



**KAZAKHSTAN ELECTRICITY GRID OPERATING COMPANY  
(KEGOC) JOINT-STOCK COMPANY**

**PERFORMANCE REPORT**

**OF THE BOARD OF DIRECTORS/COMMITTEES OF KAZAKHSTAN  
ELECTRICITY GRID OPERATING COMPANY (KEGOC) JOINT-  
STOCK COMPANY FOR 2019**

**Nur-Sultan city**

## GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders is the superior body of the Company.

The general meeting of shareholders shall operate in accordance with the Law of the Republic of Kazakhstan On Joint-Stock Companies, the Charter, and the Regulations on the General Meeting of Company Shareholders.

The exclusive competence of the General Meeting of Shareholders shall be defined by Article 18.1 of the Company Charter.

The General Meeting of Shareholders may overrule any decision of other bodies of the Company on the issues relating to the internal operations of the Company.

The General Meetings of Shareholders can be annual and extraordinary.

The Annual General Meeting of Shareholders shall be held no later than five (5) months after the end of the fiscal year.

All other meetings of shareholders except the annual General Meeting of Shareholders shall be considered extraordinary ones.

In 2019 the Board of Directors called the General Meeting of Shareholder three times:

1) an extraordinary General Meeting of Shareholders on 8 January 2019 (Minutes No. 12), to consider “ *Approval of amendments to the KEGOC's Charter.*

2) the Annual General Meeting of Shareholders on 3 May 2019 (Minutes No. 13) to consider the following agenda:

- *Approval of the annual financial statements, distribution of the net income, decision to pay dividends on ordinary shares and approval of the amount of the dividend per one ordinary share of KEGOC for 2018;*

- *Review of the claims from the shareholders in relation to activities of KEGOC and its officers and results of consideration of such claims;*

- *Selection of an audit organization for the audit of KEGOC JSC;*

- *Approval of amendments to KEGOC's Charter;*

3) an extraordinary General Meeting of Shareholders on 25 October 2019 (Minutes No. 14) to consider the following agenda:

- *Approval of the interim financial statements of KEGOC as of and for the six months ended 30 June 2019, the procedure for distributing the net income, decision to pay dividends on ordinary shares and approval of the amount of dividend per one ordinary share of KEGOC for H1 2019.*

- *Approval of the new revision of KEGOC's Charter;*

- *Amendments to the membership of the Counting Commission of KEGOC, approved by the decision of the annual General Meeting of Shareholders of KEGOC (Minutes No. 8 dated 27 April 2018).*

## MEMBERS OF THE BOARD OF DIRECTORS (as of 31 December 2017)

 <p><b>Almassadam Satkaliyev</b> Chairman of KEGOC's Board of Directors</p>	<p>Born in 1970, national of the Republic of Kazakhstan.  <b>Elected</b> on 2 November 2018 (Minutes No. 10) by the extraordinary general meeting of shareholders of KEGOC.  <i>Shares owned in KEGOC or its subsidiaries: none</i>  <b>Education:</b> Kazakh State al-Farabi University, Almaty, diploma in mechanical and applied mathematics (1987-1992); Russian Academy of National Economy and Public Administration under the President of the Russian Federation, Moscow, Master of Economics (2011-2013); Nazarbayev University, Graduate School of Business (in partnership with Duke University's Fuqua School of Business), Astana, Master of Business Administration (2013-2015); Stanford University, Graduate School of Business, Stanford Executive Program (SEP) (2016).  <b>Work experience for the last five years:</b>  <b>since August 2018:</b> asset management director, Samruk-Kazyna;  <b>July - August 2018:</b> deputy chairman, KAZENERGY Kazakhstan Association of Oil &amp; Gas and Power Organizations;  <b>January 2012 - May 2018:</b> chairman of the Management Board of Samruk-Energy.  <b>Participation in the management bodies of other entities:</b> asset management director of Samruk-Kazyna, chairman of the Board of Directors of KEGOC and KOREM, member of the Board of Directors of Kazakhstan Temir Zholy National Company and KazMunaiGas.  <b>Academic degree, academic status:</b>  - academician of the Kazakhstan Academy of Natural Sciences (2015);  - Doctor of Economics (2015);  - foreign member of Russian Academy of Natural Sciences (2010);  - candidate of economic sciences (2002).</p>
 <p><b>Bakytzhan Kazhiyev</b> Chairman of KEGOC's Management Board, member of KEGOC's Board of Directors</p>	<p>Born in 1964, national of the Republic of Kazakhstan.  <b>Elected</b> on 31 May 2011 (Minutes No. 24/11) and 8 May 2012 (Minutes No. 21/12) by the Management Board of Samruk-Kazyna; on 30 April 2015 (Minutes No. 1) and 27 April 2018 (Minutes No. 8) by the general meeting of shareholders of KEGOC.  <i>Shares owned in KEGOC or its subsidiaries: none</i>  <b>Education:</b> Alma-Ata Energy Institute, diploma in electrical networks and systems, electrical engineer (1986); Karaganda State Technical University, Bachelor of Economics (2007).  <b>Work experience for the last five years:</b>  <b>Since 2011:</b> chairman of the Management Board of Kazakhstan Electricity Grid Operating Company (KEGOC);  <b>2009 - 2011:</b> vice president of Kazakhstan Electricity Grid Operating Company (KEGOC);  <b>2008 - 2009:</b> executive director at KEGOC;  <b>Academic degree, academic status:</b> doctoral student in DBA programme, majoring in 6D052000 'Business Administration', Almaty Management University.</p>



**Suinshlik Tiyyessov**  
Member of KEGOC's Board of Directors as a representative of Samruk-Kazyna, member of the strategic planning and corporate governance committee and the occupational health, safety, and environmental protection committee of KEGOC's Board of Directors

Born in 1946, national of the Republic of Kazakhstan.  
**Elected** on 28 October 2016 (Minutes No. 5) and 27 April 2018 (Minutes No. 8) by the general meeting of shareholders of KEGOC.  
*Shares owned in KEGOC or its subsidiaries: none*  
**Education:** Lenin Polytechnic Institute, Almaty, diploma in electrical engineering (1968), Business and Management Centre of Gatton College of Business and Economics, University of Kentucky, USA (1996).  
**Work experience for the last five years:**  
**2004 - 2016:** chairman of the Management Board at KOREM. author of the study, titled “*Emergence of the electricity market in Kazakhstan*”. Kazakhstan power industry longtimer, participant to major national grid projects: unique 1,150-500 kV transmission lines and substations, and the largest electricity generators: Aksuiskaya GRES and Ekibastuzskaya GRES power plants. Participant to multiple national power supply projects: Tengiz oil and gas field power supply project; Kazakhstan electricity transmission rehabilitation programme, electricity and capacity market project in Kazakhstan. One of the co-authors of the first revision of electricity law in 1995 and all regulatory and legal documents relating to operation of the electricity market in Kazakhstan.  
**Academic degree, academic status:**  
candidate of technical sciences



**Zhanna Yegimbayeva**  
member of KEGOC's Board of Directors as a representative of Samruk-Kazyna, member of the nomination and remuneration committee and the occupational health, safety, and environmental protection committee of KEGOC's Board of Directors

Born in 1953, citizen of the Republic of Kazakhstan.  
**Elected** on 28 October 2016 (Minutes No. 5) and 27 April 2018 (Minutes No. 8) by the general meeting of shareholders of KEGOC.  
*Shares owned in KEGOC or its subsidiaries: none*  
**Education:** Kirov Kazakh State University, lawyer.  
**Work experience for the last five years:**  
**2016 - 2019:** advisor at Baiterek National Holding JSC;  
**2016 - 2019:** independent director, member of the Board of Directors, KazAgro National Management Holding JSC;  
**since 2017:** member of the Board of Directors of Kazakhstan Engineering NC JSC.  
**since 2016:** member of KEGOC's Board of Directors as representative of Samruk-Kazyna.  
**2011 - 2016:** deputy head of the Office of the Prime Minister of Kazakhstan.  
**Participation in the management bodies of other entities:**  
member of the Board of Directors of Kazakhstan Engineering NC JSC.



**Dominique Fache**  
independent director,  
chairman of the  
occupational health, safety  
and environmental  
protection committee,  
member of the audit  
committee and strategic  
planning and corporate  
governance committee of  
KEGOC's Board of  
Directors

Born in 1949, national of France.  
**Elected** on 30 April 2015 (Minutes No. 1) and 27 April 2018 (Minutes No. 8) by the general meeting of shareholders of KEGOC.  
*Shares owned in KEGOC or its subsidiaries: none*  
**Education:** University of Sorbonne, France (1972), diploma in engineering, Lomonosov Moscow State University, Russia, the National Centre for Scientific Research (CNRS), Paris, France, University of Sorbonne in collaboration with Ecole Supérieure Electricité.  
**Work experience for the last five years and participation in the management bodies of other entities:**  
**Since 2016:** chairman of Board of Directors RTF LLP (Russia);  
**Since 2013:** member of the Board of Directors at Sophia Antipolis Science Park, France;  
**2008 – 2013:** chairman of the Board of Directors, president of EnelOGK-5.  
Founder of a series of science and innovation events, conferences and festivals for Sophia Antipolis science park, founder of Club de Nice, which organises European Energy Forum.



**Janusz Bialek**  
independent director,  
chairman of the nomination  
and remuneration committee  
and the strategic planning  
and corporate governance  
committee, member of the  
audit committee of  
KEGOC's Board of  
Directors

Born in 1955, national of Poland and the United Kingdom.  
**Elected** on 30 April 2015 (Minutes No. 1) and 27 April 2018 (Minutes No. 8) by the general meeting of shareholders of KEGOC.  
*Shares owned in KEGOC or its subsidiaries: none*  
**Education:** MEng degree in Electrical Engineering (1977), PhD degree in Engineering (1980), Warsaw University of Technology, Poland.  
**Work experience for the last five years:**  
**Since 2018:** professor at Newcastle University (UK) and Skolkovo Institute of Science and Technology Skoltech (Russia);  
**2014 - 2018:** director of the Skoltech Centre for Energy Systems, Skolkovo Institute of Science and Technology (Russia).  
**2009 - 2014:** professor and supervisor of the School of Engineering and Computational Sciences at Durham University, UK.  
**Academic degree, academic status:**  
Doctor of Science (PhD) in engineering (1980).



**Yermek  
Kudabayev**  
independent director,  
chairman of the audit

Born in 1970, national of the Republic of Kazakhstan.  
**Elected** on 24 August 2018 (Minutes No. 9) by the general meeting of shareholders of KEGOC.  
*Shares owned in KEGOC or its subsidiaries: none*  
**Education:**  
Moscow Institute of Steel and Alloys, diploma in engineering and economy (1987-1993); Kazakhstan Institute of Management, Economics and Forecasting (KIMEP), master of business administration (MBA) (1994-1996); certified accountant of the Republic of Kazakhstan (1988); certified auditor of the Republic of Kazakhstan (2000); certified accountant practitioner (CAP) (2002); certified accountant and financier for the International Certification



committee, member of the nomination and remuneration committee of the Board of Directors of KEGOC	System for the Association of Chartered Certified Accountants (ACCA), London, UK (2004). <b>Work experience for the last five years:</b> <b>Since 2016:</b> managing director for economics and finance of Intelligent Consulting Solutions LLP; <b>2013-2016:</b> managing director for economics and finance at KazPetroDrilling JSC.
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## COMPETENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS

Members of the Board of Directors	Almassadam Satkaliyev	Bakytzhan Kazhiyev	Suinshlik Tiyyessov	Zhanna Yegimbayeva	Dominique Fache	Janusz Bialek	Yermek Kudabayev
Experience in the sector/total work experience, years	<b>19/28</b>	<b>34/34</b>	<b>52/52</b>	<b>3.5/48</b>	<b>48/48</b>	<b>40/40</b>	<b>1/27</b>
<b>Core competencies</b>							
<b>Knowledge of the industry</b>							
Work experience in the operational sector of the industry							
Deep knowledge of the industry							
Technical skills/experience							
<b>Specific skills and experience</b>							
Financial capability							
Deep knowledge of finance							
Deep knowledge of marketing							
Deep knowledge of social and environmental issues							
<b>Experience in management and jurisprudence</b>							
Corporate Governance							
Transformation							
Experience in IPO							
Development and implementation of the strategy							
International experience							

## CRITERIA FOR THE SELECTION OF INDEPENDENT DIRECTORS

According to global corporate governance practices and the requirements of paragraph 5 of Article 54 of the Law of the Republic of Kazakhstan “On Joint Stock

Companies”, the number of members of the board of directors should be at least three people. At least thirty percent of the board of directors should be independent directors.

A director may be recognized as independent if he/she:

is not an affiliate of the Company and was not an affiliate of the Company during the three years preceding his/her election to the Board of Directors (except for him/her being an independent director of the Company);

was not an affiliate to the affiliates of the Company;

is not subordinated to officials of the Company or affiliates of the Company and was not subordinated to them within three years prior to his/her election to the Board of Directors;

is not a participant to the audit of the Company as an auditor working for an auditing organisation and has not taken part in such audit during the three years before his/her election to the Board of Directors;

is not a representative of a shareholder at the meetings of the Company's bodies and has not been as such within three years preceding his/her election to the Board of Directors;

is not a civil servant.

## REPORT ON KEGOC'S BOARD OF DIRECTORS ACTIVITIES

In 2018 the Board of Directors held 11 meetings including 10 meetings in praesentia and 1 meeting in absentia.

In 2019 the Board of Directors held 10 meetings including 9 meetings in praesentia and 1 meeting in absentia.

A total of 144 agenda items were considered  
and 24 instructions were given

A total of 131 agenda items were considered  
and 20 orders were given

## ATTENDANCE AT THE MEETINGS IN PRAESENTIA BY THE MEMBERS OF THE BOARD OF DIRECTORS IN 2019

Members of the Board of Directors	Attendance										
	25.01	28.02	29.03	03.05	24.05	07.06	29.06	28.08	25.10	30.11	%
Almassadam Satkaliyev <i>the chair of the board of directors</i>	+	+	+	+	+	+	⊕	+	⊕	+	100
Bakytzhan Kazhiyev <i>the chair of the management board</i>	+	+	+	+	+	+	+	+	⊕	+	100
Suinshlik Tiyyessov <i>representative of Samruk-Kazyna;</i>	+	+	+	+	+	+	+	+	+	+	100
Zhanna Yegimbayeva <i>representative of Samruk-Kazyna;</i>	+	+	+	+	+	+	+	+	+	+	100
Dominique Fache <i>independent director</i>	+	+	+	+	+	⊕	+	+	+	+	100

Janusz Bialek <i>independent director</i>	+	+	+	+	+	+	+	+	+	+	100
Yermek Kudabayev <i>independent director</i>	+	+	+	+	+	⊕	+	+	-	-	80

⊕ - participated in the discussion and voting at the meeting of the Board of Directors through videoconference and provided their opinion on the agenda in writing.

## THE AGENDA ITEMS CONSIDERED AT THE MEETINGS OF THE BOARD OF DIRECTORS IN 2019, %



In the reporting year, KEGOC concluded 7 non-arm's length transactions totalling to KZT 216,831,274.96. No material transactions were made.

The Board of Directors of KEGOC made decisions to conclude the following non-arm's length transactions by signing equipment operation and maintenance contracts:

1) between Aktyubinskiye MES branch of KEGOC and Batys Transit JSC (220 kV outdoor switchgear at 500 kV Ulke substation and 220 kV Ulke - Kazchrome 1 and Ulke - Kazchrome 2 power transmission lines);

2) Aktyubinskiye MES branch of KEGOC and Batys Transit JSC (500 kV outdoor switchgear of 500 kV Ulke substation and 500 kV Zhitikara - Ulke power transmission line);

3) Sarbaiskiye MES branch of KEGOC and Batys Transit JSC (500 kV outdoor switchgear at 500 kV Zhitikara substation and 500 kV Zhitikara - Ulke power transmission line);

4) Zapadnye MES branch of KEGOC and Tengizchevroil LLP (220 kV Kulsary substation (2 bays of 10 kV));

5) Tsentralnye MES branch of KEGOC and Kazakhstan-China Pipeline LLP (220 kV Balkhashskaya substation (2 bays of 110 kV));

6) Tsentralnye MES branch of KEGOC and Kazakhstan-China Pipeline LLP (500 kV Agadyr substation (T-2 transformer, 1 bay of 220 kV, 6 bays of 35 kV, 5 bays of 10 kV));

7) Yuzhnye MES branch of KEGOC and Kazakhstan-French Joint Venture KATCO LLP (220 kV Sholak-Korgan substation (2 bays of 110 kV).



## COMMITTEES OF THE BOARD OF DIRECTORS

To provide a platform for active discussion and a detailed analysis of individual agenda items, the Board of Directors has four (4) committees.



### AUDIT COMMITTEE

Audit Committee was established by the Board of Directors (Minutes No. 9 dated 24 2018) to develop recommendations to the Board of Directors of KEGOC in the following areas:

- establishment of effective control system for financial and economic activities of the Company (including the completeness and accuracy of financial statements);
- supervision over reliability and effectiveness of the internal control and risk management systems and over compliance with the corporate governance documents;
- supervision over internal and external audit independence and over compliance with of the laws of Kazakhstan.

The Committee's activities are regulated by the Regulations on the Audit Committee, updated and approved by the decision of the Board of Directors of KEGOC (Minutes No. 12 dated 30 November 2018).

The Committee is fully accountable to the Board of Directors. The members of the Committee were elected by majority votes of the Board of Directors members. The Chairman and members of the Committee are independent directors with sufficient knowledge and extensive experience, including practical experience.

The Committee also includes a non-voting expert who presents recommendations to the Committee based on the policies and visions of Samruk-Kazyna as a major shareholder of the Company.

The Committee consists of four (4) members including three (3) independent directors and one non-voting expert.

## ATTENDANCE AT THE MEETINGS OF THE COMMITTEE BY ITS MEMBERS IN 2019

Members of committee	Attendance									
	25.01	28.02	28.03	02.05	06.06	29.06	27.08	24.10	30.11	%
Yermek Kudabayev <i>independent director</i>	+	+	⊕	+	⊕	+	+	-	-	<b>78</b>
Dominique Fache <i>independent director</i>	+	+	+	+	⊕	+	+	+	+	<b>100</b>
Janusz Bialek <i>independent director</i>	⊕	+	+	⊕	+	+	+	+	+	<b>100</b>
Saltanat Satzhan <i>non-voting expert</i>	-	+	+	-	-	+	+	-	-	<b>56</b>

⊕ - attendance at the meetings of the committee using IT communication in the form of a videoconference session.

## COMMITTEE OPERATION

In **2018**, the audit committee held 9 meetings in praesentia, and reviewed 58 agenda items

In **2019**, the audit committee held 9 meetings in praesentia, and reviewed 54 agenda items

In 2019, the Committee considered and made relevant recommendations on the following agenda items:

### Internal audit

- 2019 annual audit plan of the KEGOC's Internal Audit Service.
- key performance indicators for the head of the Internal Audit Service of KEGOC for 2019;
- annual and quarterly performance reports of the Internal Audit Service;
- performance assessment and salaries of employees of the Internal Audit Service;
- 2020 annual audit plan of the KEGOC's Internal Audit Service.

### External audit

- report of Ernst & Young LLP, the external auditor, on the results of the audit of financial statements for 2018;
- report of Ernst & Young LLP, the external auditor, on the results of the audit of the interim financial statements for the first half of 2019;
- Ernst & Young LLP audit plan for financial statements for the year ending 31 December 2019;

### Internal control and risk management

- internal regulatory documents associated with the system of internal control and risk management, as well as amendments thereto;
- quarterly risk reports;

➤ Risk Register, the Risk Map, the Key Risk Management Action Plan, the risk tolerance levels and key risk indicators of KEGOC for 2020;

➤ approval of the Guarantee Map.

**Financial statements**

➤ the annual financial statements, proposed distribution of net income and payment of dividends on ordinary shares including the amount of the dividends per one ordinary share of KEGOC for 2018;

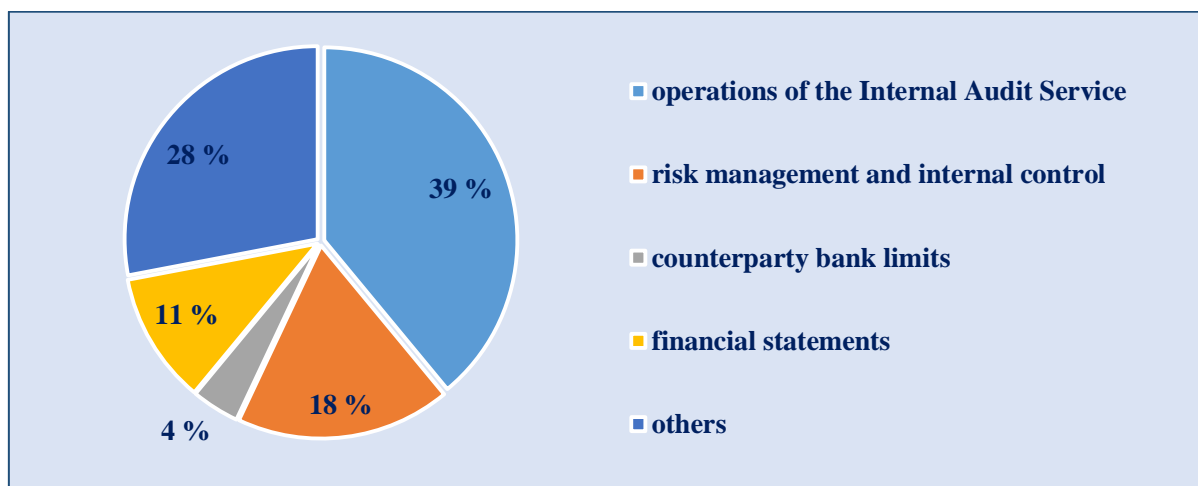
➤ the interim financial statements of KEGOC as of and for the six months ended June 30, 2019, and the proposal to the general meeting of shareholders of KEGOC regarding the distribution of KEGOC's net income and the amount of dividend per ordinary share of KEGOC for the first half of 2019.

**Compliance**

➤ candidatures for the position of compliance officer;

➤ key performance indicators (goal map) of the compliance officer for 2019;

➤ quarterly performance reports of the compliance officer.



## **NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee was established as an advisory body of the Board of Directors.

The Committee acts in the interests of shareholders, the Company and works to assist the Board of Directors by providing recommendations. In 2019 the Committee considered several issues:

- changes in the organizational structure and the total number of employees of the Executive Administration (central office); it was recommended that the information security department be established in the amount of 5 employees, and the Business Transformation Centre was reduced by 4 staff units;

- the Committee proposed to include in the Professional Development Program for each member of the Board of Directors for 2019 the training on cyber security in the energy utilities (Cybersecurity of industrial companies) and to consider issues of sustainable development of the energy company under the "Strategy" training topic;

- early termination of the powers of the Compliance Officer and the election of the Compliance Officer;

- Goal maps of the Corporate Secretary and the Ombudsman; a calibration session of the Corporate Secretary was held;

- key performance indicators and their target values of the members of the Management Board of KEGOC for 2019. The Committee recommended adding an additional KPI: “Number of items on the agenda of meeting of the Board of Directors of KEGOC, which were rejected due to legal comments made by the Board of Directors as a result of poor consideration of the item by the Legal Department of KEGOC” to the KPI Map of the Managing Director for Legal Support and Risks. It was also recommended to amend the KPI: “Progress of the KEGOC’s Investment Programme” to exclude the costs of technical maintenance of the operating assets from the calculation methodology, and monitor each indicator separately for the reporting period;

- The Committee recommended that the Board of Directors instruct the Management Board to change in the motivation KPI maps for senior executives for 2020, in corporate performance indicators, the “LTIFR” indicator with “Frequency of accidents (fatalities at work)” indicator and set its target value to 0 (zero);

- The Committee recommended to amend the Rules of Election and early termination of the powers of the Chairman and members of the Management Board of KEGOC, to remove the provisions related to the election and early termination of the powers of the Chairman of the Management Board of KEGOC;

- The Committee decided on the inappropriateness of appointing a Senior Independent Director;

- The Committee reviewed the Professional Development Program for each member of the Board of Directors, the Succession Plan of the members of the Board of Directors and Management of the pool;

- The Committee recommended to the Board of Directors to instruct the Management Board reconsider the estimates of the LTIFR (Lost Time Injury Frequency Rate) indicator or indicator of injury with temporary disability;

- The Committee approved the candidacy for the position of Chairman of the Management Board.

The Committee’s activities are regulated by the Regulations on the Nomination and Remuneration Committee as updated and approved by the Board of Directors of KEGOC (Minutes No. 10 dated 30 November 2019).

The Committee is fully accountable to the Board of Directors. The Committee members were elected by the Board of Directors. The Chairman of the Committee is an independent director, the Committee also includes a non-expert, who presents recommendations to the Committee based on the policies and visions of Samruk-Kazyna, the major shareholder of the Company.

All members of the Committee have sufficient knowledge and extensive experience including practical one.

The Committee consists of four (4) members including two (2) independent directors, one (1) representative of Samruk Kazyna, and one (1) non-voting expert.

## **ATTENDANCE AT THE MEETINGS OF THE COMMITTEE BY ITS MEMBERS IN 2019**

Members of committee	Attendance									
	24.01	28.02	28.03	02.05	06.06	29.06	27.08	24.10	30.11	%
Janusz Bialek <i>chair of the committee</i> <i>independent director</i>	⊕	⊕	+	⊕	+	+	+	+	+	<b>100</b>
Yermek Kudabayev <i>member of the committee</i> <i>independent director</i>	+	+	+	+	⊕	+	+	-	-	<b>78</b>
Zhanna Yegimbayeva <i>member of the committee</i> <i>Samruk-Kazyna JSC</i>	+	+	+	+	+	+	+	+	+	<b>100</b>
Daulet Karimov <i>member of the committee</i> <i>non-voting expert</i>	+	+	+	+	+	+	+	+	+	<b>100</b>

⊕ - attendance at the meetings of the board of directors using IT communication in the form of a videoconference session.

## COMMITTEE OPERATION

In **2018**, the Committee held 10 meetings in praesentia, and reviewed 40 agenda items

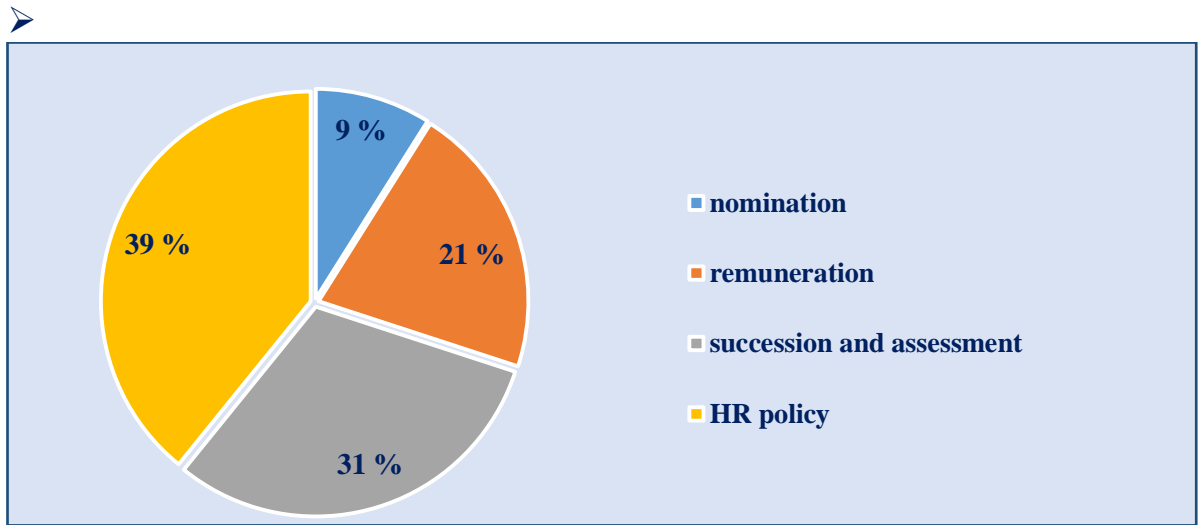
In **2019**, the audit committee held 9 meetings in praesentia, and reviewed 33 agenda items

In 2019, the Committee considered and made recommendations on the following agenda items regarding:

- the senior independent director, election of a candidate for the position of the chair of the management board;
- termination of term of office of a member of KEGOC management board;
- changes in the organizational structure and the total number of employees of the Executive Administration;
- the Professional development programme for each member of the Board of Directors;
- KPIs and their target values (Goal Map) for the members of the Management Board, Ombudsman and Corporate Secretary;
- the Rules for remuneration and bonuses of the chair of the management board, members of the management board, corporate secretary, ombudsman, compliance officer and head of the internal audit service, the Rules for the provision of social support to employees of the company and the Rules for the election and early termination of powers of the chair and members of the management board;
- bonus payments to the corporate secretary and ombudsman;
- a calibration session for the corporate secretary;
- succession planning for the members of the board of directors and pool management;
- Work plan of the nomination and remuneration committee and on the new edition of the Regulations on the nomination and remuneration committee;



- remuneration system and the salary scheme of the corporate secretary and ombudsman;
- the Rules. the Rules for approval by KEGOC' board of directors to be given to the members of KEGOC board of directors, the management board and other employees appointed by the KEGOC board of directors to work and/or hold positions in other organizations.



## **STRATEGIC PLANNING AND CORPORATE GOVERNANCE COMMITTEE**

The Strategic Planning and Corporate Governance Committee was established as an advisory body of the Board of Directors.

The Committee acts in the interests of shareholders, the Company and works to assist the Board of Directors by providing recommendations. In 2019 the Committee considered several issues:

- The Roadmap of the Company's Transformation and Business Programme has been updated, which at request of Samruk-Kazyna, includes implementation of "Digitalization of Business", "Implementation of Change Management and the Project Approach", and "People Transformation" initiatives;
- Amendments to the Business Plan (Development Plan) for 2019-2023: in accordance with the instruction of the Head of State, the Company reduced the approved tariffs for the services provided and left it at the level of the previous year;
- the Report on the status of events held in 2018 according to plans for improving corporate governance following the corporate governance diagnostics of KEGOC held in 2017, in accordance with the recommendations of the consultants that should have improved the corporate governance rating;
- the parameters and performance indicators of Re-enforcement of the electric network in Zone West of Kazakhstan UPS project. Construction of power grid facilities and Rehabilitation of 220-500 kV OHTL at KEGOC branches in Aktyubinskiye MES branch, Sarbaiskiye MES branch, Zapadnye MES branch project and decision to move to the respective 'Design' and 'Implementation' phases.

- The Progress reports of KEGOC's Business Transformation Programme; Progress reports for: Action plan for the Letter of Expectations of Samruk-Kazyna, the Action Plan for the improvement of corporate governance of KEGOC JSC; Compliance report for the Corporate Governance Code of the Company; the Progress report on the implementation of large investment projects; Progress report for the medium-term Business Plan (Development Plan) of KEGOC; the Progress report for the Development Strategy of KEGOC;

- The Committee recommended that the consideration of the Company's Communication Strategy be attributed to the competence of the Management Board, by analogy with the competence of the Management Board of Samruk-Kazyna;

- recommendations were made to the Sustainability Report, in terms of its optimization, and making it more colourful, informative, readable and presentable, as well as provide information security issues in the "Social Responsibility" section;

- amendments to the appendices of the Company Strategy in terms of achieving strategic financial KPIs taking into account sensitivity to changes in key external and regulatory factors (changes in the amount of system services, in tariffs for system services, KZT FX rate, etc.) ;

- the Committee recommended to prepare a Corrective Action Plan to maximize achievement of the planned production efficiency and target indicators of the Business Plan for 2019 in accordance with the Corporate Standard for Strategic and Business Planning in the group of companies of Samruk-Kazyna;

- changes to the Roadmap of the Transformation Programme and business regarding the postponement of control deadlines due to the untimely introduction of amendments to the Rules for the management of the procurement activities of portfolio companies of Samruk-Kazyna;

- update of the IT Development Strategy of KEGOC in terms of detailing the main tasks and target components of the KEGOC's IT complex; updating target IT architecture and key business initiatives of KEGOC; and excluding information on development tasks information security, due to development of specific internal regulatory documents of KEGOC for this matter.

The Committee's activities are regulated by the Regulations on the Strategic Planning and Corporate Governance Committee as updated and approved by the Board of Directors of KEGOC (Minutes No. 10 dated 30 November 2019).

The Committee is fully accountable to the Board of Directors. The members of the Committee were elected by majority votes of the Board of Directors members. The Chairman of the Committee is an independent director, the Committee also includes a non-expert, who presents recommendations to the Committee based on the policies and visions of Samruk-Kazyna, the major shareholder of the Company.

All members of the Committee have sufficient knowledge and extensive experience including practical one.

The Committee consists of four (4) members including two (2) independent directors, one (1) representative of Samruk Kazyna, and one (1) non-voting expert.

## ATTENDANCE AT THE MEETINGS OF THE COMMITTEE BY ITS MEMBERS IN 2019

Members of committee	Attendance							
	25.01	28.02	28.03	06.06	27.08	24.10	29.11	%
Janusz Bialek <i>chair of the committee</i> <i>independent director</i>	+	+	+	+	+	+	+	<b>100</b>
Dominique Fache <i>member of the committee</i> <i>independent director</i>	+	+	+	⊕	+	+	+	<b>100</b>
Suinshlik Tiyessov <i>member of the committee</i> <i>representative of Samruk-Kazyna;</i>	+	+	+	+	+	+	+	<b>100</b>
Daulet Karimov <i>member of the committee</i> <i>non-voting expert</i>	+	+	+	+	+	+	+	<b>100</b>

⊕ - attendance at the meetings of the board of directors using IT communication in the form of a videoconference session.

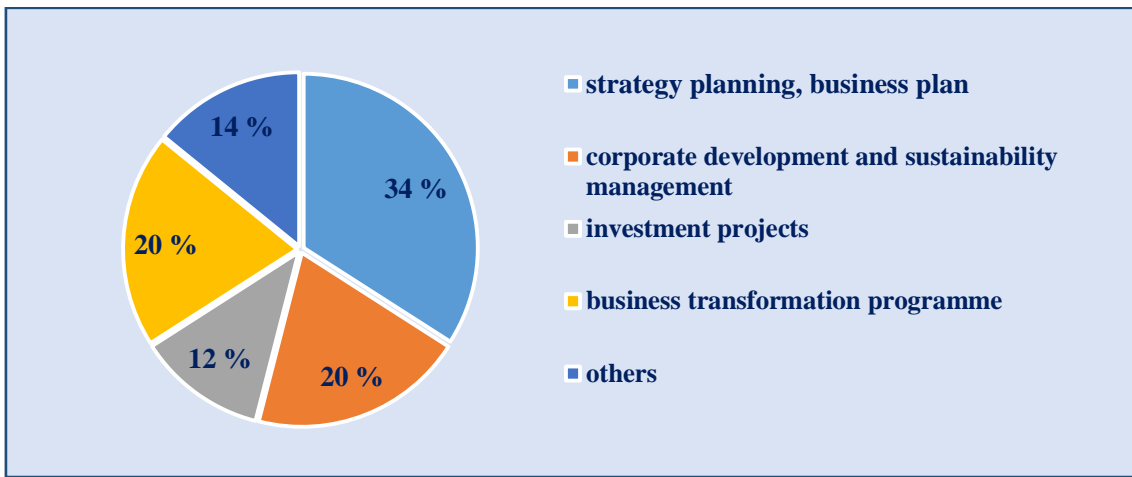
## COMMITTEE OPERATION

In **2018**, the Committee held 9 meetings in praesentia, and reviewed 34 agenda items

In **2019**, the Committee held 7 meetings in praesentia, and reviewed 35 agenda items

In 2019, the Committee considered and made relevant recommendations on the following agenda items:

- Business plan (Development plan) and Corrective action plan for achievement of the maximum number of KPI targets and indicators of the Business Plan;
- Amendments to the Development Strategy and the progress report for the Development Strategy;
- Roadmap for the Business Transformation Programme;
- corporate governance enhancement action plan, and compliance report for the Corporate Governance Code;
- Parameters and performance indicators of large projects; progress reports for large investment projects;
- Annual report and Sustainability report;
- Amendments to the IT Development strategy;
- Work plan of the committee and on the new edition of the Regulations on the committee;



## OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE

The Occupational Health, Safety and Environmental Protection Committee was established as an advisory body of the Board of Directors.

The Committee acts in the interests of shareholders, the Company and works to assist the Board of Directors by providing recommendations. In 2019 the Committee considered several issues:

- reports on safety and health of KEGOC for 2019 and a progress report for the Action plan of the OSH management system enhancement;

- at the request of the Committee, amendments were made to the Action Plan to improve the occupational health management system in terms of:

- 1) enhancement of the Company's internal regulatory document on labour protection during work at heights in terms of strengthening the responsibility of authorized persons during performance of work;

- 2) additional training in safe work at heights for persons engaged in climbing work;

- 3) additional training of vehicle drivers in safety and labour protection requirements to work related to the repair, maintenance and operation of vehicles.

- The Committee proposed to improve the content and design of the Sustainability Report of the Company;

- recommendations are given on the ranking of critical objects based on the analysis of possible critical situations; on management and mitigation of risks of critical situations, etc.;

- The chair of the committee held a meeting with the employees of Almatinskiye MES branch of KEGOC, at which employees asked a lot of questions about safety and health protection in European countries, about nuclear energy, and so on.

- the MaxPatrol vulnerability search system and the SIEM system were introduced as part of the KEG04 project;

- strengthening of practice of immediately informing members of the occupational safety and health, environment protection committee and the board of directors about all emergencies in KEGOC operations;

The Committee's activities are regulated by the Regulations on the Occupational Health, Safety and Environmental Protection Committee as updated and approved by the Board of Directors of KEGOC (Minutes No. 10 dated 30 November 2019).

The Committee is fully accountable to the Board of Directors. The members of the Committee were elected by majority votes of the Board of Directors members. The Chairman of the Committee is an independent director, the Committee also includes a non-expert, who presents recommendations to the Committee based on the policies and visions of Samruk-Kazyna, the major shareholder of the Company.

All members of the Committee have sufficient knowledge and extensive experience including practical one.

The Committee consists of four (4) members including two (1) independent director, one (2) representatives of Samruk Kazyna, and one (1) non-voting expert.

## ATTENDANCE AT THE MEETINGS OF THE COMMITTEE BY ITS MEMBERS IN 2019

Members of committee	Attendance						
	28.02.	02.05	06.06	26.06	27.08	29.11	%
Dominique Fache <i>member of the committee independent director</i>	⊕	+	⊕	⊕	+	+	<b>100</b>
Suinshlik Tiyyessov <i>member of the committee representative of Samruk-Kazyna;</i>	+	+	+	+	+	+	<b>100</b>
Zhanna Yegimbayeva <i>member of the committee representative of Samruk-Kazyna;</i>	+	+	+	+	+	+	<b>100</b>
Daulet Karimov <i>member of the committee non-voting expert</i>	+	+	+	+	+	+	<b>100</b>

⊕ - attendance at the meetings of the board of directors using IT communication in the form of a videoconference session.

## COMMITTEE OPERATION

In **2018**, the audit committee held 9 meetings in praesentia, and reviewed 34 agenda items

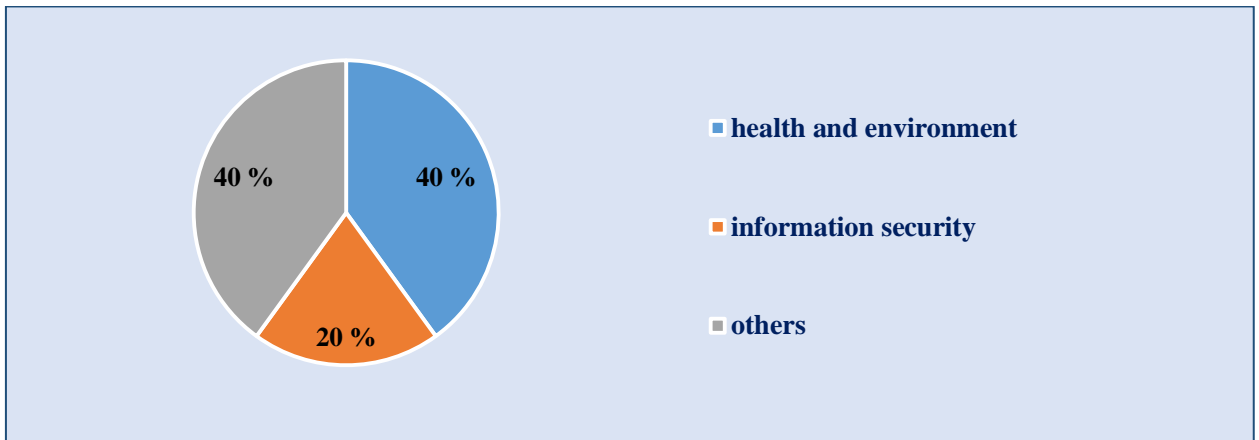
In **2019**, the audit committee held 6 meetings in praesentia, and reviewed 10 agenda items

In 2019, the Committee considered and made relevant recommendations on the following agenda items:

- Occupational and information safety and environmental protection;



- Occupational health and analysis of vulnerabilities and risks of information security.
- Sustainable development in terms of safety, occupational health and environment protection;
- Work plan of the committee and on the new edition of the Regulations on the committee;



## **ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE**

KEGOC makes annual assessments, including as a part of independent diagnostics of corporate governance. The assessment results can be used as the grounds for re-election of all of the Board of the Board of Directors, or its specific member; revision of membership of the Board of Directors and remuneration of the Board of Directors members. In case of serious shortcomings in the performance of individual members of the Board of Directors, the Chairman of the Board of Directors consult the major shareholder.

In 2017, Samruk-Kazyna jointly with PwC carried out the independent diagnostics of corporate governance of KEGOC, which provides for assessment of the efficiency of the Board of Directors. Based on the diagnostics results the section of 'The Efficiency of the Board of Directors and the Executive Body' was rated at BB, i.e. complying in all material respects to most established criteria. At the same time, to further improve corporate governance, including the effectiveness of the Board of Directors, the Company has been provided with recommendations for a three-year period (2018 - 2020).

In 2018, PwC evaluated the results of the implementation of the recommendations. The updated rating for the section "The Efficiency of the Board of Directors and the Executive Body" remained at the level of "BB", however some progress in the section was noted.

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

In accordance with the decisions of the General Meeting of Shareholders, the Rules for the payment of remuneration and compensation of expenses to members of the Board of Directors of KEGOC, approved by the General Meeting of Shareholders (Minutes No. 6 dated 12 May 2017) and the engagement contracts, the Chairman of the Board of Directors, the independent directors, and the representatives of Samruk-Kazyna, during the period of their engagement, shall receive remuneration and compensation of expenses associated with the performance of their functions as the members of the Board of Directors.

Remuneration of the Directors consists of two parts:

1) annual fixed remuneration based on the decision of the General meeting of shareholders;

2) additional remuneration for chairmanship or participation in the meetings in praesentia of the committees of the Board of Directors based on the decision of the General Meeting of Shareholders.

Representatives of Samruk-Kazyna JSC are paid annual fixed remuneration based on the decision of the General Meeting of Shareholders, for participation in committee meetings, however payment of additional remuneration is not provided.

The Director shall be compensated for the expenses associated with his/her travel to meetings of the Board of Directors, committees of the Board of Directors and the meetings held beyond the place of permanent residence of the independent director: (transport including transfer, accommodation, daily allowance, telephone services (except mobile) in Kazakhstan, documents scan, copy, fax, print, type services, access to the internet in Kazakhstan, courier and mail services).

If the attendance of a Director starting from his/her election as a member of the Board of Directors, is less than a half of all the meetings of the Board of Directors held in praesentia and in absentia during the reporting period except for absence at meetings due to illness, the fixed annual remuneration shall not be paid.

If the powers of the Director are terminated (including early termination) before the end of the reporting period, the Director shall be paid remuneration and reimbursed expenses for the period of actual his/her stay on the Board of Directors.

In 2019, remuneration to the independent directors of the Board of Directors of KEGOC and representatives of Samruk-Kazyna amounted to KZT 94,615 thousand.

## **ADVANCED TRAINING OF THE MEMBERS OF THE BOARD OF DIRECTORS**

**On 28 February 2019**, the members of the Audit Committee attended the meeting of the Unified Commission for the selection of an external auditor (with the participation of members of the Audit Committee).

**On 29 March 2019** KPMG Tax and Advisory LLP held a workshop for the members of the Board of Directors on the topic: ‘Risk management’.

**On 2 May 2019**, Human Growth Kazakhstan LLP held a workshop for the members of the Board of Directors on the topic: ‘Cybersecurity in the energy utility and information security of SAP systems.’

**On 3 May 2019**, the members of the Board of Directors took part in the Board of Directors “Hearing” session chaired by Mr Yessimov, the Chairman of the Management Board of Samruk-Kazyna.

**On 27 August 2019**, the members of the Board of Directors took part in the discussion of topics organized by the employees of KEGOC in the city of Almaty:

1) “Future development of the national power grid given the new trends in development of the electric power industry”;

2) “R&D efforts in KEGOC”;

3) “Development of renewable energy sources and the launch of the capacity market”;

4) “Sustainable development of KEGOC, review of the ‘best practices’;

5) “Occupational safety and health in KEGOC in 2017–2019 including information on implemented innovations and tools”;

6) “Analysis of the subordination of the risk management function”;

7) "Analysis of consumption and system services rates."

**On 28 June 2019**, the members of the Board of Directors took part in the forum of directors on the topic: “Increasing the value added through corporate governance” organized by Samruk-Kazyna.

**On 28 August 2019**, the Board of Directors and its committees held a field meeting including a visit to 500 kV Alma substation in Almatinskiye MES branch of (Almaty oblast) with a meeting of the occupational safety and health, environment protection committee with the operating staff of the branch.

**On 29 November 2019**, PricewaterhouseCoopers Tax and Advisory LLP held a workshop for members of the Board of Directors on the following topics: ‘Strategy, issues of sustainable development of the energy company’ and ‘Practical tools to demonstrate personal commitment to the principles of labour health, fire safety and environmental protection.’

**On 29 November 2019**, the members of KEGOC board of directors and management board held a meeting with members of KEGOC's talent pool.