

CORPORATE GOVERNANCE





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**KMG'S CORPORATE
GOVERNANCE RATING
HAS BEEN UPGRADED
TO "BBB" IN 2021
(FROM "BB" IN 2018)**

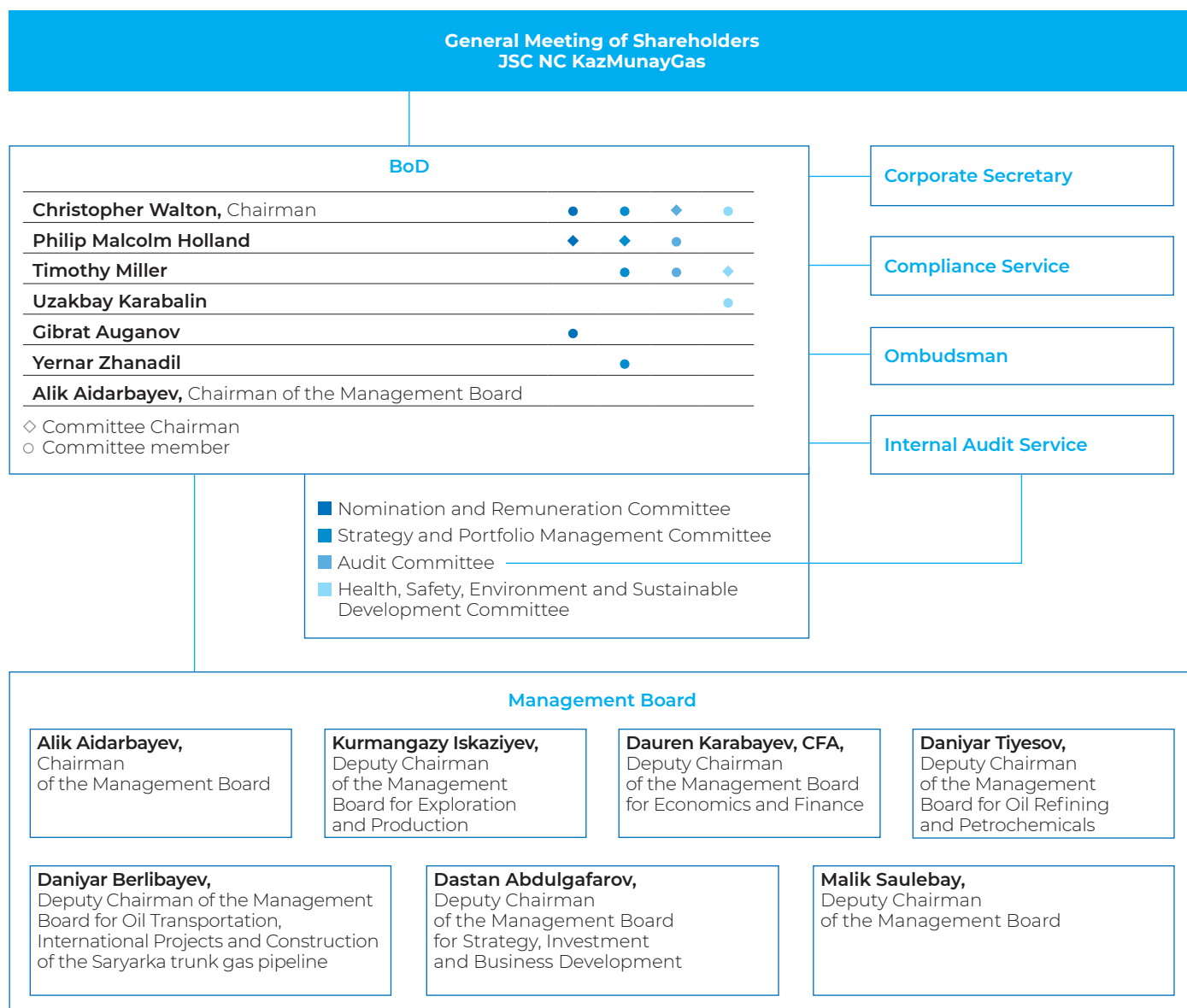


CORPORATE GOVERNANCE FRAMEWORK

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

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

KMG's corporate governance structure



The Company's corporate governance framework comprises:

- Supreme body – General Meeting of Shareholders
- Governing body – the Board of Directors, reporting to the General Meeting of Shareholders
- Executive body – the Management Board, reporting to the Board of Directors
- Internal Audit Service is a centralised body that directly reports to the Board of Directors, controls financial and business operations at the Company and other KMG Group entities, members of the Fund pursuant to the Law of the Republic of Kazakhstan on the Sovereign Welfare Fund ("KMG Group"), appraises internal control and risk management systems, oversees implementation of corporate governance regulations and provides consulting on enhancing KMG's and KMG Group's performance
- Corporate Secretary is a permanent and independent employee who

is neither member of the Board of Directors nor member of the Company's executive body, is appointed by, and reports to, KMG's Boards of Directors, and ensures implementation of corporate documents and control over KMG's corporate governance framework within their competence

- Compliance Service reports to the Board of Directors, whose role is to ensure compliance with mandatory regulations and global best practices in pursuing anti-corruption policies and building corporate culture across KMG Group to foster transparency and integrity among its employees, as well as to create a business environment aligned with global best practices, internal policies, and Kazakhstan's laws
- Ombudsman is an appointee of KMG's Board of Directors, whose role is to advise KMG employees upon request and assist in resolving social and labour disputes, conflicts

and issues, as well as to ensure compliance with business ethics principles among KMG employees.

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

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

DEVELOPMENT OF CORPORATE GOVERNANCE SYSTEM

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

The Company's Board of Directors oversees the quality of KMG's corporate governance, and the Corporate Secretary coordinates its continuous improvement.

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

The Code sets out the principles underlying the Company's corporate governance framework, which are identical to the corporate governance principles of the Samruk-Kazyna group. The Board of Directors and the Audit Committee monitor compliance with the Code's regulations at KMG.

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

[For KMG's 2021 Corporate Governance Code Compliance Report see the Appendix to this Annual Report.](#)

Over a course of several years, the Company's Corporate Secretary Office has carried out consistent and systematic work coordinating KMG's efforts to improve its corporate governance practices. Since 2016, the Company has used the review methodology for corporate