

## BOARD OF DIRECTORS PROGRESS REPORT 2013

This Report of the Board of Directors of Kazakhstan Electricity Grid Operating Company (hereinafter, 'KEGOC' or 'the Company') for 2013 was prepared in pursuance of clause 129 of the Corporate Governance Code of KEGOC approved by the decision of the KEGOC's Sole Shareholder on 17 May 2011 (Order No. 36-n).

The Board of Directors monitors the activities of the Management Board and the Company's efficiency through the reports submitted by the Management Board of the Company. The Board of Directors also monitors the system of internal control and risk management in the Company through the reports submitted by the Internal Audit Service following the analysis of these issues.

**The members of KEGOC's Board of Directors as on 31 December 2013:**

<b>Kuanysh Bektemirov</b>	<p>Managing Director of Samruk-Kazyna JSC, Chairman of the Board of Directors, born in 1970, elected on 08 May 2012. Shares owned in KEGOC or its counterparties: none <b>Positions:</b> Chairman of the Board of Directors of Samruk-Energy JSC; Chairman of the Board of Directors of Tau-Ken Samruk National Mining Company; Chairman of the Board of Directors of Forum Muider B.V.; Chairman of the Board of Directors of Ekibastuz GRES-2 JSC; Chairman of the Supervisory Board of Ekibastuz GRES-1 LLP; Member of the Board of Directors of KazAtomProm JSC.</p>
<b>Gumarbek Daukeyev</b>	<p>Independent Director President of Almaty University of Power Engineering and Telecommunications, born in 1948, elected on 08 May 2012. Shares owned in KEGOC or its counterparties: none Audit Committee, Nomination and Remuneration Committee, Strategic Planning and Corporate Governance Committee. <b>Positions:</b> Member of the Board of Directors of Samruk-Energy JSC.</p>
<b>Luca Sutera</b>	<p>Independent Director Group Vice President and Chief Financial Officer - Global Power &amp; Water Division, born in 1971, elected on 08 May 2012. Shares owned in KEGOC or its counterparties: none Audit Committee, Nomination and Remuneration Committee, Strategic Planning and Corporate Governance Committee. <b>Positions:</b> Member of the Board of Directors of Samruk-Energy JSC; Jorf Lasfar Energy Company 5,6 (Abu Dhabi National Energy Company Group) – Morocco; TAQA Energy India Ltd (Abu Dhabi National Energy Company Group) – India.</p>
<b>Anatoliy Spitsyn</b>	<p>Independent Director Director of the Institute for Strategic Studies of Integration Problems of the Eurasian Economic Community, born in 1939, elected on 08 May</p>



<b>Gumarbek Daukeyev</b>	+	+	+	+	+	+	+	+	+	+	+	<b>100</b>
<b>Anatoliy Spitsyn</b>	+	+	+	+	+	+	+	+	+	+	+	<b>100</b>
<b>Luca Sutera</b>	+	+	+	+	+	+	+	+	+	+	+	<b>100</b>
<b>Almassadam Satkaliyev</b>	+	+	+	+	+	+	+	+	+	+	+	<b>100</b>
<b>Bakytzhan Kazhiyev</b>	+	+	+	+	+	+	+	+	+	+	+	<b>100</b>

In 2013, the Board of Directors held 10 meetings in praesentia and considered 109 issues, and made decisions as follows:

1. Approve KEGOC's Executive Administration (head office) organisation structure;
2. Approve the salary schedule for the members of the Management Board, the Internal Audit Service and the Corporate Secretary of KEGOC;
3. Approve the staffing schedule for the senior executives, the employees of the Internal Audit Service and the Corporate Secretary of KEGOC;
4. Determine the salary amount for the Chairman, members of the Management Board, employees of the Internal Audit Service and the Corporate Secretary of KEGOC;
5. Approve the internal regulatory document on provision of social support to KEGOC's employees;
6. Approve signature of Amendment to the Pledge Agreement between KEGOC and Eurasian Development Bank;
7. Pay a bonus to the acting Corporate Secretary of KEGOC based on his performance in the 4th quarter 2012;
8. Determine quantity, term of office of the members of Energoinform's Board of Directors; elect its members, and determine the amounts and terms of their remuneration;
9. Approve the increase in the number of authorized KEGOC's shares;
10. Approve the Annual Audit Plan of the KEGOC Internal Audit Service for 2013;
11. Take note of the report on evaluation of the KEGOC's Board of Directors performance;
12. Approve the Work Plan of the Board of Directors for 2013;
13. Approve the Rules for submission of regular reports (information) to the Board of Directors of KEGOC;
14. Pay bonus to the Corporate Secretary of KEGOC for his performance in 2012;
15. Approve changes to the Accounting Policy of KEGOC effective on 1 October 2013;
16. Approve the Action Plan for the KEGOC corporate governance development in 2013.
17. Approve the new revision of the KEGOC's Charter;
18. Take note of Progress Report on the Action Plan on introduction of the KEGOC Management Accounting System for 2012;
19. Bring for consideration to the Sole Shareholder the issue of selection of an auditor organisation for KEGOC for 2013-2015 and the cost of its services;
20. Approve the planned key performance indicators of the top executive employees and the Head of the Internal Audit Service for 2013;
21. Take a note of the Report on the Internal Audit Service Activities in the 4th quarter 2012, and pay performance bonuses to the employees of the Internal Audit Service for 4th quarter 2012;
22. Review the Report on the Internal Audit Service Activities in 2012, and pay performance bonuses to the employees of the Internal Audit Service for 2012;
23. Approve the amended Regulations on the KEGOC Internal Audit Service;
24. Take a note of the Progress Report of the Audit Committee of KEGOC Board of Directors for 2012.
25. take a note of the Report of the Board of Directors and the Management Board of KEGOC submitted to Samruk-Kazyna as a Sole Shareholder;
26. Take a note of the Report on the key risks status and measures for their management in 2012;
27. Preliminary approve KEGOC's annual financial statements for 2012;

28. Take a note of the Report on implementation of the KEGOC 2011-2015 Development Plan in 2012;
29. Take a note of the Report on management of branches, affiliates and jointly-controlled entities, and impact of the financial and economic performance of branches, affiliates and jointly-controlled entities on KEGOC performance indicators in 2012;
30. Preliminary approve and bring for consideration to KEGOC's Board of Directors the transaction of acquisition of ten and more per cent of Energoinform shares by KEGOC;
31. Take a note of the Report on implementation of the investment programme in 2012 including the Report on implementation of major investment projects in 2012;
32. Approve the amended Regulations on the KEGOC's Audit Committee;
33. Take a note of the progress of the KEGOC's preparation for IPO;
34. Approve the KEGOC's ordinary shares placement in the stock market and determination of the price, quantity and placement pattern of the KEGOC's authorized ordinary shares;
35. Approve the new revision of the Regulations on KEGOC's Dividend Policy. П KEGOC 00-202-13 EA;
36. Employ a foreign specialist - a member of KEGOC's Management Board;
37. Take a note of the progress on the key performance indicators and pay remuneration to the top executive employees and the Head of the Internal Audit Service based on their performance in 2012 ;
38. Take a note of the report on implementation of the KEGOC's Long-term Development Strategy 2025 for 2012;
39. Approve amendments to the Business Ethics Code of the Kazakhstan Electricity Grid Operating Company (KEGOC);
40. Approve the motivational key performance indicators of the KEGOC's top executives for 2013;
41. Pay bonus to the acting Corporate Secretary of KEGOC based on his performance in the 1st quarter 2013;
42. Approve the key performance indicators for the Head of the Internal Audit Service of KEGOC for 2013;
43. Preliminary approve the KEGOC Annual Report 2012;
44. Approve amendments to the KEGOC's Long-term Development Strategy 2025;
45. Approve ПР KEGOC ИД- 326-13-СД the Rules. The limits on balance sheet liabilities and off-sheet liabilities in counter party banks of Samruk-Kazyna companies;
46. Approve ПР KEGOC 00-338-13-СД the Rules. Management of Theft and Fraud Risks in KEGOC;
47. Take a note of the Costs Optimization Action Plan of KEGOC for 2013-2015;
48. Approve Key Parameters of the KEGOC's Portfolio;
49. Take a note of the Report on executed material transactions and non-arm's length transactions for the 1st quarter 2013;
50. Take a note of the Progress Report for the KEGOC's Development Plan for 2011-2015 following the results of the 1st quarter 2013;
51. Approve the agenda of the annual general meeting of Batys Transit JSC shareholders;
52. Approve the amended Policy for professional development of the members of KEGOC's Board of Directors and engage external experts as members of KEGOC's Board of Directors;
53. Approve the key performance indicators for KEGOC's Corporate Secretary for 2013;
54. Approve the Report on the key risks management status and measures in the 1st quarter 2013;
55. Approve the limits for balance sheet and off-balance sheet commitments for individual counterparty banks;
56. Take note of the progress of the Management Accounting System introduction in the 1st quarter 2013;
57. Approve the Energoinform's financial statements for 2012;

58. Approve non-payment of the dividends on Energoinform's ordinary shares to the Sole Shareholder in 2012;
59. Approve the Energoinform's Annual Report 2012;
60. Approve ПП KEGOC 00-803-13-СД the Rules. Protection and preservation of confidential information in KEGOC.
61. Approve the new revision of KEGOC's Accounting Policy;
62. Take a note of the Report on the Internal Audit Service Activities in the 1st quarter 2013, and pay bonuses to the employees of the Internal Audit Service based on their performance in the 1st quarter 2013;
63. Approve the Work Plan of KEGOC's Board of Directors for H2 2013;
64. Take a note of the Progress report on the Work Plan of the Board of Directors in H1 2013;
65. Pay bonuses to the acting Corporate Secretary of KEGOC based on his performance in Q2 2013, and approve the Performance Goals of the Company's Corporate Secretary for Q3 and Q4 2013;
66. Establish the 'Financial Settlement Centre for Support to Renewable Energy Sources' limited liability partnership;
67. Approve amendments to the Corporate Governance Code of Energoinform;
68. Sell to Balkhash TPP of the unfinished YuKGRES construction facilities;
69. Approve KEGOC's interim financial statements for Q1 2013;
70. Take a note of the report on material transactions and non-arm's length transactions executed in Q2 2013;
71. Take a note of the report on the Board of Directors and the Management Board performance in H1 2013 submitted to Samruk-Kazyna as a Sole Shareholder;
72. Take a note of progress report on KEGOC's Development Plan for 2011-2015 following the results of H1 2013;
73. Take a note of the progress report on the investment programme in for H1 2013, including the Progress report on implementation of major investment projects in H1 2013;
74. Appoint the General Director of the 'Financial Settlement Centre for Support to Renewable Energy Sources' LLP;
75. Take a note of the Internal Audit Service Progress Report in Q2 2013, and bonus payments to the employees of the Internal Audit Service based on their performance in Q2 2013;
76. Appoint the Ombudsman for the Kazakhstan Electricity Grid Operating Company;
77. Approve the new revision of the Regulations on the Board of Directors, Regulations on the Committees of the Board of Directors, and Regulations on the Corporate Secretary of KEGOC;
78. Approve the Risk Report for Q2 2013;
79. Approve the Rules for labour payment and bonus payment to the senior executives, the employees of the Internal Audit Service, and the Corporate Secretary of KEGOC;
80. Select an audit organization to conduct an audit of Energoinform;
81. Approve amendments to the Regulations on the Board of Directors of Energoinform;
82. Pay the authorised capital of the 'Financial Settlement Centre for Support to Renewable Energy Sources' LLP;
83. Elect the Supervisory Board of the 'Financial Settlement Centre for Support to Renewable Energy Sources' LLP;
84. Approve the new revision of the Regulations on the KEGOC Management Board. П KEGOC 00-313-13;
85. Approve the KEGOC's audited interim financial statements for H1 2013;
86. Approve signature of amendment agreement No. 3 to Loan Agreement No. 38647 dated 5 June 2008;
87. Approve the establishment of the Centralized Internal Audit Service in KEGOC;
88. Promote Nurlan Yeskarayev from the position of a Senior Auditor of Compliance Audit to the position of a Lead Auditor of Compliance Audit of the Internal Audit Service; Determine the salary rate for Nurlan Yeskarayev;

89. Appoint Chingis Amirov to the position of the Senior Auditor of Compliance Audit of the Internal Audit Service; Determine the salary rate for Chingis Amirov;
90. Determine the salary rates for individual employees of the Internal Audit Service of KEGOC;
91. Assess the performance of the Board of Directors, members of the Board of Directors, Management Board, Chairman of the Management Board, members of the Management Board, Internal Audit Service and the Head of the Internal Audit Service of the Kazakhstan Electricity Grid Operating Company;
92. Approve the Regulations on the Ombudsman for the Kazakhstan Electricity Grid Operating Company;
93. Pay bonus to the acting Corporate Secretary of KEGOC based on the performance in Q3 2013;
94. Approve the KEGOC's Succession Plan;
95. Approve the total staff number and organisation structure of KEGOC's Executive Administration (head office);
96. Approve KEGOC's interim financial statements for 9M 2013;
97. Take a note of the Progress report on implementation of the KEGOC Development Plan in 9M 2013;
98. Monitor KPI progress by KEGOC's senior executives in 9M 2013;
99. Approve the KEGOC's Development Plan for 2014-2018;
100. Take note of the Report on executed material transactions and non-arm's length transactions for Q3 2013;
101. Approve non-arm's length transactions of KEGOC;
102. Approve non-arm's length transactions of KEGOC (contract between KEGOC and Batys Transit JSC for electricity transmission in the networks of Batys Transit JSC for 2014);
103. Approve the new revision of the internal document - KEGOC External Audit Policy CT KEGOC 00-406-13;
104. Approve the Risk Report for Q3 2013 and changes to the Risk Register and Risk Map for 2013;
105. Approve amendments to the Energoinform Charter;
106. Amend KEGOC's Innovation and Technology Development Strategy 2025 approved by the Board of Directors of KEGOC (Minutes No. 8 dated 13 December 2011, No. 5 dated 07 September 2012);
107. Approve the limits for balance sheet and off-balance sheet commitments for AsiaCredit Bank JSC;
108. Select an audit company to audit the financial statements of Batys Transit JSC for 2013;
109. Take a note of the Report on the Internal Audit Service activities in Q3 2013, Report on the efficiency of KEGOC's Corporate Risk Management System, and bonus payments to the employees of the Internal Audit Service following the results of Q3 2013.

The decisions made by the Board of Directors in 2013 contributed to the more efficient development of the Company, the achievement of strategic goals and objectives determined by the Company for short-term, medium-term and long-term periods. The Board of Directors plays an active role in the improvement of the corporate governance in KEGOC, analyses the efficiency of the internal control mechanisms and the risks management in respect of wide range of business-processes. To further incentivise and motivate the Company's employees, the Board of Directors determines and improves KEGOC's HR policy.

In accordance with the best international practice for corporate governance, the Board of Directors authorised assessment of its performance, which was conducted in the Company for the first time; and in February 2013 Alexander Ikkonikov and Tony O'Connell, the Lead Consultant of the British Institute of Directors, the Chairman of the Supervisory Board of the Independent Directors Association of Russia, presented to the Board of Directors the Report on the Board of Directors performance.

The Board of Directors assessment procedure was prepared by the Consortium together with Samruk-Kazyna based on the requirements of the laws in Kazakhstan, as well as on the requirements of

the best international practice for the corporate governance, particularly the principles of corporate governance of the Organization for Economic Cooperation and Development and the UK Corporate Governance Code. The assessment included the questionnaire poll of all members of the Board of Directors and interview of the Chairman and the members of the Board of Directors, the Chairman of the Management Board and the Corporate Secretary by the independent facilitator.

The result of the Board of Directors' activity assessment showed the areas of further development of the corporate governance practice; In particular, the following areas were defined: participation of the Board of Directors in strategic planning, in nomination and remuneration of the senior executives, management of the committees activities, optimal distribution of powers between the shareholder and the Board of Directors. An action plan was prepared with the focus on improvement of the efficiency of the Board of Directors, committees and members of the Board of Directors.

The Company plans to assess the performance of the Board of Directors, member of the Board of Directors, Management Board, Chairman of the Management Board, members of the Management Board, Internal Audit Service and its Head in 2013 without third party assistance using internal resources through a questionnaire procedure.

### Committees of the Board of Directors

The following committees were established to review the most important issues and prepare recommendations to KEGOC Board of Directors:

- Audit Committee;
- Nomination and Remuneration Committee;
- Strategic Planning and Corporate Governance Committee.

In 2013, **the Nomination and Remuneration Committee** held 9 meetings in praesentia, reviewed 22 issues and issued recommendations to the Board of Directors with respect to 20 issues, including to:

- Approve the organizational structure and the total staff number in the Executive Administration, salary rate schedules and amount of salary for the Chairman and members of the Management Board, employees of the Internal Audit Service and Corporate Secretary;
- Pay yearly performance remuneration to senior executives;
- Approve individual key performance indicators of the KEGOC executive employees;
- Engage a foreign specialist;
- Approve the motivational key performance indicators of KEGOC's Corporate Secretary for 2013;
- Appoint the Ombudsman for the Company;
- Assess the performance of the Board of Directors, members of the Board of Directors, Management Board, Chairman and members of the Management Board, Internal Audit Service and its Head;
- Approve the Succession Plan;
- Take note of KPI progress by the KEGOC's senior executives for 9M 2013.

Members of the Nomination and Remuneration Committee	Attendance at the meetings in praesentia by the members of the Nomination and Remuneration Committee in 2013								
	22 January 2013	27 February 2013	05 April 2013	04 July 2013	12 August 2013	10 October 2013	21 November 2013	28 November 2013	13 December 2013



<b>Gumarbek Daukeyev</b>	+	+	+	+	+	+	+	+	+		<b>100</b>
<b>Anatoliy Spitsyn</b>	+	+	+	+	+	+	+	+	+		<b>100</b>
<b>Luca Sutera</b>	+	+	+	+	+	+	+	+	+		<b>100</b>

In 2013, **the Strategic Planning and Corporate Governance Committee** held 11 meetings in praesentia and reviewed 14 issues, and issued recommendations to the Board of Directors on 7 issues, including to:

- Approve the Action Plan for the KEGOC corporate governance improvement in 2013;
- Update KEGOC's long-term development strategy;
- Amend KEGOC's Development Plan for 2011-2015;
- Approve KEGOC's Development Plan for 2014-2018;
- Approve amendments to KEGOC's Innovations and Technology Development Strategy 2025;

<b>Members of the Strategic Planning and Corporate Governance Committee</b>	<b>Attendance at the meetings in praesentia by the members of the Strategic Planning and Corporate Governance Committee in 2013</b>										
	<b>22 January 2013</b>	<b>27 February 2013</b>	<b>28 March 2013</b>	<b>05 April 2013</b>	<b>21 May 2013</b>	<b>12 August 2013</b>	<b>09 September 2013</b>	<b>10 October 2013</b>	<b>21 November 2013</b>	<b>28 November 2013</b>	<b>%</b>
<b>Anatoliy Spitsyn</b>	+	+	+	+	+	+	+	+	+	+	<b>100</b>
<b>Gumarbek Daukeyev</b>	+	+	+	+	+	+	+	+	+	+	<b>100</b>
<b>Luca Sutera</b>	+	+	+	+	+	+	+	+	+	+	<b>75</b>

In 2013, **the Audit Committee** held 14 meetings in praesentia and reviewed 50 issues, including:

- Performance of the Internal Audit Service;
- Financial statements;
- Internal control and risk management;
- Internal audit, including personnel issues of the Internal Audit Service, preliminary approval of the changes made in the documents regulating the Internal Audit Service activity;
- External audit, including the preliminary approval of the draft Long-term contract for audit of 2013-2015 financial statements.

In addition, the members of the Committee held two meetings with representatives of Ernst & Young company, which was selected to conduct the audit of 2013 financial statements, and discussed the audit plan and joint review of the audit findings as of 30 September 2013.

In 2013, the Committee discussed the results of investigations carried out by the Internal Audit Service of the requests made to the Audit Committee through the hot line (grievance line of the Audit Committee) and provided the respective recommendations to the KEGOC's Management Board.

<b>Members of the Audit Committee</b>	<b>Attendance at the meetings in praesentia by the members of the Audit Committee in 2013</b>														
	<b>22 January 2013</b>	<b>27 February 2013</b>	<b>20 March 2013</b>	<b>27 March 2013</b>	<b>05 April 2013</b>	<b>21 May 2013</b>	<b>07 June 2013</b>	<b>04 July 2013</b>	<b>09 September 2013</b>	<b>10 October 2013</b>	<b>05 November 2013</b>	<b>21 November 2013</b>	<b>28 November 2013</b>	<b>12 December 2013</b>	<b>%</b>
<b>Luca Sutera</b>	+	+	+	+	+	+	+	+	+	+	+	+	+	+	<b>100</b>



<b>Anatoliy Spitsyn</b>	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	<b>100</b>
<b>Gumarbek Daukeyev</b>	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	<b>100</b>

## REMUNERATION

In accordance with the decision of the Sole Shareholder, the independent members of the Board of Directors shall be remunerated for the duration of their assignment, and the expenses associated with such assignment shall be compensated.

The remuneration of the independent directors of KEGOC includes:

- annual fixed fee;
- additional fee.

The annual fixed fee shall be paid to an independent director for his/her duties as a member of the KEGOC's Board of Directors in an amount determined by the Sole Shareholder in accordance with the laws of the Republic of Kazakhstan. The additional fee shall be paid to the independent members of the Board of Directors for participation in the meetings in praesentia of the committees of the Board of Directors.

An independent director shall be compensated for the travel expenses associated with participation in the meetings of the Board of Directors of KEGOC, meeting of the committees of the Board of Directors and the meetings initiated by the Chairman of the Board of Directors of KEGOC and/or Chairman of the Management Board of Samruk-Kazyna and held beyond the place of permanent residence of an independent director: transport, accommodation, daily allowance, telephone services in Kazakhstan, documents scan, copy, fax, print, type services, access to the internet in Kazakhstan, courier and mail services.

The expenses shall be compensated within the limits of reimbursement of business trip expenses stipulated by the internal documents of the Company.

Information on the remuneration of independent directors of KEGOC's Board of Directors from 01 January 2013 until 31 December 2013:

KZT million

Name:	Annual fixed fee	Fee for participating in the Committees' meetings in praesentia	TOTAL
<b>Gumarbek Daukeyev</b>	3.060	6.120	9.180
<b>Anatoliy Spitsyn</b>	5.530	6.521	12.051
<b>Luca Sutera</b>	5.530	6.521	12.051

In case of early termination of powers of a member of the Board of Directors, the annual fixed fee shall be adjusted pro rata to the actual number of days of engagement of such member of the Board of Directors.