the authority of trade unions is strong, and some employees recognize the dominant role of mediators in resolving situations to protect their rights. Through the efforts of company leaders, it was possible to improve the social situation in the group of companies. Work in this direction is underway.



**SOCIAL CALM INDEX IN 2013-2019****"ZHAS ORKEN" PROGRAM**

In 2017, by the initiative of the Fund, the Zhas Orken program was launched to attract, select and develop talented graduates of universities. The program is a reference for further use in all companies in Kazakhstan. Candidates undergo a four-level selection, including the world's best practices for assessing abilities and potential. Finalists are selected by the competitive commission, which includes the managing directors of Samruk-Kazyna JSC and the Fund's Group companies and independent observers from government bodies of the Republic of Kazakhstan and international organizations. The main principles of the competition during the selection are equal opportunities for all participants, openness and transparency, meritocracy.

This program should be considered as an investment in the human resources of the country, as well as a way to increase the attractiveness of the Fund's Group among young professionals who can become successful managers in 10-15 years and contribute to solving various industry problems.

In 2017, about 600 graduates from 21 cities of Kazakhstan took part in the competitive selection, in 2018, the number of candidates increased to 740, in 2019 the number of applica-

tions for participation was more than 4,000. As of this date, 40 young specialists are participating in the program.

In 2019, 16 participants successfully completed the program and were hired (100%) in the following companies: NAC Kazatomprom JSC, Air Astana JSC, NC KazMunayGas JSC, Kazpost JSC, KTZ Express JSC, JV Inkai LLP, Atyrau Oil Refinery LLP, Private Enterprise Samruk-Kazyna Corporate University. Over 20 months, young specialists went through 4 rotations in the Portfolio companies of the Fund, at the end of which they received 34 job offers from potential employers for the Fund's Group.

The main advantage of the program is the accelerated development under the guidance of mentors from among the experienced employees of the company. The program involves more than 80 mentors, the development of which is also the cornerstone of this initiative. During the program, participants undergo rotations at 4 different enterprises, 5 months each.

The program focuses on developing and supporting a mentoring culture. In November, the first mentor forum was organized among the companies of the Fund's Group. The forum

was attended by more than 50 mentors from 8 Portfolio companies and 10 subsidiaries from various sectors of the economy, where young specialists rotated.

After the successful completion of the program, young specialists will be able to build a successful career in the Portfolio companies of the Fund's Group. It should be noted that more than

60% of the top managers of successful Fortune 500 companies are graduates of similar programs.

A program of this scale, including the possibility of rotation in several national companies, is the only one in Kazakhstan.



## **“DIGITAL SUMMER” PROGRAM**

In order to develop human resources in accordance with the comprehensive program “Digital Kazakhstan”, “Digital Summer 2019” internship program was implemented from July to September 2019. The purpose of this program was the recruitment and training of young personnel with knowledge and competencies in IT with further employment in the companies of the Fund’s Group. The internship was successfully completed by 53 participants. Based on the results of the internship, 23 interns were identified who completed the 4-year training course, of which 11 participants were hired by the Group of companies. In addition, out of 30 interns studying in the 3rd year, 3 participants were hired by the Group of companies.

This program contributes to the human potential and talent development. So, the young specialists under the guidance of their mentors assist them in projects, and independently carry out operational tasks delegated to them. This contributes not only to the development of mentoring culture and young professionals’ competencies, but to the development of new approaches taking into account their critical thinking and knowledge of new tools as well. Such programs contribute to attracting young personnel to Kazakhstani companies and increase the ratings of the Fund’s Group among young professionals, and as a result, the employer brand of companies and the Fund.



# HEALTH, SAFETY AND ENVIRONMENT

Over the past few years, the Fund has been paying special attention to security issues. Issues on health, safety and environment (hereinafter – HSE) are a top priority for both Portfolio companies and the Fund as a whole, while top management demonstrates personal commitment and involvement.

The Fund's Portfolio companies follow the initiatives of the Strategic Development Plan of the Republic of Kazakhstan until 2025 on providing safety and labor protection to ensure a high quality of living standard, which include initiatives on introduction of an innovative standardized system of labor protection management, an electronic database of these standards, inventory and updating of standards for safety and labor protection, as well as personnel development in the labor protection area.

Given the zero tolerance for occupational injuries and fatalities in the Fund, it was decided to invest time and resources in developing a safety

culture and occupational safety management system of the Fund's Group of companies by organizing a HSE Committee under the Management Board of the Fund, in the perimeter of which 12 key PC are included. The work is on a regular basis and based on a continuous exchange of experience in the field of health, safety and environmental protection, including on the measures taken to non-proliferate Covid-19 among the employees of the Fund's PC.

In the period from 2020-2021, a project is planned to conduct diagnostics / audits of control systems in the field of HSE in 12 PCs for further improvement and bringing the systems to the level of best international practices.





# PROCUREMENT MANAGEMENT

## METHODOLOGICAL CHANGES

For the purpose of implementation of the new procurement model, the Procurement Procedure was developed and approved (decision of the Board of Directors of the Fund dated July 3, 2019 No.161), the Procurement Management

Standard (decision of the Management Board of the Fund No. 31/19), which combined 15 previously existing regulatory acts, reducing the amount of text by 4 times.

## DEVELOPMENT OF ELECTRONIC PROCUREMENT INFORMATION SYSTEM (EPIS)

As part of work to increase the efficiency and transparency of the Fund's procurement, in 2018, Samruk-Kazyna Contract LLP developed and launched a new electronic procurement information system (EPIS 2.0), which replaced the previous system that was introduced in 2013.

The necessity to introduce a new system was due to the task of further procurements' digitalization, combining disparate information systems and procurement databases, and reducing the administrative burden on the procurement activities of PCs.

Currently, 46.6 thous. potential suppliers are registered in the System, which increased the number of registered suppliers compared to 2018 by 16.5 thous., 187 customers and 30 observers.

In 2019, customers carried out electronic procurement for KZT627 billion, savings on competitive purchases are amounted to KZT52.9 billion.

Purchases made - 311 thous., which is 84 thous. more than in 2018.

In total, since the introduction of electronic procurement (since 2013), the Fund companies have saved KZT311 billion.

### AT THE END OF 2019, THE FOLLOWING MAIN ELECTRONIC FUNCTIONALITIES WERE INTRODUCED:

- integration of the Module "Register of manufacturers of the Holding" with the directory of the USIC GWS (in order to improve the procurement administration with priority given to MH);
- automatic generation of a protocol by the System for comparing the winner's documents based on the results of the tender for the amount of more than KZT150 million (due to amendments to procurement regulations);
- exclusion in the System procurement by the method of direct conclusion of an agreement under clause 140 of the Procurement Rules (due to amendments to procurement regulations);
- module for providing commercial offers of manufacturers of the Fund's Register to contractors who have won tenders for construction and installation operations for over KZT250 million (due to amendments to procurement regulations);
- conducting a consolidated purchase by a single organizer (one tender for several

customers);

- conclusion of contracts with the consortium;
- optimization of the procedure for the preliminary discussion of tender documentation;
- implementation of the module "Procurement Monitoring" for the Authorized Body;
- ability to send requests from suppliers to customers;
- integration module with the Single window system of NCE Atameken;
- development of a personal account of the MNE of the Republic of Kazakhstan (anti-

monopoly authority);

- introducing opportunities for suppliers to view the Holding's consolidated procurement plans;
- Local content map;
- Automation of the priority MH by the list of goods "Economics of simple things";
- Functionals are updated in accordance with the Procurement Management Standard.

## CATEGORY MANAGEMENT OF PROCUREMENT

Category management of procurement is a strategic management of the procurement of goods, works and services, which connects the business goals and requirements of customers with market opportunities and maximizes the

long-term value of both the customer and the supplier. With this procurement management system, commercial and technical approaches to goods, works and services are taken into account.

### CATEGORY MANAGEMENT OF PROCUREMENT CONSISTS OF FOUR MAIN PROCESSES:



#### CATEGORY SELECTION FOR CPS DEVELOPMENT BY CRITERIA:

- Savings potential;
- Procurement of identical GWS by several subsidiaries;
- Ability to manage categories.



#### FORMATION OF CATEGORY PROCUREMENT GROUP FROM:

- Manufactureres;
- Customers;
- Economists;
- Marketing specialist and etc



### STRATEGY DEVELOPEMENT

An action plan for the effective management of procurement, supply, inventory and interaction with suppliers



### STRATEGY IMPLEMENTATION

- Supplier selection;
- Agreement conclusion;
- Achievement of targeted economic effects.

#### THE MAIN LEVERS OF CATEGORY MANAGEMENT OF PROCUREMENT ARE:

- obtaining favorable prices and discounts due to the consolidation of purchases;
- comprehensive procurement;
- transition to formula pricing;
- inventory reduction;
- application of the total cost of ownership tool and others.

#### THE PRINCIPLES OF CATEGORY MANAGEMENT OF PROCUREMENT ARE:

- acquisition of high quality GWS;
- maximization of economic effect;
- cross-functional interaction;
- technological improvement;
- transparency of criteria for selecting a potential supplier;
- performance management of suppliers;
- risk management.

At the end of 2019, the list of procurement categories for the Fund's Group included 111 category procurement strategies to be developed and implemented. Of these, 9 strategies were implemented, 14 strategies were developed, 15 strategies were approved, 67 strategies are under implementation, and 6 strategies were excluded.

In particular, 13 categories are included in the list of procurement categories for the develop-

ment and implementation of category procurement strategies at the Fund's level, of which 10 (ten) CPS are being implemented, three categories are expected to be developed in 2020.

The total volume of purchases within the framework of category management of procurement amounted to KZT603.9 billion, of which KZT499.8 billion for the PC strategies and KZT104.1 billion for strategies of the Competence Center. In particular, in 2019 purchases were made in the amount of KZT349.7 billion, of which KZT298.4 billion and KZT51.3 billion, respectively.

The total effect achieved from the implementation of the CPS on an accrual basis in 2019 amounted to KZT34.4 billion, including KZT20.4 billion for 2019.

In 2019, as part of supporting local manufacturers of 67 CPS, which are being implemented, 36 CPS are focused on supporting domestic manufacturers for a total amount of KZT139,875 million. The remaining strategies are implemented on work and services.

In 2019, 6 CPS out of 10 CPS implemented at the Fund's level are focused on supporting domestic manufacturers and received benefits in the amount of KZT3.2 billion:

1. "Cars and buses";
2. "Electricity";
3. "Cabling and wiring products";
4. "Special shoes";

5. "Trucks and special equipment."
6. "Oils and lubricants".

At the beginning of 2019, the CMP project was transferred to the operating activities of portfolio companies. Along with this, the Competence Center, together with portfolio companies, developed and set planned indicators of the expected effect until 2022. Thus, by the end of 2022, it is expected that over KZT70 billion will be achieved within the framework of the CMP.

Also, it should be noted that according to "Special Shoes" strategy for 2019, purchases were made in the amount of KZT1,399.9 million and

the benefits amounted to (according to preliminary data) KZT229.1 million (with an annual benefit plan of KZT151 million), which is KZT78.1 million more than the planned indicators (by 51.7%).

As part of "Cabling and Wiring Products" strategy, purchases were made in the amount of KZT1,113.4 million and the benefits amounted to (according to preliminary data) KZT172.7 million (with an annual benefit plan of KZT288 million).

## LOCAL CONTENT

The development of local content is in the special attention zone of Elbasy, the President and the Government of the Republic of Kazakhstan.

In order to maintain the positive dynamics of local content, work continued on coordinating the procurement activities of subsidiaries and affiliates as part of the development of local content and import substitution.

In 2019, the share of local content in the procurement of the Fund's Group amounted to 75%, which corresponds to the level of 2018.

At the end of 2019, actually delivered goods, completed works and rendered services in the amount of KZT4,476 billion. Of these, goods - KZT1,644 billion (LC - 62%), work - KZT982 billion (LC- 72%), services - KZT1,851 billion (LC- 89%), work / services - KZT2,832 billion (LC- 83%). The share of local content in the procurement of the Fund Group is 75%.

The Fund companies are coordinated on an ongoing basis to support the development of local

content in procurement.

Thus, long-term procurement plans have been developed for the Fund's Group with a focus on the purchase of domestic products (as of April 2020, 172 long-term procurement plans are in effect for the Fund's Group).

As a result of the ongoing procurement campaign (as of December 31, 2019), 3,801 long-term agreements with domestic suppliers for the supply of goods, works and services worth KZT13 trillion are in effect for the Fund's Group. Of these, with domestic manufacturers - 897 long-term contracts in the amount of KZT3 trillion.

*For reference: in 2010, the volume of long-term contracts with domestic producers amounted to KZT69 billion.*

Starting from 2018, the Fund has done significant work to reduce non-competitive procurements from single source.



KZT billion

	TOTAL	LC SHARE, %	GOODS		WORKS		SERVICES		WORKS/ SERVICES	
			AMOUNT	LC SHARE, %	AMOUNT	LC SHARE, %	AMOUNT	LC SHARE, %	AMOUNT	LC SHARE, %
NC KazMunay-Gas JSC	2,132	79%	474	63%	687	75%	972	89%	1,659	83%
NC KTZ JSC	980	80%	281	55%	131	58%	567	98%	698	90%
NAC Kazatom-prom JSC	234	80%	107	65%	80	94%	47	91%	127	93%
Samruk-Energy JSC	311	80%	157	79%	39	50%	115	91%	154	81%
Kazakhtelecom JSC	48	51%	21	14%	10	91%	16	74%	26	80%
Air Astana JSC	172	33%	80	40%	14	1%	78	33%	92	28%
KEGOC JSC	54	58%	36	50%	4	40%	13	84%	17	73%
Kazpost JSC	26	80%	6	35%	1	88%	19	95%	20	94%
NMC Tau-Ken Samruk JSC	457	71%	450	71%	3	88%	4	91%	7	90%
Others	63	34%	32	15%	12	67%	18	46%	30	54%
<b>Total by the Fund</b>	<b>4,476</b>	<b>75%</b>	<b>1,644</b>	<b>62%</b>	<b>982</b>	<b>72%</b>	<b>1,851</b>	<b>89%</b>	<b>2,832</b>	<b>83%</b>

First of all, intercompany purchases were reduced. So, according to the results of 2019, the nomenclature of goods, works, services purchased as part of inter-holding cooperation was reduced by 15 times (from 4,500 items to 301).

Work in this direction will be continued. It is planned to reduce the list of codes by an additional 30%.

If in 2017 the volume of intercompany purchases amounted to KZT1.9 trillion, then by the end of 2019 this indicator amounted to KZT778 billion.

Reducing the list of goods, works, services allowed for procurement within the Holding allowed for two years (2018-2019) to additionally withdraw KZT652 billion into the competitive environment.

More than 13 thous. small and medium-sized businesses received additional orders, and due to open price competition between suppliers, the Fund received savings in purchases in the amount of KZT40 billion.

In addition, in 2019 the grounds of single source were revised, and the conditions for making a decision on procurement from a single source based on the results of failed purchases were tightened.

In general, due to the measures taken over the past two years, there has been a significant increase in competitive procurement through open tender and request for quotations.

The volume of purchases by open tender increased by four times in 2019 (from KZT284 billion in 2017 to KZT1.1 trillion in 2019), by the method of request for quotations offers increased by twice (from KZT25 billion in 2017 up to KZT55 billion in 2019). Savings increased

from KZT121 billion in 2018 to KZT155 billion in 2019.

In 2018-2019, the following support measures for domestic manufacturers were developed and implemented:

- offtake contract mechanism;
- development of category purchases with an emphasis on supporting domestic manufacturers;
- compulsory initial procurement of goods only among domestic manufacturers;
- obligatory purchase by general contractors of goods from domestic manufacturers under construction and installation operations agreements for an amount of over KZT250 million;
- compulsory purchase of goods of the "economy of simple things" by the method of request for quotations only among domestic manufacturers;
- obligatory indication in the technical specifications the national standards of the Republic of Kazakhstan;
- the payment term is reduced to 30 calendar days, or by 15%.

In addition, the year 2020 the Fund declared the Year of Support for Domestic Manufacturers.

Together with Kazakhstani business, a Plan of specific actions, both systemic and operational, was developed.

For the purpose of reduction of the financial burden on domestic manufacturers, it is envisaged that this category of suppliers will be exempted from making a tender security, executing an agreement, and return of an advance.

At the same time, a mandatory prepayment of 30% is introduced.

Along with this, it is envisaged to:

- introduce a ban on the purchase of imported products for goods of the “economy of simple things”;
- conduct a broad outreach on measures to support Kazakhstani business in the re-

gions.

Thus, the work to reduce single source and support Kazakhstani small medium enterprises will continue in close collaboration with the business community.

## ECONOMICS OF SIMPLE THINGS

In the reporting period, a nomenclature of goods for the light, furniture, food and construction industries from 3,664 items was developed and sent to the Fund’s subsidiaries and affiliates to provide the priority of procurement from domestic manufactureres for all procurement methods.

Together with Atameken NCE and industry associations, the list of goods purchased from organizations of persons with disabilities has been optimized. As a result, work closes were put into procurement among domestic manufacturers.

As a result of the work carried out in this direction, in 2019 the share of purchases from do-

mestic manufactureres in “furniture industry” amounted to 48%, in “building materials” – 82%, which is higher than the same indicator in 2018 (71%).

A positive trend was also achieved for “light industry” goods, if in 2018 the share of purchases from domestic manufacturers was 65%, then, in 2019 it was increased to 73%, in 2020 it is planned to 85%.

A similar positive result for “food industry” goods – an increase from 55% to 76% in 2019, with the establishment of a plan in 2020 to 90%.

## IMPORT SUBSTITUTION

Since January 2019, at site of Samruk-Kazyna Contract LLP a permanent Project Office has been created for local content and import substitution at the Fund’s level. Meetings are held on a weekly basis with the invitation of Kazakhstani business, Atameken and Portfolio companies of the Fund.

Also, in all subsidiaries, Local project offices were created, which includes representatives of

production units and procurement services. In 2019, the Fund’s Commission approved 25 projects for the creation of new industries that have no analogues in the Republic of Kazakhstan, which is higher than the indicator for 2018 (2 projects). Projects envisage investments of KZT196 billion and the creation of 1,445 jobs. 32 contracts were concluded for a total amount of KZT7.1 billion.

# SPONSORSHIP AND CHARITY

The Samruk-Kazyna Trust Social Project Development Fund implements charity projects and programs aimed at solving socially significant issues for the population from the entire Samruk-Kazyna JSC group.

In accordance with the Charity Policy and the Charity Program of the Fund, the Samruk-Kazyna Trust carries out charitable activities in 4 main areas:

- 1** Aid to people, communities in the social and medical sector, targeted aid to those in need;
- 2** Development of media, cultural community, development of human potential;
- 3** Implementation of the regional program of social investments in the regions where the Fund's Group operates;
- 4** Strengthening the reputation and promoting the image of the Fund and / or the Fund's Group.

In 2019, the Samruk-Kazyna Trust Board of Trustees approved 39 projects worth KZT7.56 billion, and the total number of direct benefi-

ciaries of charitable projects amounted to more than 392 thou. people.

At the same time, during the implementation of projects, the emphasis was made on charity with a return and a sustainable effect.

In 2019, the main share in the structure of charitable assistance was charitable projects as part of the implementation of the regional program of social investments in the regions where the Fund's Group operates (39.6%).

It should be noted that the share of projects implemented in the social and medical sector (26.8%) is by 18.4% more than in the same period a year earlier. The main reason for this growth was the focus of the Fund on issues related to the problems of socially vulnerable segments of the population.

As part of the informational support of projects approved by the Samruk-Kazyna Trust from January to December 2019, more than 1,700 articles were published in the media (1,779 materials). At the same time, all materials are published for free.





KEY DIRECTIONS OF CHARITY	2018 (KZT)	SHARE, %	2019 (KZT)	SHARE, %
Aid to people, communities in the social and medical sector, targeted aid to those in need	464,377,453	8.4	2,026,924,184	26.8
Development of media, cultural community, development of human potential	1,593,815,039	28.7	2,540,618,816	33.6
Implementation of the regional program of social investments in the regions where the Fund's Group operates	3,343,351,635	60.1	2,996,000,000	39.6
Strengthening the reputation and promoting the image of the Fund and / or the Fund's Group	157,082,000	2.8	0	0,0
	5,558,626,127		7,563,543,000	







САМУРЫК  
КАЗЫНА





# CORPORATE GOVERNANCE

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# CORPORATE GOVERNANCE SYSTEM

Samruk-Kazyna JSC considers corporate governance as a key factor in providing the growth of long-term value and sustainable development of the Fund, as well as one of the most important criteria in making management and investment decisions. Improvement of corporate governance helps to the efficiency increase of the financial and economic activities of the Fund's Group, ensures the creation of a reliable risk management and internal control system aimed at providing reasonable assurance that the Fund and organizations will achieve their strategic and operational goals.

introduction of the best corporate governance practices in the Fund's Group is one of the priority tasks facing the Fund, which is also reflected in the Fund's Development Strategy. The Board of Directors and the Management Board of the Fund are vested with the appropriate powers and responsibilities to fulfill their mandate. In turn, a high level of corporate governance and the quality of corporate reporting, with a high level of transparency, are crucial for maintaining the confidence of stakeholders in the Fund, the Board of Directors and the Management Board of the Fund.

In accordance with the Law on the Fund, the

## **CORPORATE GOVERNANCE REPORT IN ACCORDANCE WITH THE CORPORATE GOVERNANCE CODE**

In November 2012, the Sole Shareholder of Samruk-Kazyna JSC, the Government of the Republic of Kazakhstan, approved the Corporate Governance Code (with amendments from 2015), which applies to the Fund and Organizations in which the Fund directly or indirectly owns more than fifty percent of the voting shares (interests).

### **THE OBJECTIVES OF THE CORPORATE GOVERNANCE CODE ARE:**

- improvement of corporate governance in the Fund and Organizations;
- provision of governance transparency;
- confirmation of the commitment of the Fund and Organizations to follow proper corporate governance standards.

Corporate Governance Code is based on the principle of "comply or explain." Consequently, the Board of Directors of the Fund confirms that, taking into account the specifics of the activity and the Law of the Republic of Kazakhstan "On the Sovereign Wealth Fund", the Fund follows most of the provisions of Corporate Governance Code in all essential aspects, however, there is evidence that the corporate governance system needs to be further improved.

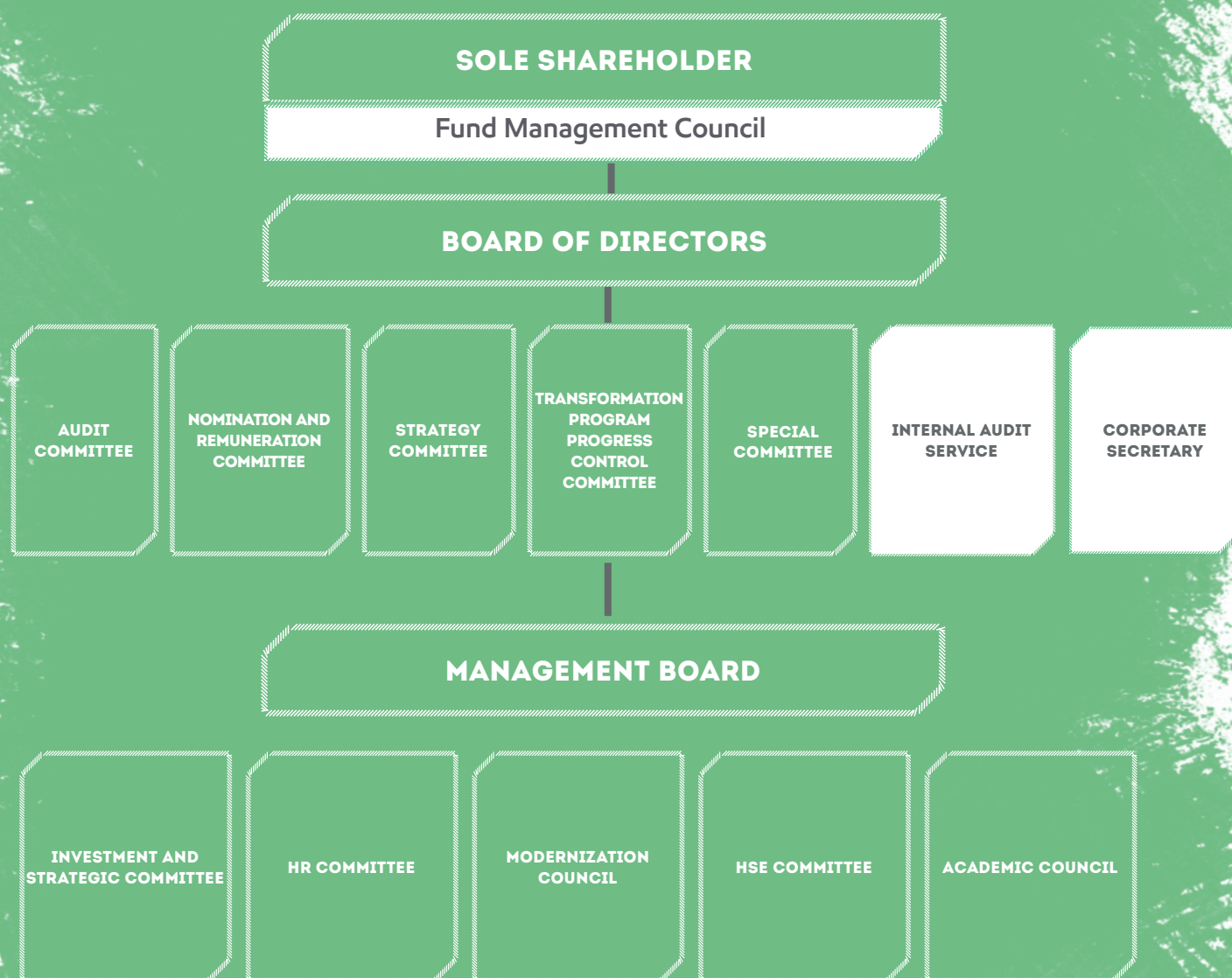
The work done in the context of corporate governance improvement is detailed in the Corporate Governance Report of this Annual Report, and the following initiatives may be noted:

- the Board of Directors of the Fund has been updated, which included for the first time an independent director - a representative of civil society and domestic business. Moreover, by the decision of the Board of Directors, an independent director was elected as



- Chairman of the Board of Directors;
  - compositions of the Boards of Directors of the Portfolio companies of the Fund was strengthened by introducing additional independent directors with industry expertise, international experience and the competencies necessary for the development of Portfolio companies, as well as measures to provide gender diversity in the boards of directors of individual Portfolio companies;
  - during 2019, the Fund's Portfolio companies, which carried out independent diagnostics of the corporate governance system in 2018, by the decision of by the Boards of Directors approved plans for improving corporate governance and continued to improve corporate governance processes;
  - for the purpose of assessment of the effectiveness of activities and determine the main directions for further development, the practice of holding by the Fund, as a shareholder, of hearings of the Boards of Directors of Portfolio companies continued;
  - Directors Forum was held with the participation of members of the Board of Directors, the Fund's Management and all members of the Boards of Directors of Portfolio companies, at which proper recommendations on topical issues of improving the performance of boards of directors, internal control and risk management, investments, talent management and succession planning of boards directors and executive bodies of Portfolio companies were discussed and developed, as well as relations with listed companies;
  - an updated document was adopted that defines the goals and processes of the Portfolio Companies management system, the principles of interaction between the Fund and Portfolio companies, the basic requirements, methods and approaches to managing the Fund Portfolio companies in compliance with the fundamental principles of corporate governance;
  - Consolidated Sustainability Report for 2018 was developed and published;
  - Information disclosure and safety processes were improved;
- The Fund continues to implement the provisions of Corporate Governance Code and takes appropriate measures to further improve relations with the Sole Shareholder of the Fund, to increase the efficiency of activities and assessment processes of the Board of Directors of the Fund.

## CORPORATE GOVERNANCE SYSTEM STRUCTURE



# SOLE SHAREHOLDER

The Sole shareholder of the Fund is the Government of the Republic of Kazakhstan. The relationship between the Fund and the Sole Shareholder is regulated by the Law of the Republic of Kazakhstan "On the Sovereign Wealth Fund" and the Agreement on Interaction between the Government of the Republic of Kazakhstan and the Joint-Stock Company "Sovereign Wealth Fund" Samruk-Kazyna", which establishes the basic principles of interaction and the requirements of the Government to the Fund regarding our activities.

## THE MAIN PRINCIPLES OF INTERACTION BETWEEN THE GOVERNMENT AND THE FUND ARE:

- The Fund is managed by the Government solely through the exercise of the powers of the Sole shareholder provided for by the Law of the Republic of Kazakhstan "On the Sovereign Wealth Fund" and (or) the Charter of the Fund, and the representation of members of the Government on the Board of Directors of the Fund;

- Non-interference of the Government, its members, as well as government officials in the operational (current) activities of the Fund's Group;

- Reporting and transparency of the activities of the Fund's Group.

## AMONG THE KEY DECISIONS MADE BY THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN AS THE SOLE SHAREHOLDER OF THE FUND:

- Approval of the Charter of the Fund and amendments to the Charter;
- Approval of the annual financial statements of the Fund;
- Approval of the Development Strategy of the Fund.

*A full list of issues referred to the exclusive competence of the Sole shareholder is disclosed in the Charter of the Fund at [www.sk.kz](http://www.sk.kz)*

## SHARE CAPITAL

NUMBER OF AUTHORIZED SHARES	3,500,000,000
SHARES TYPE	ORDINARY
NUMBER OF OUTSTANDING SHARED PLACED BY THE FUND	3,481,957,769
NUMBER OF SHARES ON FREE FLOAT (UNPLACED SHARES)	18,042,231

## DIVIDEND POLICY

The dividend policy of the Fund is based on the following principles:

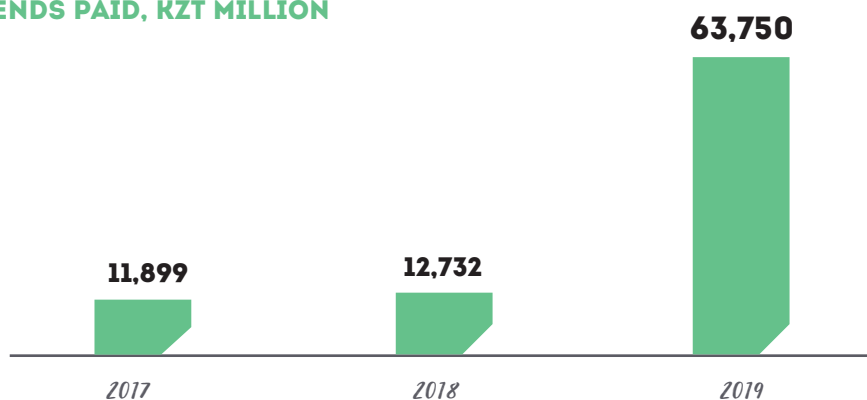
- 1) Safeguarding the Sole shareholder's interests;
- 2) Increase in the long-term value of the Fund and the Group of companies of the Fund;
- 3) Provision of the financial sustainability of the Fund, including financing of investment projects

- implemented at the expense of the Fund;
- 4) Transparency of the mechanism for determining the amount of dividends;
- 5) Balance of short-term (income generation) and long-term (development of the Fund) interests of the Sole shareholder.

*Dividend Policy of the Fund is available at [www.sk.kz](http://www.sk.kz)*

**In 2019 the Fund declared and paid dividends to the Sole shareholder of KZT63,750 million based on financial results for 2018 according to the decision of the Sole Shareholder dated December 24, 2019 (decree of the Government of the Republic of Kazakhstan).**

### DIVIDENDS PAID, KZT MILLION



## THE FUND MANAGEMENT COUNCIL

For the purpose of stable socio-economic development of the country, ensuring economic sustainability and protection it from the effects of possible adverse external factors, issues on management of the Fund is considered at a meeting of the Fund Management Council

The Fund Management Council is an advisory body led by the First President of the Republic of Kazakhstan, Elbasy.

### THE FUNCTIONS OF THE FUND MANAGEMENT COUNCIL ARE:

- 1** development of proposals to improve the competitiveness and effectiveness of the Fund;
- 2** preliminary approval of the Fund's development strategy and consideration of the annual report of the Fund on its implemen-



tation, as well as development of proposals for priority sectors of the economy in which the Fund operates;

**3** consideration of the proposals of the Government of the Republic of Kazakhstan on the Fund's participation in state programs of diversification and modernization of the Kazakhstan economy, including the implementation of socially significant and industrial-innovative projects, including the allocation of funds from the republican budget and the National Fund of the Republic of Kazakhstan;

**4** agreement of candidates for election as independent directors of the Fund, as well as the size and terms of payment of remuneration to independent directors of the Fund;

**5** making recommendations for the election of a member of the Government of the Republic of Kazakhstan or another government official to the board of directors or the supervisory board of an organization included in the Fund's Group.

The decision to establish the Fund Management Council, its composition and its regulations are approved by the President of the Republic of Kazakhstan

## THE FUND MANAGEMENT COUNCIL'S COMPOSITION

- 1** The First President of the Republic of Kazakhstan - Elbasy, Chairman of the Fund Management Council;
- 2** The Prime Minister of the Republic of Kazakhstan;
- 3** Head of the Administration of the President of the Republic of Kazakhstan;
- 4** CEO of the Fund (on agreement);
- 5** Two representatives of domestic business;
- 6** Representative of foreign business.

# BOARD OF DIRECTORS

The Board of Directors is the governing body of the Joint-Stock Company "Sovereign Wealth Fund "Samruk-Kazyna", which carries out general management of its activities in accordance with the legislation of the Republic of Kazakhstan, the Law of the Republic of Kazakhstan "On the Sovereign Wealth Fund", the Charter, Corporate Governance Code, the Regulation on the Board of Directors and other internal documents of the Fund.

The activities of the Board of Directors are based on the principles of efficiency and responsibility, safeguarding and implementation of the interests of the Sole shareholder and the Fund, as well as protection of the Sole shareholder's rights, responsibility for the activities of the Fund.

Members of the Board of Directors are elected in accordance with the legislation of the Republic of Kazakhstan. The term of office of the Board of Directors expires at the time the Sole shareholder decides to elect a new composition of the Board of Directors.

## THE LIST OF KEY ISSUES RELATED TO THE EXCLUSIVE COMPETENCE OF THE BOARD OF DIRECTORS INCLUDES ISSUES REQUIRING DECISIONS AND APPROVAL IN RELATION TO

- Medium and short-term planning, key performance indicators of the Fund;
- Determination of the audit organization, the maximum amount of payment for audit services;
- Policies for risk management, social responsibility, sponsorship and charitable assistance, disclosure of information and other policies;
- Annual report

*A full list of issues referred to the exclusive competence of the Board of Directors is disclosed in the Charter of the Fund at [www.sk.kz](http://www.sk.kz)*

## COMPOSITION OF THE BOARD OF DIRECTORS\*

### JON DUDAS



**CHAIRMAN OF THE BOARD OF DIRECTORS,  
INDEPENDENT DIRECTOR**

**Date of birth:** December 24, 1959

**Citizenship:** the UK

**Education:**

- University of Witwatersrand (South Africa) - Bachelor in Mining;
- University of Witwatersrand (South Africa) - Master in Mining Metallurgy;
- Heriot-Watt University (UK) - MBA

**Experience:**

Mr Dudas began his working career at Rand Mines Ltd in 1984 and has held a variety of senior managerial positions across a number of commodities and functions at companies such as Gencor Ltd and BHP Billiton, where he was CEO of the Aluminium division. Since 2012, Mr. Dudas has been working as an independent corporate adviser to multinational mining and professional service companies. From November 2015 to December 2019, he was a member of the Board of Directors of NAC Kazatomprom JSC.

*By the decision of the Sole shareholder dated December 6, 2019 (decree of the Government of the Republic of Kazakhstan No. 907), he was elected to the composition of the Board of Directors of Samruk-Kazyna JSC as an independent director.*

*By the decision of the Board of Directors dated February 6, 2020 (No.167), he was elected as Chairman of the Board of Directors of the Fund.*

\* composition of the Board of Directors of the Fund is presented as of May 2020



## KANAT BOZUMBAYEV

**MEMBER OF THE BOARD OF DIRECTORS,  
ASSISTANT TO THE PRESIDENT OF  
THE REPUBLIC OF KAZAKHSTAN**

**Date of birth:** January 8, 1969

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**Citizenship:** the Republic of Kazakhstan

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**Education:**  
Kazakh State Academy of Management - Economics

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### **Experience:**

Mr Bozumbayev began his career as an economist at Edem Ltd LLP. In different years, he held the positions of Director of the Oil and Gas Department, Vice Minister of the Ministry of Energy, Industry and Trade of the Republic of Kazakhstan. In January 2001, he joined KEGOC OJSC as the First Vice President, in May 2001 he became President of KEGOC OJSC. In 2007, he was appointed as Chairman of the Management Board of the Kazakhstan Holding for Assets Management Samruk JSC. Since 2009, he worked in the public sector, held the posts of mayors of Zhambyl and Pavlodar regions, Minister of Energy of the Republic of Kazakhstan.

Since December 18, 2019 - Assistant to the President of the Republic of Kazakhstan.

Mr Bozumbayev was awarded with Order "Honour", medal "For contribution to the development of the Eurasian Economic Union". Mr Bozumbayev is Honored Power Engineer of the CIS

*By the decision of the Sole shareholder dated December 31, 2019 (decree of the Government of the Republic of Kazakhstan No. 1058), he was elected to the composition of the Board of Directors of Samruk-Kazyna JSC.*





## RUSLAN DALENOV

**MEMBER OF THE BOARD OF DIRECTORS,  
MINISTER OF NATIONAL ECONOMY OF  
THE REPUBLIC OF KAZAKHSTAN**

**Date of birth:** February 8, 1975

**Citizenship:** the Republic of Kazakhstan

**Education:**

Marmara University (Turkey) – Economics

### Experience:

Mr Dalenov began his career as a leading specialist in the Ministry of State Revenues of the Republic of Kazakhstan. From 2003 to 2005 he worked as Director of the Revenue Analysis Department of the Ministry of Finance of the Republic of Kazakhstan. From March 2008 to April 2017 - Vice Minister of Finance of the Republic of Kazakhstan. From April 2017 to February 25, 2019 - First Vice Minister of National Economy of the Republic of Kazakhstan. Since February 25, 2019 - Minister of National Economy of the Republic of Kazakhstan.

Mr Dalenov was awarded with Order "Honor",

medals "For exceptional work", "For contribution to the creation of the Eurasian Economic Union" II degree, badge of the Ministry of Finance of the Republic of Kazakhstan "Outstanding finance officer", "10 years to Astana" and "20 years to the independence of the Republic of Kazakhstan".

*By the decision of the Sole shareholder dated March 7, 2019 (decree of the Government of the Republic of Kazakhstan No. 91), he was elected to the composition of the Board of Directors of Samruk-Kazyna JSC.*



## KAIRAT MAZHIAYEV

### MEMBER OF THE BOARD OF DIRECTORS, INDEPENDENT DIRECTOR

**Date of birth:** January 5, 1968

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**Citizenship:** the Republic of Kazakhstan

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#### **Education:**

- Alma-Ata Medical Institute - pediatrician, Candidate of Medicine;
  - Graduate of the Owner / President Management program at Harvard Business School
- 

#### **Experience:**

Since 1994, Mr Mazhibayev has been the founder and Chairman of the Board of Directors of the RESMI Group of companies, specializing in investments in the formation and development of industrial and financial holdings in the CIS. He is currently Chairman of the Board of Directors of RG Brands JSC, Kazakhstan State Medical University. Over the years, he was a member of the Board of Directors of National Innovation Fund JSC, KIMEP University JSC, Kazteleradio

JSC, Kazyna Capital Management JSC, Kazakhstan Growth Fund, Chairman of the Supervisory Board of Innova Investment LLP.

*By the decision of the Sole shareholder dated December 6, 2019 (decree of the Government of the Republic of Kazakhstan No. 907), he was elected to the composition of the Board of Directors of Samruk-Kazyna JSC as an independent director.*



## ALPER AKDENIZ

### MEMBER OF THE BOARD OF DIRECTORS, INDEPENDENT DIRECTOR

**Date of birth:** August 11, 1960

**Citizenship:** Turkey and the UK

#### Education:

- Bath University, UK - Master of Business
- Honorary doctorate at the Kazakhstan Institute of Management, Economics and Forecasting (KIMEP),
- Graduated from an international business program at Harvard Business School.

#### Experience:

Mr Akdeniz's career spanned over 30 years in PwC in the United Kingdom, Turkey, South East Asia and latterly Central Asia. He has accumulated extensive and broad experience in auditing, advisory, corporate finance, governance and other related work covering a range of clients in the manufacturing, financial services, utilities and government sectors. His career began in Price Waterhouse, London in 1984 where he became a qualified Chartered Accountant. In 1989 he took up a position in Istanbul, Turkey providing auditing and advisory services to local and international companies and banks. Alper was admitted into the Price Waterhouse partnership in 1992. In 1996 he returned to London where he worked on the global merger of Price Waterhouse and Coopers & Lybrand. Alper's work extended to the implementation of the global merger in countries such as Japan, India, Hong Kong, Singapore, Thailand, South

America and Sweden. He later served in the Asia leadership team in Singapore. From January 2007 to June 2015, Alper was the Managing Partner, and later Chairman of PwC Eurasia until June 2017, covering Kazakhstan, Azerbaijan, Georgia, Armenia, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan and Mongolia serving clients in the public and private sectors in this region. Alper also served as a member of the PwC Central and Eastern European (CEE) Management Board. Alper is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW).

*By the decision of the Sole shareholder dated March 27, 2018 (decree of the Government of the Republic of Kazakhstan No. 144), he was elected to the composition of the Board of Directors of Samruk-Kazyna JSC as an independent director.*



## ONG BOON HWEE

### MEMBER OF THE BOARD OF DIRECTORS, INDEPENDENT DIRECTOR

**Date of birth:** October 27, 1956

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**Citizenship:** Singapore

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#### **Education:**

- National University of Singapore - Economics (Honors)
  - US College of Command and General Staff - Master of Science
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#### **Experience:**

Mr Ong at the beginning of his military career, held various key command and staff positions in the Armed Forces and the Ministry of Defense of Singapore. From 2002 to the present, he has held various key positions, including Managing Director at Temasek Holdings, General Manager at Temasek Management Services, Chief Operating Officer at Singapore Power and is the founder - CEO of a leading consulting company. Over the years, he has served as a member of the Board of Directors of companies in various sectors of the economy, including Singapore Technologies Kinetics, AETOS Security Management Ltd, A-STAR Research, Singapore Power

Global Solutions and SIM Ltd. Currently, Mr Ong is working as CEO of Stewardship Asia Center (Temasek Trust)

Mr Ong is the co-author of books "Inspiring Stewardship" and "ENTRUSTED".

*By the decision of the Sole shareholder dated December 6, 2019 (decree of the Government of the Republic of Kazakhstan No. 907), he was elected to the composition of the Board of Directors of Samruk-Kazyna JSC as an independent director.*





## AKHMETZHAN YESSIMOV

### MEMBER OF THE BOARD OF DIRECTORS, CEO

**Date of birth:** December 15, 1950

**Citizenship:** the Republic of Kazakhstan

#### Education:

- Kazakh Agricultural Institute, Faculty of Mechanics, specialization - "Mechanization of agricultural production processes";
  - Russian Academy of Social Sciences, socio-political faculty, specialization - "Theory of socio-political relations."
- Doctor of Economic Sciences

#### Experience:

Mr Yessimov has huge managerial experience in public and quasi-public sectors. Over the years, he held the positions of First Deputy Chairman of the State Agro-Industry Committee of the Kazakh SSR, First Deputy Minister of Agriculture and Food of the Kazakh SSR, Chairman of the Alma-Ata Regional Council of People's Deputies, Head of the Alma-Ata Regional Administration, Deputy Prime Minister of the Republic of Kazakhstan, State Secretary of the Republic of Kazakhstan, First Deputy Prime Minister of the Republic of Kazakhstan - Chairman of the State Investment Committee, Head of the Presidential Administration of the Republic of Kazakhstan, Ambassador Extraordinary and Plenipotentiary of the Republic of Kazakhstan to the Benelux countries (Kingdom of Belgium, Kingdom of the Netherlands and Grand Duchy of Luxembourg) and headed the Representative Office of the

Republic of Kazakhstan in the EU and NATO. Mr Yessimov from 2001 to 2006 served as the Minister of Agriculture of the Republic of Kazakhstan, Deputy Prime Minister, from 2008 to 2015 he was mayor of Almaty, the largest city of the Republic of Kazakhstan. From 2015 to 2017 he was CEO of NC Astana EXPO-2017 JSC. In 2017, he was appointed as CEO of Samruk-Kazyna JSC.

Mr Yessimov was awarded the orders: "Hero of Labor of Kazakhstan", "Badge of Honor", Order of Friendship, Order "Otan", Order "Parasat".

*By the decision of the Sole shareholder dated December 23, 2017 (decree of the Government of the Republic of Kazakhstan No. 863), he was appointed as CEO of Samruk-Kazyna JSC.*

## CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS OF THE FUND FOR 2019

DATE	MEMBER OF THE BOD	EVENT
March 7, 2019	Mr Bakhytzhan Sagintayev	Early termination of powers of Chairman of the Board of Directors
March 7, 2019	Mr Timur Suleimenov	Early termination of powers of the member of the Board of Directors
March 7, 2019	Mr Askar Mamin	Elected as Chairman of the Board of Directors
March 7, 2019	Mr Ruslan Dalenov	Elected as the member of the Board of Directors
April 3, 2019	Mr Yerulan Zhamaubayev	Early termination of powers of the member of the Board of Directors
April 3, 2019	Mr Timur Suleimenov	Elected as the member of the Board of Directors
December 6, 2019	Sir Richar Evans	Early termination of powers of the member of the Board of Directors
December 6, 2019	Mr Wilhelm Bender	Early termination of powers of the member of the Board of Directors
December 6, 2019	Mr Jon Dudas	Elected as the member of the Board of Directors
December 6, 2019	Mr Ong Boon Hwee	Elected as the member of the Board of Directors
December 6, 2019	Mr Kairat Mazhiyev	Elected as the member of the Board of Directors
December 31, 2019	Mr Askar Mamin	Early termination of powers of the Chairman of the Board of Directors
December 31, 2019	Mr Timur Suleimenov	Early termination of powers of the member of the Board of Directors
December 31, 2019	Mr Kanat Bozumbayev	Elected as the member of the Board of Directors

## REPORT ON THE ACTIVITIES OF THE BOARD OF DIRECTORS OF THE FUND IN 2019

The Board of Directors of the Fund was focused on solving current problems, considering issues within its competence through the prism of strategic goals. The list of issues and decisions on them are reflected in the relevant minutes and decisions of meetings of the Board of Directors. Meetings of the Board of Directors were held in accordance with the Work Plan approved before the beginning of the calendar year. Meetings of the Board of Directors and its committees were carried out through in-person or absentee voting.

an important and strategic nature is carried out only at meetings of the Board of Directors with in-person voting.

As part of the measures taken by the Board of Directors to increase the long-term value and sustainable development of the organization, in 2019 10 meetings of the Board of Directors of the Fund were held, of which 6 in-person and 4 in-absentia. A total of 88 issues were considered, on which 132 decisions were made, 45 action points were given.

Consideration and decision-making on issues of

### MEASURES TAKEN BY THE BOARD OF DIRECTORS TO ACHIEVE THE STRATEGIC GOALS OF THE FUND

In accordance with the Work Plan of the Board of Directors of the Fund for 2019, active work was carried out to consider current issues regulating the activities of the Fund and Portfolio companies, which can be attributed to the following three strategic goals and four initiatives.

#### **WITHIN THE FRAMEWORK OF THE FIRST STRATEGIC GOAL "EFFICIENCY OF COMPANIES" AND INITIATIVES: IMPROVEMENT OF COMPANIES PROFITABILITY, THE FOLLOWING ISSUES WERE CONSIDERED (SIGNIFICANT EVENTS):**

- the Fund's Development Plan for 2018–2022 for 2018 reviewed, taking into account the audited consolidated financial statements of the Fund;
- the annual financial statements of the Fund for 2018 were approved, the procedure

for distributing net income, a decision was made to pay dividends on ordinary shares and the amount of dividend per one ordinary share was approved;

- approved the annual budget of the Fund for 2020;
- mended the Rules for the development, approval, execution and monitoring of the annual budget of the Fund;
- revised Corporate Accounting Policy of the Fund was approved;
- concluded transactions in which the Fund has an interest.

#### **WITHIN THE FRAMEWORK OF THE SECOND STRATEGIC GOAL "PORTFOLIO MANAGEMENT" AND INITIATIVES: OPTIMIZATION OF THE PORTFOLIO STRUCTURE AND INCOME DIVERSIFICATION, THE FOLLOWING**

## **ISSUES WERE CONSIDERED (SIGNIFICANT EVENTS):**

- a new Investment Policy of the Fund was approved;
- information on the progress of the withdrawal of the assets of the Fund and its subsidiaries for sale as part of the implementation of the Comprehensive Privatization Plan approved by the Government of the Republic of Kazakhstan dated December 30, 2015 No. 1141 "On some issues of privatization for 2016-2020", based on the results of the 1st half of the year 2019 was reviewed;
- on the price, quantity, structure of disposal of shares of NAC Kazatomprom JSC;
- the results of a comprehensive analysis of activities and assessment of the impact on the development of the national economy and its individual sectors by NC KazMunay-Gas JSC and NC KTZ JSC were reviewed;
- on the progress of the Fund's Transformation Program;
- on disposal by way of gratuitous transfer (donation) to the state ownership of 100% of the shares of Aktobe International Airport, 100% of the shares of Pavlodar Airport, 100% of the shares of Atyrau International Airport that belongs to the Fund.

## **WITHIN THE FRAMEWORK OF THE THIRD STRATEGIC GOAL "SUSTAINABLE DEVELOPMENT" AND INITIATIVES: CORPORATE GOVERNANCE AND SUSTAINABLE DEVELOPMENT, THE FOLLOWING ISSUES WERE CONSIDERED (SIGNIFICANT EVENTS):**

- the Fund's Annual Report for 2018 was approved;
- consolidated Sustainability Reporting of the Fund for 2018 was approved;
- amendments to Corporate Governance Code of the Fund was approved;
- corporate KPI of the for 2019 was approved;
- Unified Money Management Policy of the Fund and legal entities, all voting shares (in-

terests) of which are owned by the Fund in the new edition was approved;

- Internal Credit Policy of the Fund's Group in the new edition was approved;
- an audit organization was determined to audit the Fund for 2019-2021;
- the Fund's Industrial and Innovation Policy in the new edition was approved;
- amendments to the Regulation on the Board of Directors of the Fund were made;
- amendments to Information Disclosure Policy of the Fund were made;
- amendments to Charity Program were made;
- amendments were made to the List of documents regulating the internal activities of the Fund, the approval of which falls within the exclusive competence of the Board of Directors of the Fund;
- amendments were made to the Rules for the procurement of goods, works and services of the Fund and organizations whose fifty or more percent of voting shares (interests) of which are directly or indirectly owned by the Fund by right of ownership or trust;
- amendments were made to the Procurement Procedure of the Fund and organizations of fifty or more percent of voting shares (interests) of which directly or indirectly owned by the Fund by right of ownership or trust;
- the annual audit plan of the Fund's Internal Audit Service for 2019 was approved;
- the reports of the Internal Audit Service of the Fund on a quarterly basis were approved;
- the conditions of remuneration and bonuses, social support for newly appointed employees of the Fund's Internal Audit Service were determined.



## KEY RISK FACTORS CONSIDERED BY THE BOARD OF DIRECTORS

- on a quarterly basis, reports on the risks of the Fund, cards / risk register, information on the critical risks of the Fund and portfolio companies, measures to further improve the corporate system of risk management and internal control were reviewed;
- the new edition of the Risk Management and Internal Control Policy of the Fund was approved;
- Collateral Policy of the Fund was approved;
- Credit Risk Management Policy of the Fund was approved.

It should be noted that the main risks of accidents, risks of significant investment projects, risk of social instability, liquidity risks and violation of covenants / listing requirements, credit, currency risks, litigation risks, the risk of the influence of sanctions legislation and the risk of the privatization program were constantly in focus control of the Board of Directors of the Fund. As part of the quarterly reports, the Management Board of the Fund provides complete information on the Fund's Consolidated Risk Map on the basis of which decisions were made on their mitigation.

## PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS IN MEETINGS OF THE BOARD OF DIRECTORS OF THE FUND IN 2019

NO.	MEMBER OF THE BOD <i>Position</i>	PARTICI- PATION/ PARTICI- TION AS A MEMBER OF THE BOD
<b>1</b>	<b>MR BAKHYTZHAN SAGINTAYEV</b> <i>The Prime Minister of the Republic of Kazakhstan, Chairman of the Board of Directors</i>	<b>2/2</b>
<b>2</b>	<b>MR ASKAR MAMIN</b> <i>The Prime Minister of the Republic of Kazakhstan, Chairman of the Board of Directors</i>	<b>8/8</b>
<b>3</b>	<b>MR YERULAN ZHAMAUbayEV</b> <i>Member of the Board of Directors, Assistant to the President of the Republic of Kazakhstan</i>	<b>2/2</b>
<b>4</b>	<b>MR TIMUR SULEIMENOV</b> <i>Member of the Board of Directors, Minister of National Economy of the Republic of Kazakhstan, Assistant to the President of the Republic of Kazakhstan</i>	<b>7/10</b>
<b>5</b>	<b>MR KANAT BOZUMBAYEV</b> <i>Member of the Board of Directors, Assistant to the President of the Republic of Kazakhstan</i>	<b>0/0</b>
<b>6</b>	<b>MR RUSLAN DALENOV</b> <i>Member of the Board of Directors, Minister of National Economy of the Republic of Kazakhstan</i>	<b>6/8</b>
<b>7</b>	<b>SIR RICHARD EVANS</b> <i>Member of the Board of Directors, Independent director</i>	<b>9/9</b>
<b>8</b>	<b>MR ALPER AKDENIZ</b> <i>Member of the Board of Directors, Independent director</i>	<b>10/10</b>
<b>9</b>	<b>MR WILHELM BENDER</b> <i>Member of the Board of Directors, Independent director</i>	<b>9/9</b>
<b>10</b>	<b>MR JON DUDAS</b> <i>Member of the Board of Directors, Independent director</i>	<b>1/1</b>
<b>11</b>	<b>MR KAIRAT MAZHIBAYEV</b> <i>Member of the Board of Directors, Independent director</i>	<b>1/1</b>
<b>12</b>	<b>MR ONG BOON HWEE</b> <i>Member of the Board of Directors, Independent director</i>	<b>1/1</b>
<b>13</b>	<b>MR AKHMETZHAN YESSIMOV</b> <i>Member of the Board of Directors, CEO</i>	<b>10/10</b>

## COMMITTEES OF THE BOARD OF DIRECTORS

The committees of the Board of Directors of the Fund contribute to a deep and careful consideration of issues within the competence of the Board of Directors and improve the quality of decision-making in such areas as audit, risk management, proper and efficient application of the Rules for the procurement of goods, works and services of the Fund and organizations, appointment and remuneration of members of the Board of Directors and the executive body, sustainable development, including occupational health, safety and environment protection. The final decision on issues considered by the committees is taken by the Board of Directors.

The Board of Directors of the Fund decides on the establishment of the committees, determines their composition, tenure and powers. The committees are composed of members of the Board of Directors possessing the professional knowledge, competencies and skills required for the committee's work. The chairmen of the committees, in addition to their professional competencies, have well-developed organizational, leadership and communication skills for the effective organization of the committee.

### AUDIT COMMITTEE

The Audit Committee (AC) is a consultative and advisory body of the Board of Directors of Samruk-Kazyna JSC and was created to assist the Board of Directors of the Fund in fulfilling its oversight functions over the integrity of financial statements, the effectiveness of internal control and risk management systems, and for compliance with corporate governance principles and legislation. The Audit committee also makes recommendations to the Board of Directors of

the Fund on the appointment or reappointment of an external auditor.

In 2019, the Audit Committee held a total of 21 meetings, of which all 21 were in-person. In total, the Audit Committee considered 61 issues in various fields within its competence.

## PARTICIPATION OF MEMBERS OF THE AUDIT COMMITTEE IN MEETINGS IN 2019

№	MEMBER OF THE AC	POSITION	PARTICIPATION
1	Sir Richard Evans	Chairman of the Audit Committee, Independent director	100%
2	Wilhelm Bender	Member of the Audit Committee, Independent director	100%
3	Alper Akdeniz	Member of the Audit Committee, Independent director	100%
4	Peter Howes	Member of the Audit Committee, Expert without voting rights	100%

During the year, the Audit Committee considered a number of issues of internal and external audit, the internal control and risk management systems, and financial statements. The Audit committee performed the following duties:

### ON INTERNAL AUDIT

- The audit reports on the verification carried out in accordance with the Annual Audit Plan for 2018 and 2019 were studied;
- The audit reports on the results of audits conducted in IT in a number of subsidiary organizations of the Fund based on a synergistic approach were reviewed;
- Reviewed and assessed the performance of the Fund's Internal Audit Service on a quarterly basis;
- Conducted a series of interviews with candidates for vacant positions of the Internal Audit Service and issued recommendations to the Board of Directors on the appointment of employees of the Internal Audit Service;
- Analyzed and approved quarterly internal audit reports prepared for the Board of Directors of the Fund.

### ON EXTERNAL AUDIT

- Reviewed the results of the audit of the consolidated and separate financial statements

of the Fund for the year ended December 31, 2018, and also received confirmation of the independence of auditors;

- Reviewed the reports of the external auditor on deficiencies in the internal control system in the Fund and the Fund's Group of companies;
- Reviewed the results of limited review procedures for the interim condensed consolidated and separate financial statements of the Fund for the six-month period ended June 30, 2019;
- Considered the issue of approving the provision of advisory non-audit services for the Fund and its subsidiaries by the audit organization of the Fund.

### ON INTERNAL CONTROL AND RISK MANAGEMENT

- Reviewed and preliminary approved the quarterly consolidated risk reports of the Fund's Group;
- Reviewed and discussed measures to improve the Fund's risk management system;
- Reviewed and commented on the Risk Management and Internal Control Policy, internal documents in the field of financial risk management and collateral policy of Samruk-Kazyna JSC.



## ON FINANCIAL STATEMENTS

- Reviewed the financial statements and judgments contained in the financial statements. Pre-approved and recommended to the Board of Directors for preliminary approval the financial statements of the Fund for the year ended December 31, 2018

- Considered the interim condensed consolidated and separate financial statements of the Fund for 3 and 6 months ended June 30, 2019

## ON COMPLIANCE

- Reviewed the report of the Compliance Service of Samruk-Kazyna JSC

## COMPOSITION OF THE AUDIT COMMITTEE

On December 6, 2019, Sir Richard Evans and Wilhelm Bender resigned from the Board of Directors of Samruk-Kazyna JSC and the Audit Committee. In accordance with the decision of the Board of Directors of Samruk-Kazyna JSC dated February 6, 2020 No. 167, the inde-

pendent director of Samruk-Kazyna JSC Alper Akdeniz was elected as the Chairman of the Audit Committee, and the independent director of Samruk-Kazyna JSC Ong Boon Hwee as a member of the Audit Committee

№	MEMBER OF THE AC	POSITION
1	Alper Akdeniz	Chairman of the Audit Committee, Independent director
2	Ong Boon Hwee	Member of the Audit Committee, Independent director

## STRATEGY COMMITTEE

By the decision of the Board of Directors of Samruk-Kazyna JSC dated December 13, 2018, Strategy Committee (SC) was established.

The Strategy Committee is a permanent advisory body of the Board of Directors of the Fund, whose competence includes making recommendations to the Board of Directors of the Fund on:

- preliminary approval of the Fund's Development Strategy for a 10-year period and the Fund's Development Plan for a 5-year period for further consideration by the Fund's Board of Directors;
- review of reports on the implementation

progress (monitoring) of the Development Strategy, the Fund's Development Plan in order to monitor and control the implementation of the Development Strategy and the Development Plan of the Fund by the Board of Directors of the Fund;

- review of the Fund's information on the compliance of development strategies of national companies with decomposed strategic indicators of national strategies, objectives and government programs.

In 2019, 3 meetings of the Strategy Committee were held, including 2 in-person and 1 in absentia meeting.

In 2019, the Strategy Committee consisted of 3 members with voting rights.

At the same time, representatives of sectoral government bodies participated in meetings of the Committee as experts with the right of an advisory vote by invitation on the issue of “Re-

viewing the Fund’s information on the compliance of development strategies of national companies with decomposed strategic indicators of national strategies, objectives and government programs”.

### PARTICIPATION OF MEMBERS OF THE STRATEGY COMMITTEE IN MEETINGS IN 2019

№	MEMBER OF THE SC	POSITION	PARTICIPATION	
1	Ruslan Dalenov	Chairman of the SC, Minister of National Economy of RoK	The SC meetings No. 1, 2, 3	100%
2	Sir Richard Evans	Member of the SC, Independent director	The SC meetings No. 1, 2	67%*
3	Lazzat Borankulova	Member of the SC, Managing director for Strategic Development of Samruk-Kazyna JSC	The SC meetings No. 1, 2, 3	100%

In general, meetings of the Committee were held on a regular basis in accordance with the Committee’s Work Plan for 2019, approved by a decision of the in-person meeting of the Strategy Committee of July 2, 2019, which, in turn, included the priority and most important issues of the Committee’s activities for 2019. In total, 10 issues were considered:

- On the appointment of the secretary of the Strategy Committee under the Board of Directors of Samruk-Kazyna JSC;
- On approval of the Work Plan of the Strategy Committee under the Board of Directors of Samruk-Kazyna JSC for 2019;
- On the implementation of the Development Plan of Samruk-Kazyna JSC taking into account the consolidated audited financial statements of Samruk-Kazyna JSC for 2018;
- Information on the results of monitoring the implementation of the Development Plan for

the 1st quarter of 2019;

- On preliminary macroeconomic indicators for use in letters of expectation of the Shareholder, Development Plan and Business Plans of Portfolio companies of Samruk-Kazyna JSC for 2020-2024;
- Review of the Fund’s information on the compliance of development strategies of national companies with decomposed strategic indicators of national strategies, objectives and government programs;
- Information on the results of monitoring the implementation of the Development Plan for the 1st half of 2019;
- The issue of agreeing on the revised macro-indicators that will be used in letters of expectation of the Shareholder and Business plans for 2020-2024 (after approval of the MNE forecasts in August this year);
- Information on the results of monitoring the

\* in connection with the revision of the composition of the Board of Directors of the Fund

implementation of the Development Plan for the 3rd quarter of 2019;

- Approval of the Work Plan of the Strategy Committee under the Board of Directors of Samruk-Kazyna JSC for 2020.

There were no rejections of the Committee's proposals and recommendations.

## COMPOSITION OF THE STRATEGY COMMITTEE

In connection with the renewal of the composition of the Board of Directors of the Fund, the Board of Directors proposed early termination of the powers of the current composition of the

Strategy Committee and elected a new composition of the Strategy Committee (decision of the Board of Directors of the Fund dated February 6, 2020 No. 167):

№	MEMBER OF THE SC	POSITION
1	Ruslan Dalenov	Chairman of the SC, Minister of National Economy of RoK
2	Jon Dudas	Member of the SC, Independent director
3	Ong Boon Hwee	Member of the SC, Independent director
4	Kairat Mazhibayev	Member of the SC, Independent director

To this date, the current Strategy Committee consists of 4 members with voting rights.

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee (NRC) is responsible for providing recommendations and formulating proposals on the issues of attracting qualified specialists to the Board of Directors, the Management Board, the position of Corporate Secretary, approval of remuneration of independent directors, terms of remuneration and bonus payments paid to members of the Management Board and Corporate Secretary.

In 2019, 3 in-person meetings of the Nomination and Remuneration Committee were held.

### PARTICIPATION OF MEMBERS OF THE NOMINATION AND REMUNERATION COMMITTEE IN MEETINGS IN 2019

№	MEMBER OF THE NRC	POSITION	PARTICIPATION
1	Bakhytzhan Sagintayev	Chairman of the NRC, the Prime Minister of RoK	100%
2	Askar Mamin	Chairman of the NRC, the Prime Minister of RoK	100%
3	Sir Richard Evans	Member of the NRC, Independent director	100%
4	Alper Akdeniz	Member of the NRC, Independent director	100%
5	Wilhelm Bender	Member of the NRC, Independent director	100%

All proposals and recommendations of the Nomination and Remuneration Committee were submitted for consideration by the Board of Directors, on which relevant protocol deci-

sions were made. There were no rejections of proposals and recommendations of the Nomination and Remuneration Committee.

### COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE

In accordance with the minutes of the meeting of the Board of Directors of Samruk-Kazyna JSC dated April 4, 2019 No. 159, the Prime Minister of the Republic of Kazakhstan, Askar Mamin, was appointed Chairman of the Nomination and Remuneration Committee, replacing Bakhytzhan Sagintayev.

of the Board of Directors of Samruk-Kazyna JSC No. 167, the powers of members and experts of the Nomination and Remuneration Committee were early terminated. The composition of the Nomination and Remuneration Committee was determined according to the table below:

Additionally, on February 6, 2020, by decision



№	MEMBER OF THE NRC	POSITION
1	Jon Dudas	Chairman of the NRC, the Prime Minister of RoK
2	Kanat Bozumbayev	Member of the NRC, Assistant to the President of the RoK
3	Alper Akdeniz	Member of the NRC, Independent director
4	Kairat Mazhibayev	Member of the NRC, Independent director

## THE TRANSFORMATION PROGRAM PROGRESS CONTROL COMMITTEE

The Transformation Program Progress Control Committee (TPPCC) is a consultative and advisory body of the Board of Directors of Samruk-Kazyna JSC and was established to carry out the task of monitoring and assessing the implementation of the Fund's Transformation Program and preparing the necessary recom-

mendations to the Board of Directors of the Fund.

In 2019, 1 in-person meeting of the Transformation Program Progress Control Committee was held.

### PARTICIPATION OF MEMBERS OF THE TRANSFORMATION PROGRAM PROGRESS CONTROL COMMITTEE IN THE MEETINGS IN 2019

№	MEMBER OF THE TPPCC	POSITION	PARTICIPATION
1	Askar Mamin	Chairman of the TPPCC, the Prime Minister of the RoK	100%
2	Sir Richard Evans	Member of the TPPCC, Independent director	100%
3	Akhmetzhan Yessimov	Member of the TPPCC, CEO	100%
4	Timur Suleimenov	Member of the TPPCC, Assistant to the President of the RoK	100%

In the period from January to August 2019, the management of Samruk-Kazyna JSC carried out comprehensive work aimed at reviewing approaches to the implementation of the Transformation Program of Samruk-Kazyna JSC and updating the portfolio of projects and activities of companies on the Transformation Program. Separate reports on the progress of the Transformation Program implementation contained aggregate information for several quarters of 2019.

During the year, members the Transformation

Program Progress Control Committee have reviewed reports on the progress of the Transformation Program in the Samruk-Kazyna JSC Group of Companies and comments were issued on amendments to the Transformation Program of Samruk-Kazyna JSC. Among the invited participants and speakers at the meeting of the Transformation Program Progress Control Committee, the chief executive officers of the Portfolio companies involved in the implementation of the Transformation Program participated.

#### COMPOSITION OF THE TRANSFORMATION PROGRAM PROGRESS CONTROL COMMITTEE

In accordance with the decision of the Board of Directors of Samruk-Kazyna JSC dated April 4, 2019 No. 159, Bakhytzhon Sagintayev was removed from the composition of the Committee and Askar Mamin, the Prime Minister of the Republic of Kazakhstan, the Chairman of the Board of Directors of Samruk-Kazyna JSC was elected Chairman of the Committee. In addition, Yerulan Zhamaubaev was removed from the composition of the Committee, and Timur Suleimenov, a member of the Board of Directors of

Samruk-Kazyna JSC was elected a member of the Committee.

After the reporting date in 2020, in accordance with the decision of the Board of Directors of Samruk-Kazyna JSC dated February 6, 2020 No. 167, the powers of the Committee members were early terminated and the new composition of the Transformation Program Progress Control Committee was determined in accordance with the table below:

№	MEMBER OF THE TPPCC	POSITION
1	Jon Dudas	Chairman of the TPPCC, Independent director
2	Kanat Bozumbayev	Member of the TPPCC, Assistant to the President of the RoK
3	Ong Boon Hwee	Member of the TPPCC, Independent director

## SPECIAL COMMITTEE

The Special Committee carries out a comprehensive and objective analysis of the impact of the activities of organizations belonging to the Samruk-Kazyna JSC Group on the development of the economy or an individual sector of the economy, with the exception of issues related to their use of the National Fund of the Republic of

Kazakhstan, the republican budget, and guarantees and state assets.

In 2019, 1 in-person meeting of the Special Committee was held.

### COMPOSITION OF THE SPECIAL COMMITTEE

№	MEMBER OF THE SPECIAL COMMITTEE	POSITION
1	Adylgazy Bergenov	Member of the Accounts Committee for Control over execution of the republican budget Expert with the voting rights
2	Beybit Karymsakov	Managing Director for Economics and Finance of Samruk-Kazyna JSC – member of the Management Board Expert with the voting rights
3	Yernar Zhanadil	Co-Managing Director for Economics and Finance of Samruk-Kazyna JSC – member of the Management Board Expert with the voting rights
4	Bakhtiyar Issayev	Director of the Procurement Control and Monitoring Department of Samruk-Kazyna JSC Expert with the voting rights
5	Gabdulkamir Tuleshov	Head of the Department for Control over Implementation of the Republican Budget of Financial Control Committee of the Ministry of Finance of the Republic of Kazakhstan Expert with the voting rights
6	Ardak Kiyakbayeva	Acting Head of the Department for Monitoring the Efficiency of State Property Management of the Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan Expert with the voting rights
7	Ainur Bushmukhambetova	Head of the Department of the National Fund of the Republic of Kazakhstan and interaction on financial sector issues DBC of the Ministry of Finance of the Republic of Kazakhstan Expert with the voting rights

## **REMUNERATION POLICY OF THE MEMBERS OF THE BOARD OF DIRECTORS**

In accordance with Corporate Governance Code, the level of remuneration for members of the Board of Directors must be sufficient to attract, retain and motivate each member of the Board of Directors at the level required for successful management of the Fund. At the same time, no person should participate in decisions related to their own remuneration.

Remuneration and compensation of expenses to independent directors of the Fund is carried out in accordance with the Rules for payment of remuneration and compensation of expenses of independent directors of the Fund, approved by the decision of the Board of Directors of the Fund dated April 27, 2009 (minutes No. 18) and agreements concluded with independent directors. In addition, the expected positive effect for the Fund from the participation of this person in the Board of Directors is taken into account. The Nomination and Remuneration Committee of the Board of Directors of the Fund makes proposals on the amount of remuneration of the candidate to independent directors. The Fund Management Council agrees on the amount and terms of payment of remuneration to the independent directors of the Fund.

When determining the amount of remuneration, the responsibilities of the members of the Board of Directors, the scope of the Fund's activities, long-term goals and objectives determined by the development strategy, the complexity of the issues addressed by the Board of Directors, the level of remuneration in similar companies (benchmarking, review of remuneration) are taken into account.

Independent directors are paid a fixed fee.

Remuneration is paid to independent directors subject to the following conditions:

- conscientious fulfillment of the powers of a member of the Board of Directors, using approaches that most closely reflect the interests of the Fund;
- guidance in decision-making by the legislation of the Republic of Kazakhstan, the Charter and internal documents of the Fund;
- participation in meetings of the Board of Directors of the Fund, with the exception of illness, vacation and business trip.



# MANAGEMENT BOARD

The Management Board is the collegial executive body of the Fund, which manages its current activities and is responsible for implementing the development strategy and development plan, as well as decisions taken by the Board of Directors and the Sole shareholder of the Fund. The Management Board of the Fund carries out its activities in accordance with the legislation of the Republic of Kazakhstan, the Charter of the Fund, decisions of the Sole Shareholder and the Board of Directors of the Fund, the Regulation on the Management Board and other internal documents of the Fund.

Chairman of the Management Board is appointed by the decision of the Sole shareholder. Members of the Management Board are elected by decision of the Board of Directors of the Fund.

In their activities, the Management Board and the Chairman of the Management Board are accountable to the Sole shareholder and the Board of Directors of the Fund.

## THE COMPETENCE OF THE MANAGEMENT BOARD INCLUDES, INTER ALIA, THE FOLLOWING:

- Making decisions on issues related in accordance with the legislation of the Republic of Kazakhstan and (or) the charter to the competence of the general meeting of shareholders (participants), of another body of the company or other legal entity in relation to which the Fund is a shareholder, participant or has the right to a share in the property, with the exception of decisions

on issues made by the Sole shareholder or the Board of Directors of the Fund in accordance with the Law on "the Sovereign Wealth Fund";

- Taking prompt actions in respect of companies to prevent disruptions in the completeness and project deadline of the implementation of investment decisions and investment projects;
- Formation of a unified (including by industry sectors of companies) financial, investment, production and economic, scientific and technical, money management, personnel, social and other policies in relation to companies;
- Approval of the rules for the development, approval, adjustment, execution and monitoring of the implementation of companies' development plans;
- Approval of the staff size, staff schedule and organizational structure of the Fund;
- Hearing on an annual basis the results of the PC activities and reporting on the results of companies' activities to the Board of Directors of the Fund;
- Making decisions on production issues of the Fund's internal activities.

*The full list of issues referred to the exclusive competence of the Fund's Management Board is disclosed in the Fund Charter at [www.sk.kz](http://www.sk.kz)*

## COMPOSITION OF THE MANAGEMENT BOARD



**AKHMETZHAN YESSIMOV**

**CHAIRMAN OF THE MANAGEMENT BOARD**

(Mr Yessimov's biography is disclosed in the "Composition of the Board of Directors" section, see page 87)



## BEYBIT KARYMSAKOV

### MANAGING DIRECTOR FOR ECONOMY AND FINANCE

**Date of birth:** October 31, 1962

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**Citizenship:** the Republic of Kazakhstan

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**Education:**

- National Economy Institute of Alma-Ata in the specialty "Organization of the Mechanized Processing of Economic Information"
  - Taraz State University named after M.Kh. Dulati in the specialty "Law"
- 

**Experience:**

**1990–1993** – Accountant of Tian Shan Cooperative;

**1993–1996** – Head of Budget Inspection – Deputy Head of Kordai District Finance Division;

**1996–2014** – Executive positions in the tax authorities of Almaty and Almaty region;

**2014–2015** – Chief of Staff of the Mayor of Almaty;

**2015–2018** – Managing Director of NC Astana EXPO-2017 JSC;

**Since January 2018** – Managing Director for Economy and Finance of Samruk-Kazyna JSC – Member of the Management Board.



## ANDREY KRAVCHENKO

### MANAGING DIRECTOR FOR LEGAL SUPPORT AND RISKS

**Date of birth:** July 19, 1966

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**Citizenship:** the Republic of Kazakhstan

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**Education:**

- Kazakh State University named after S. Kirov in the specialty "Law"
  - Moscow Business School
- 

### Experience

**1994–1997** – Prosecutor, Senior Prosecutor, Assistant to the Prosecutor's Division of Taldykorgan region.

**1997–2011** – Senior Prosecutor, Head of the Division, Deputy Head, Head of the Department for Law-Based Governance Supervision of the General Prosecutor's Office of the Republic of Kazakhstan.

**2011–2017** – Deputy Prosecutor General of the Republic of Kazakhstan.

**Since October 2018** – Managing Director for Legal Support and Risk – Member of the Management Board.





## YERNAR ZHANADIL

### CO-MANAGING DIRECTOR FOR ECONOMY AND FINANCE

**Date of birth:** December 15, 1984

**Citizenship:** the Republic of Kazakhstan

#### Education:

- Kazakhstan Institute of Management, Economics and Forecasting (KIMEP) with a degree in Accounting;
- Manchester School of Business, University of Manchester (UK), Master's degree, Accounting and Finance

### Experience

Mr Zhanadil has been acting Managing Director for Finance and Operations of Samruk-Kazyna since November 2016. Prior to this, he was Financial Controller of the Fund from March 2016. Mr Zhanadil joined the Fund as Head of the Internal Audit Service, worked as a Secretary of the Audit and Transformation Oversight Committees under the Board of Directors and served

as a member of the Audit Committees under the Board of Directors of several Samruk-Kazyna portfolio companies. Prior to beginning his career at Samruk-Kazyna, Mr Zhanadil held various positions at Phillip Morris Kazakhstan, Elitstroy and PricewaterhouseCoopers Kazakhstan.



## YERZHAN TUTKUSHEV

### CO-MANAGING DIRECTOR FOR ASSETS DEVELOPMENT AND PRIVATIZATION

**Date of birth:** December 10, 1981

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**Citizenship:** the Republic of Kazakhstan

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**Education:**

- St. Petersburg State University of Economics and Finance with a degree in Financial Analysis and Accounting;
  - University of Illinois at Urbana-Champaign, Master's degree in Finance
- 

### Experience

Mr Tutkushev began his career in 2004 as an accountant at J.T.I. Marketing and Sales CJSC (Japan Tobacco International) in St. Petersburg, then worked as the chief manager of the Strategic Planning Department of Development Bank of Kazakhstan JSC. He has experience in the international consulting companies Ernst & Young and PricewaterhouseCoopers. Over the years, he held senior positions in Astana-finance JSC, Samruk-Kazyna Invest LLP, and Samruk-Kazyna JSC. In August 2014, he was appointed to the

position of Deputy Chief Director for Business Development, later was appointed to the position of Co-Managing Director for the Development of New Industries of Samruk-Kazyna JSC, starting from January 11, 2018 - Director of the Asset Development Department of Samruk-Kazyna JSC, In October 2019 was appointed to the position of Co-Managing Director for Asset Development and Privatization.

## REPORT ON THE ACTIVITIES OF THE MANAGEMENT BOARD OF THE FUND FOR 2019

In 2019, 44 meetings of the Management Board of Samruk-Kazyna JSC were held, of which 40 in-person and 4 in absentia meetings. Thus, compared with the same period in 2018, the number of in-person meetings increased from 34 to 40 meetings. Decisions were made on 383 issues, of which 98.4% were considered at in-person meetings of the Fund's Management Board, which is in line with best corporate governance practices. The most important issues addressed by the Management Board of the Fund:

- On approval of the Rules for new investments of Samruk-Kazyna JSC;
- On amendments to the Action Plan for the implementation of the Development Strategy of Samruk-Kazyna JSC for 2018-2028;
- On approval of the Talent Management Rules of Samruk-Kazyna JSC;
- On approval of the updated of the Transformation Program of Samruk-Kazyna JSC;
- On approval of the new edition of the Rules for professional training and development of employees of Samruk-Kazyna JSC;
- On approval of the new edition of the Policy on interaction with portfolio companies of Samruk-Kazyna JSC and other issues of interaction with portfolio companies of Samruk-Kazyna JSC;
- On approval of the Rules on risk hedging of Samruk-Kazyna JSC;
- On the Investment Policy of Samruk-Kazyna JSC;
- On amendments and additions to the Corporate Standard for Strategic and Business Planning in the Group of Companies of Samruk-Kazyna JSC;
- On some issues of the HSE Committee of Samruk-Kazyna JSC;
- On some issues of the Academic Council of Samruk-Kazyna JSC;
- On consideration of the annual report on the implementation of the Fund's Charity Program for 2018.

In general, meetings of the Fund's Management Board were held on a regular basis in accordance with the Work Plan of the Management Board of the Fund.

Information sessions were held on a regular basis and the structural divisions of the Fund and newly hired employees of the Fund were informed about the procedure for preparing materials for meetings of the Fund's Management Board, as well as office memos were sent.

## COMMITTEES OF THE MANAGEMENT BOARD

### INVESTMENT AND STRATEGIC COMMITTEE

The objective of the Investment and Strategic Committee is to assist in increasing efficiency in decision-making when managing the Fund's Asset Portfolio to achieve the Fund's strategic KPIs by presenting a platform for discussion, developing recommendations and proposals on the following issues (including ensuring the adoption of risk-based decisions):

- Strategic Development Fund and the PC;
- Management of the Fund's portfolio of assets and the portfolio of investment projects of the Fund and the PC;
- Risk management (financial, investment

and operational);

- Implementation of the Investment policy, Credit policy, Debt management and financial sustainability policies;
- Implementation of Corporate Standards for investment activities, strategic and business planning, management of large capital projects.

### HR COMMITTEE

The goal of the HR Committee is to ensure coordination and implementation of the HR policy of the Fund, prepare advisory decisions on HR

management, provide methodological, expert and analytical support in the HR area for the Fund's Group.

### MODERNIZATION COUNCIL

The main goal of the Modernization Council is to manage and coordinate activities aimed at implementing the Transformation Program in

the Fund's Group and introducing best practices, technologies and standards for the effective management of companies.

### ACADEMIC COUNCIL

The purpose of the Academic Council is to assist in increasing efficiency in decision-making when managing the Fund's Portfolio of Assets to achieve the strategic key performance indicators (KPIs) of the Fund by presenting a platform

for discussion, developing recommendations and proposals on the industrial and innovative development of the Fund and PC.



## HSE COMMITTEE

The purpose of the HSE Committee is to develop recommendations for the Management Board of the Fund and representatives of the Fund on the Boards of Directors of the PCs, as well as to coordinate activities undertaken by Portfolio companies in the field of occupational health, safety and environmental protection in the framework of:

- implementation of initiatives such as “Creating and maintaining a culture of health and safety” and “Provision of environmental sustainability”, as provided for by the Fund’s Development Strategy;
- implementation of the synergetic initiative “Industrial Safety”, enshrined in the Fund’s Transformation Program;
- improvement of the HSE management system in the areas of: safety and labor protection; accident prevention; health and occupational health; industrial, fire

and transport safety; environmental protection and reduction of greenhouse gas emissions; rational use of natural resources and increased energy efficiency; emergency warning; increasing commitment and leadership in the field of HSE; increase in the reputation of the organizations of the Fund’s Group as socially responsible organizations; interaction with stakeholders in the field of HSE.

## REMUNERATION POLICY OF THE MEMBERS OF THE MANAGEMENT BOARD

The Board of Directors of the Fund determines the amount of the salary, terms of remuneration of the CEO and members of the Management Board of the Fund. The Nomination and Remuneration Committee of the Board of Directors of the Fund plays a key role in determining their remuneration.

The remuneration system for the CEO and members of the Management Board of the Fund is determined in accordance with the Terms of remuneration and bonuses for the

CEO and members of the Management Board of Samruk-Kazyna JSC, approved by the Board of Directors of the Fund, and includes salary, remuneration based on the results of work for the corresponding period, as well as a lump sum bonus for the Independence Day of the Republic of Kazakhstan.

Remuneration based on the results of work for the corresponding period is paid depending on the results of the assessment of the activities of the CEO and a member of the Management

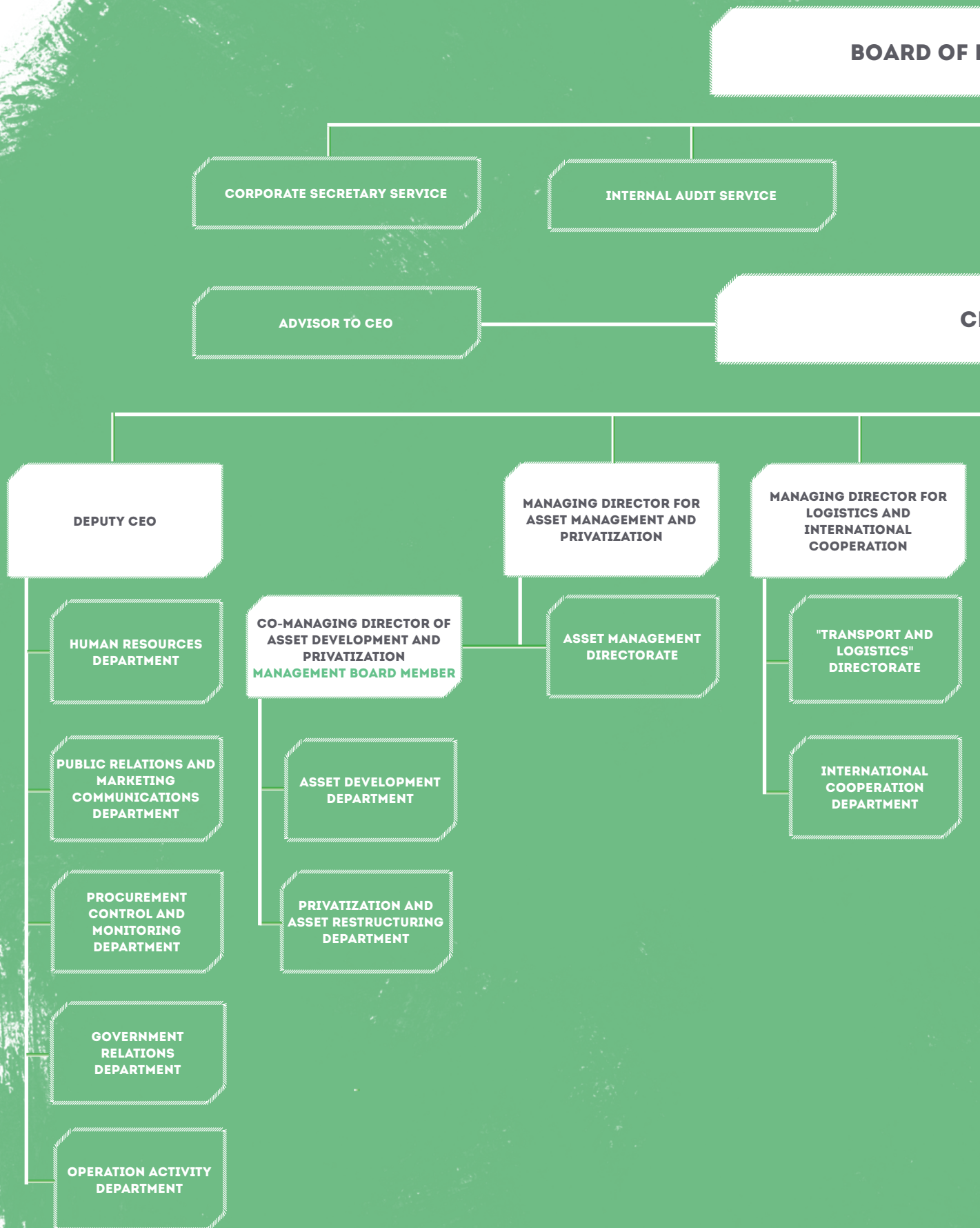
Board with the goal of financially encouraging him for his achievements and increasing the efficiency of work.

The main condition for the payment of remuneration is the presence of a consolidated total profit for the reporting year.

### INTERESTED PARTY TRANSACTION REPORT FOR 2019

№	NAME OF COUNTERPARTY	SIGN OF INTEREST	TRANSACTION
1	NC KazMunayGas JSC	Portfolio company	Employment agreement between NC KazMunayGas JSC, Samruk-Kazyna JSC, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Ltd, Goldman Sachs International and UBS AG.
2	Kazpost JSC	Portfolio company	Savings Account Agreement between Samruk-Kazyna JSC and Kazpost JSC
3	Kazakhtelecom JSC	Portfolio company	Employment agreement between Kazakhtelecom JSC, Samruk-Kazyna JSC, J.P. Morgan Securities plc, VTB Capital plc, BCC Invest JSC, Kazkommerts Securities JSC and Sigma Advisors LLP
4	Samruk-Energy JSC	Portfolio company	Supplementary Agreement No. 1 to Agreement No. U-65 on the procurement of advisory services for the assessment of market value and support of the transaction on the sale of the block of shares of Samruk-Energy JSC dated July 25, 2018.

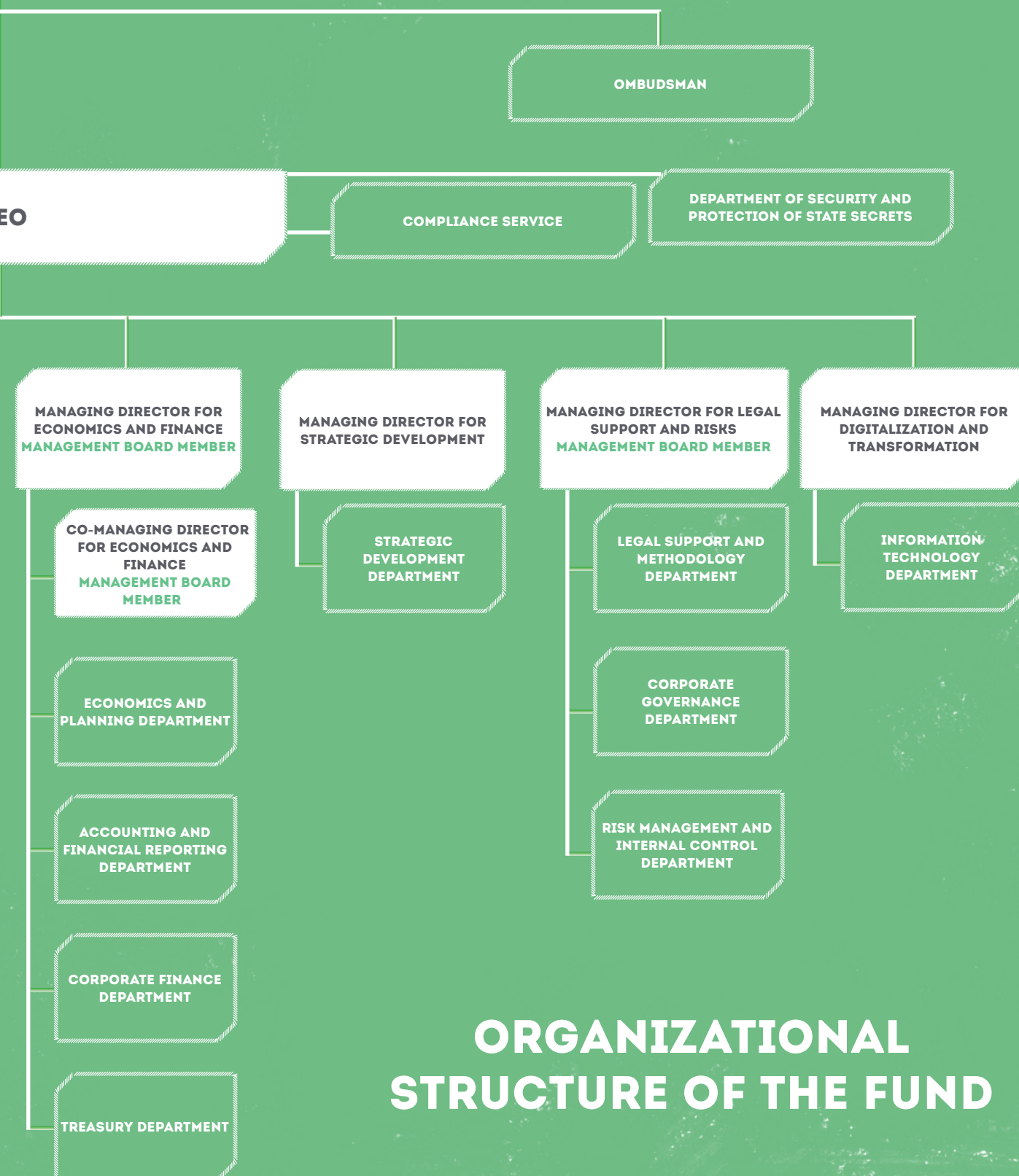






## DIRECTORS

EO



# ORGANIZATIONAL STRUCTURE OF THE FUND

# RISK MANAGEMENT AND INTERNAL CONTROL

The risk management system is designed to provide reasonable assurance of achievement of strategic, operational goals, goals in the field of preparing reliable reporting and goals in the field of compliance with applicable laws and internal requirements. Internal control focuses on achieving operational goals, goals in the field of preparing reliable reports, compliance with applicable laws, internal requirements of the Fund and its Portfolio companies.

## THE OBJECTIVES OF THE CORPORATE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ARE:

- 1** increasing the risk culture and integrating risk management and internal control into all aspects of the Fund's activities;
- 2** reducing the volatility of performance by increasing the ability of the Fund to prevent situations that threaten goals, effectively respond to negative "surprises" and reduce the consequences of such situations, if they occur, to an acceptable level;
- 3** ensuring the use of opportunities to increase the assets value and the profitability of the Fund in the long term.

Based on the accumulated experience of the Fund, as well as taking into account the updated recommendations of COSO "Conceptual Foundations of Risk Management of Organizations: Integration with Strategy and Performance Indicators", the principles and approaches to the organization of risk management and internal control are updated, which are reflected in the new Policy of Samruk-Kazyna JSC on Risk Management and Internal Control (hereinafter - the Policy) was approved in 2019. The Policy is de-

signed to ensure increased responsibility of risk owners for risk management at all levels of the Fund, to increase the integration of risk management in all processes of the Fund.

According to the Policy, the Board of Directors and the Management Board of the Fund, in performing their functions, rely on the "Three lines of defense" model, where the first line of defense (business functions) is represented by structural units in the person of each employee, who, within their competence, directly identify, manage risks and carry out control procedures. The second line of defense (monitoring functions) is represented by the Risk division and the Compliance Service of the Fund, which are responsible for monitoring the implementation by the business functions of effective risk management and internal control practices, compliance with the laws and internal regulations of the Fund. The third line of defense (independent guarantee) is provided by the Fund's Internal Audit Service, conducts an independent assessment of the effectiveness of the risk management and internal control system and helps to improve them.

The Fund annually approves the risk appetite, consolidated register and risk map; on a quarterly basis, risk reports with updating the risk map and plans for their management are submitted to the Boards of Directors / Supervisory Boards of the PC and the Fund.

A corporate risk reinsurance program is being implemented under the administration of the Fund's capital, which ensures the confidence of shareholders in the quality of reinsurance protection of the risks of the Fund's companies.

Work continued on building an effective system of internal control; monitoring procedures in the processes of the Fund are regularly monitored. In order to reduce process risks, the Fund carries

out general mandatory and functional certification of employees for knowledge of the require-

ments of the internal regulatory documents of the Fund.

## NON-EXHAUSTIVE LIST OF RISKS OF THE FUND AND THE PC

### STRATEGIC RISKS

**Risks of significant investment projects** - risks associated with the implementation of various projects of the Fund Group, taking into account timeliness, quality, cost and other indicators. The Fund and the PC continuously monitor the implementation of investment project implementation schedules, ensure timely financing, work with strategic partner.

**Risks of the Asset Privatization Program.** The implementation of the Privatization Program is carried out in accordance with the Unified Rules for the Asset Sale and Restructuring by the Joint-Stock Company Sovereign Fund Samruk-Kazyna and organizations, over fifty percent of the voting shares (participatory interests) of which are directly or indirectly owned by Samruk-Kazyna JSC as a property right. Also, a Project Office has been established in the Fund to implement this program.

### FINANCIAL RISKS

**Liquidity risks and violations of covenants / listing requirements** - risks associated with the company's inability to finance its activities, timely and fully meet its obligations. As part of managing these risks, limits are set and monitored for the degree of debt burden of the Fund and the PC, various measures are taken to ensure the execution of the PC covenants and increase the financial sustainability of the Fund's Group.

**Currency risk** - the risk of losses due to adverse changes in foreign exchange rates. The level of the currency debt of the Fund and the PC is monitored and the effect of exchange rate differences on net profit is monitored, situations in the domestic and foreign markets, the actions of the regulator are monitored, and the Fund's currency limits are monitored on a separate and consolidated basis, and "balance" hedging of currency risks is applied.

**Credit risk** - the risk of losses due to failure to fulfill, untimely or incomplete performance by the counterparty of its obligations to the Fund and the PC. To manage this risk, treasury standards are established, various tools used in international practice (limitation, diversification, etc.) are used.

## OPERATIONAL RISKS

**Social instability risk** is the risk associated with the social tension of various groups of employees of the Fund and the PC. In 2019, the “Social Stability Index” of the Fund’s Group increased from 69% to 72%. During the study, employees of 10 large PCs were interviewed. In order to reduce this risk, work is ongoing on corporate social responsibility issues.

**Accident risk** is a risk, due to the specifics of the activity, which is significant mainly for the Fund’s PCs involved in production. In order to reduce risk in 2019, the Fund provides for the synergetic initiative “Industrial Safety” to bring the management system in the field of labor protection, industrial safety and environmental protection (hereinafter referred to as HSE) to the Portfolio companies of the Fund to the level of international best practices. The abovementioned initiatives are implemented within the framework of the work of the HSE Committee by assessing the current state of HSE systems in the 12 largest PCs, identifying and ensuring the implementation of the minimum requirements of HSE systems in the PCs, planning and implementing the best world practices in accordance with the industry specifics of each PC, regular performance assessment and improvement of the HSE management system of a PC.

**The risk of the impact of sanctions legislation** is the risk associated with the imposition of sanctions against countries in which the assets of the Fund / PC are located. In order to minimize this risk, sanctions are monitored, analysis on the impact on the activities of the Fund and the PC is conducted to develop preventive and control measures.

## LEGAL RISKS

**Litigation risk** - the risk of involving the Fund and the PC in large litigation. Measures are being taken to pre-resolve disputes through negotiations, monitor the Fund’s obligations under existing agreements, clarify legal acts by correspondence with authorized bodies and other legal actions to protect the interests of the Fund’s Group.



# ANTI-CORRUPTION

Samruk-Kazyna JSC and its portfolio companies have established compliance units that work to determine anti-corruption policies, promote an anti-corruption culture (including conducting appropriate training for company employees), analyze corruption risks, prevent corruption offenses, and create a system of anti-corruption measures, conduct investigations of incoming appeals (messages), inform law enforcement agencies of illegal acts of a corrupt nature.

These units are staffed by specialists with experience in the field of compliance, legal, financial units of the corporate sector, as well as law enforcement agencies.

The Fund coordinates the activities of these services, provides methodological and practical assistance in organizing work, conducting inspections and investigations.

Compliance services carry out activities in the field of compliance with the rules of official ethics by employees of national companies, preventing relevant violations, conducting checks on complaints related to abuse of authority.

Employees of companies are informed regarding this activity through internal communication channels. Contractors and any individuals and legal entities have the opportunity to contact compliance services through contact information posted on the websites of companies.

In 2019, the Fund's Group carried out activities in accordance with the Plan to ensure compliance with the Law of the Republic of Kazakhstan "On Anti-corruption" in subsidiaries and affiliates, approved by the Chairman of the Management Board of the Fund

- a detailed analysis of the corruption risks in the field of procurement, recruitment, assessment, promotion and dismissal of personnel and other areas, taking into account the specifics of the companies;
- action plans have been developed to minimize the corruption risks identified by the analysis of corruption risks;
- conducted compliance trainings for employees of administrative staff with coverage of the provisions of the legislation of the Republic of Kazakhstan on anti-corruption issues;
- contact information and clarification on the "hot line" (on anti-corruption issues) of the Fund were provided on all corporate websites of subsidiaries and affiliates; company employees were informed about the work of the "hot line" through internal communication channels;
- an analysis of internal regulatory documents was carried out and their harmonization with the legislation of the Republic of Kazakhstan on anti-corruption issues taking into account the analysis of corruption risks was ensured;
- approved / updated the Anti-corruption Policy in subsidiaries and affiliates in accordance with the requirements of the legislation and the results of the analysis of corruption risks;
- an anti-corruption clause has been introduced in all standard contracts for all purchases of goods and services that provide for obligations of suppliers to comply with the legislation of the Republic of Kazakhstan on anti-corruption issues, as well as inform the customer of any alleged and actual violations of anti-corruption laws and procurement rules;
- the regulatory documents on the selection and recruitment of employees have been updated, providing for a procedure for verifying the affiliation of officers of the Fund's Group of companies with persons considered as candidates for work, as well as to be appointed to senior positions in the Fund's Group of companies in accordance with the laws on "Anti-corruption", "On joint-stock companies" and "On limited and additional

- liability partnerships”.
- provision of information to the boards of directors on a regular basis based on the results of consideration of appeals (including the hot line) in the field of compliance, including anti-corruption;
- regularly held working meetings of the heads of compliance services of the Fund

Group, at which topical issues on anti-corruption management were discussed, meetings were organized with relevant experts (including the Anti-Corruption Agency).













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# GLOSSARY

**THE FOLLOWING DEFINITIONS AND ABBREVIATIONS ARE USED IN THIS ANNUAL REPORT:**

The Fund, Samruk-Kazyna JSC	Joint Stock Company "Sovereign Wealth Fund "Samruk-Kazyna"
%	percent
ACS	Automated control system
AP	Administrative personnel
APFC	Automatic power and frequency control
CAO	Cooperation of apartment owners
CEMS	Centralized Emergency Management System
CMP	Category management of procurement
CPS	Category procurement strategy
GWS	Goods, works and services
HPP	Hydro Power Plant
HR	Human Resources
ICA	Intergas Central Asia JSC
ICBC	International Centre of Boundary Cooperation
IGCC	Integrated gas chemical complex
IOGTU	Integrated Oil and Gas Treatment Unit
IPO	Initial Public Offering
CC	Corporate center
CIO	Construction and installation operations
CPS	Category procurement strategy
KMG EP	KazMunayGas Exploration Production JSC
KZT	Kazakhstani tenge

<b>LC</b>	Local content
<b>MBA</b>	Master of Business Administration
<b>MC</b>	Managing company
<b>MISD</b>	Ministry of Information and Social Development of the Republic of Kazakhstan
<b>MH</b>	Manufacturer of Holding
<b>MNE</b>	Ministry of National Economy of the Republic of Kazakhstan
<b>NCE Atameken</b>	National Chamber of Entrepreneurs of the Republic of Kazakhstan "Atameken"
<b>PP</b>	Manufacturing personnel
<b>OTC</b>	Operational and technical complex
<b>PRC</b>	People's Republic of China
<b>SKI</b>	Samruk-Kazyna Invest LLP
<b>SPIID</b>	the State Program of Industrial-Innovative Development
<b>UES</b>	United Energy System
<b>USIC GWS</b>	Unified stock item catalogue of goods, works and services

# CONTACT INFORMATION



## SOVEREIGN WEALTH FUND SAMRUK-KAZYNA JOINT STOCK COMPANY

Republic of Kazakhstan, 010000,  
Nur-Sultan city  
E10 str., 17/10 bld.

On possible or happened theft, fraud and corruption facts	8 (800) 080 30 30 8 (702) 075 30 30 nysana.cscs.kz nysana@cscs.kz
For Media Enquiries	+7 (7172) 55-27-10, 55-26-94 press@sk.kz
GR Department	+7 (7172) 55-26-24, +7 (7172) 55-41-64
Procurement methodology of Samruk-Kazyna JSC	+7 (7172) 55-27-35, 55-26-78 smz@sk.kz
Technical support of procurement website	+7 (7172) 55-22-66 support2@skc.kz
Procurement control of Samruk-Kazyna JSC	+7 (7172) 55-40-01 (inner 2)
On HR issues	+7 (7172) 55-26-47 +7 (7172) 55-40-49, 55-41-12 (staff recruitment) support@hrqymet.kz
For questions about the Privatization program	+7 (7172) 55-22-66 +7 (7172) 55-92-81 DPRA@sk.kz
Investor Relations	+7 (7172) 55-40-71, 55-40-33 ir@sk.kz
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