



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

REPORT

**ON ACTIVITY OF THE BOARD OF DIRECTORS OF KAZAKHSTAN
ELECTRICITY GRID OPERATING COMPANY (KEGOC) JOINT-STOCK
COMPANY**

Astana

GENERAL MEETING OF SHAREHOLDERS

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

The general meeting of shareholders shall run its activities 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 21.1 of the Company Charter.

The General Meeting of Shareholders shall have the right to overrule any decision of other bodies of the Company on the issues relating to the internal operations of the Company, unless otherwise is stipulated in the Charter.

The General Meetings of Shareholders can be annual and extraordinary meetings.

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

All meetings of the shareholders, except for annual one, shall be extraordinary.

In 2016 the Board of Directors initiated convening of the General Meeting of Shareholders.

- The extraordinary General Meeting of Shareholders was held on **29 January 2016**, where the decisions were taken on the following issue:

‘Approve Ernst&Young LLP as the auditor of the financial statements of the Company for 2016-2018, and audit service fee amounting to one hundred and twenty-four million tenge (KZT 124,000,000), exclusive of VAT’.

- The Annual General Meeting of Shareholders was held on **29 April 2016**, where the decisions were taken on the following issues:

Approve the annual financial statements and decide not to pay KEGOC’s dividends for the year ended on 31 December 2015 and not to pay dividends on ordinary shares of Kazakhstan Electricity Grid Operating Company (KEGOC) joint-stock company;

‘Review claims from the shareholders in relation to KEGOC’s activities and its officers and results of consideration of such claims’.

- The extraordinary General Meeting of Shareholders was held on **28 October 2016**, where the decisions were taken on the following issues:

Change the number of members at KEGOC’s Board of Directors, elect new members of KEGOC’s Board of Directors, determine the term of office, the salary and terms of remuneration and compensation of expenses for the new members of KEGOC’s Board of Directors’;

‘Make amendments and addenda to the Regulations on KEGOC’s Board of Directors’;

‘Approve the interim financial statements, distribution of the net income, decision to pay dividends on ordinary shares and the amount of the dividends per one ordinary share of KEGOC for H1 2016’.

BOARD OF DIRECTORS PROGRESS REPORT 2016

This Report on activity of KEGOC's Board of Directors for 2016 is prepared taking into account best practice used for corporate governance at Kazakhstan and international companies based on KEGOC's Code and Charter.

The report consists of two main parts.

The first part *Management of the Board of Directors' Activity* presents information about the membership of the Board of Directors, policy for remuneration to Directors, division of responsibility of the Board of Directors and Management Board of KEGOC.

The second part *the Board of Directors Performance in 2016* consists of information about the activity of the Board of Directors, number of meetings and attendance by each director at meetings of the Board of Directors, fulfilment of annual Work Plan of the Board of Directors, considered issues for reporting period and assessment of the Board of Directors performance.

Overall content and structure of the Report are presented in such a way as to provide the interested users with most reliable, complete and accessible information on the activity of KEGOC's Board of Directors.

1. MANAGEMENT OF THE BOARD OF DIRECTORS' ACTIVITY

1.1 MEMBERSHIP OF THE BOARD OF DIRECTORS

According to Clause 1.7), Article 36 of the Law On Joint-Stock Companies (hereinafter referred to as the *Law*) the Company's Board of Directors shall be elected by the General Meeting of Shareholders of the Company.

The Board of Directors shall set strategic aims, development priorities and guidance for the Company's activities for the long term and ensure that the necessary financial and human resources are in place for the company to meet its objectives. The Board of Directors shall monitor the activity of KEGOC's executive body.

According to sub-clause 7), clause 1, Article 21 of the Company's Charter, the General Meeting of Shareholders shall determine the number of members, terms of office of the Board of Directors, elect its members and the Chairman, early terminate their powers, and determine the rates and terms of remuneration and reimbursement of expenses for the members of the Board of Directors in fulfilment of their duties; the number of members of the Board of Directors of KEGOC shall be from seven to eleven people, the recommended number of independent directors in the Board of Directors of the Company shall be up to fifty percent of the total number of members of the Board of Directors.

Term of office of members of the Board of Directors shall coincide with the term of office of the entire Board of Directors and shall terminate when the General Meeting of Shareholders makes a decision to elect the new membership of the Board of Directors. Members of the Board of Directors shall be elected for a period not exceeding three (3) years. In future, provided that the performance results are good, a member can be elected for another three (3) year period.

From 01 January to 28 October 2016, the Company's Board of Directors included the following members: Kuanysh Bektemirov, Chairman of the Board of Directors; Bakytzhan

Kazhiyev, Chairman of the Management Board; Independent Directors: Anatoliy Spitsyn, Luca Sutera, Dominique Fache and Janusz Bialek.

Based on the decision of the extraordinary General Meeting of Shareholders of KEGOC dated 28 October 2016 (Minutes No. 5) the Board of Directors is newly formed of eight (8) members to ensure a balanced membership of the Board of Directors with account of fair treatment to shareholders as follows:



Kuanysh Bektemirov

The Chairman of KEGOC's Board of Directors, born in 1970, citizen of the Republic of Kazakhstan.

Elected on 31 January 2012, on 8 May 2012 by decision of Samruk-Kazyna's Management Board¹, on 30 April 2015, no shares owned at KEGOC or its branches and affiliates.

Positions:

Since 2012: Chairman of the Board of Directors at Samruk Energy, Tau-Ken Samruk National Mining Company, member of the Board of Directors of Kazatomprom JSC;

2014 - 2016: Chief Asset Management Officer, Samruk-Kazyna;

2012 - 2014: Managing Director, Samruk-Kazyna JSC

2011-2012: CEO at AstanaErgoContract.



Anatoliy Spitsyn

Independent Director, Chairman of the Strategic Planning and Corporate Governance Committee, member of the Audit Committee, the Nomination and Remuneration Committee and the Occupational Health, Safety, and Environmental Protection Committee, born in 1939, citizen of the Russian Federation.

Elected on 24 October 2011, on 8 May 2012 by decision of Samruk-Kazyna's Management Board, on 30 April 2015, no shares owned at KEGOC or its branches and affiliates.

Positions:

Since 2016: Chairman of the Supervisory Board of Karagandy Compound Alloy Plant;

November 2013 – present: Director of the Institute of Strategic Studies of the Eurasian Economic Community Integration Problems;

2010 - 2013: Professor of Economics and Finance Department, Public Sector, IIPAM, Russian Presidential Academy of National Economy and Public Administration.

¹ Before public offering of the Company's shares on the Kazakhstan stock market in 2014 Samruk-Kazyna JSC was the only shareholder of KEGOC.



Luca Sutera

Independent Director, Chairman of the Audit Committee, the Nomination and Remuneration Committee and the Occupational Health, Safety, and Environmental Protection Committee under KEGOC's Board of Directors.

Born in 1971, citizen of Italy.

Elected on 8 May 2012 by decision of Samruk-Kazyna's Management Board, on 30 April 2015, no shares owned at KEGOC or its branches and affiliates.

Positions:

Since 2015: Chief Financial Officer, member of the Management Board at Nebras POWER (Qatar National Energy Company);

2011-2015: Senior Vice President & Chief Financial Officer at Global power & water business. ABU DHABI NATIONAL ENERGY COMPANY (TAQA) Abu Dhabi, UAE;

2007 - 2011: Chief Financial Officer and Deputy General Director. Member of Management Board at ENEL RUSSIA (ENEL Group), Moscow, Russia.



Dominique Fache

Independent Director, Chairman of the Nomination and Remuneration Committee, Chairman of the Occupational Health, Safety, and Environmental Protection Committee, member of the Strategic Planning and Corporate Governance Committee under KEGOC's Board of Directors.

Born in 1949, citizen of France.

Elected on 30 April 2015, no shares of KEGOC and its branches and affiliates.

Positions:

2016 – present: Chairman of RTF Board of Directors;

2013 – present: Member of the Board of Directors at Sophia Antipolis Science Park (Nice, France);

2008 - 2013: Chairman of the Board of Directors, President of Enel OGK-5.



Janusz Bialek

Independent Director, Chairman of the Nomination and Remuneration Committee and the Occupational Health, Safety, the Environmental Protection Committee and the Audit Committee under KEGOC's Board of Directors.

Born in 1955, citizen of the United Kingdom, Poland and Northern Ireland.

Elected on 30 April 2015, no shares of KEGOC and its branches and affiliates.

Positions:

2014 – present: Director of the Skoltech Center for Energy Systems, Skolkovo Institute of Science and Technology;

2009 - 2013: Chair of Electrical Power and Control, Director for research work at the School of Engineering and Computing Sciences, Durham University, UK;

2003-2009: – Bert Whittington Chair of Electrical Engineering, Director of master's programmes for green energy systems, the University of Edinburgh, UK.



Suinshlik Tiyyessov

Member of KEGOC's Board of Directors, representative of Samruk-Kazyna.

Born in 1946, citizen of the Republic of Kazakhstan

Elected on 28 October 2016 by the General Meeting of Shareholders, no shares owned at KEGOC and its branches and affiliates.

Positions:

2004 – 2016: Chairman of Management Board at KOREM (Kazakhstan operator for electricity and capacity market)

2000-2001: Vice President at KEGOC OJSC, Almaty;

2001-2004: Head of KEGOC's Akmola Branch, Astana.



Zhanna Yegimbayeva

Member of KEGOC's Board of Directors, Chairman of Samruk-Kazyna, member of 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 by the General Meeting of Shareholders, no shares owned at KEGOC and its branches and affiliates.

Positions:

February 2016 – present: Advisor at Baiterek National Holding JSC;

June 2016 – present: Independent Director - member of the Board of Directors, KazAgro National Management Holding

2011 – 2016 Deputy Head of Prime Minister's Office of the Republic of Kazakhstan.



Bakytzhan Kazhiyev

Chairman of Management Board of Kazakhstan Electricity Grid Operating Company

Born in 1964, citizen of the Republic of Kazakhstan

Elected on 31 May 2011, on 8 May 2012 by decision of the sole shareholder, on 30 April 2015, no shares owned at KEGOC or its branches and affiliates.

Positions:

2011 – present: Chairman of Management Board of Kazakhstan Electricity Grid Operating Company;

2009 - 2011: Vice President of Kazakhstan Electricity Grid Operating Company JSC;

2008 - 2009: Executive Director, KEGOC JSC;

2007-2008: Head of Capital Construction Department.

1.2 REMUNERATION TO DIRECTORS

In accordance with the decision of the General Meeting of Shareholders dated 30 April 2015 (Minutes No. 1) 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 independent directors of KEGOC shall be remunerated by the rates as follows:

- a fixed annual fee of forty thousand (40,000) US dollars;

- additional remuneration for participation in the meetings in praesentia of the committees of the Board of Directors to the amount of one thousand four hundred (1,400) US dollars.

Based on the decision of the General Meeting of Shareholders dated 28 October 2016 (Minutes No. 5) a member of the Board of Directors elected as representative of KEGOC's major shareholder (Samruk-Kazyna) for performance of the duties shall be paid a fixed annual remuneration in the amount of six million five hundred thousand (6,500,000) tenge (prior to deduction of taxes and other compulsory payments in accordance with the Laws of the Republic of Kazakhstan).

Remuneration shall be paid to the Director during the month following the reporting period of remuneration payment since the Director has been elected to the Board of Directors in proportion to the period of membership in the Board of Directors and its committees. The reporting period for remuneration payment shall be a quarter or a year of the calendar year concerned.

The additional remuneration shall be paid by the Company to independent members of the Board of Directors during a month following the date of meeting in presentia of the committee of the Board of Directors.

The fixed annual remuneration shall be paid by the Company within the month following the reporting period of remuneration payment in proportion to the period of membership in the Board of Directors, committees of the Board of Directors or as Chairman of the Board of Directors.

The Director shall be compensated for the expenses associated with his travel to the meetings of the Board of Directors, committees of the Board of Directors of the Company and the meetings initiated by the Chairman of the Board of Directors of the Company and/or the Chairman of the Management Board of the Fund, 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).

In 2016 the annual fixed fee of independent directors of KEGOC Board of Directors amounted to KZT 55,633 million, the fee for the participation in the meetings in praesentia of the committees amounted to KZT 36,907 million.

According to decision of the General Meeting of Shareholders dated 28 October 2016 (Minutes No. 5), members of the Board of Directors elected as representatives of Samruk-Kazyna shall not receive additional remuneration for participation in the meetings of committees.

1.3 DIVISION OF RESPONSIBILITY OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

Division of powers between the Board of Directors and Management Board is defined by the Company's Charter.

The Board of Directors shall set strategic aims, development priorities and guidance for the Company's activities for the long term and ensure that the necessary financial and

human resources are in place for the company to meet its objectives. The Board of Directors shall monitor the activity of Management Board.

The Management Board is a body managing the Company's operations (except issues in the competence of the General Meeting of Shareholders) and responsible to the General Meeting of Shareholders for efficient management.

The issues referring to the competence of the Board of Directors are defined by the Company's Charter.

The Management Board shall execute the decisions of the General Meeting of Shareholders and the Board of Directors and is a collegial executive body, which manages its current operations, makes decisions on all issues of the Company activity (not referred to the competence of other bodies and employees of the Company in accordance with the Laws of the Republic of Kazakhstan and this Charter) and is responsible to the General Meeting of Shareholders and the Board of Directors:

The issues referring to the competence of the Management Board are defined by the Company's Charter.

2. THE BOARD OF DIRECTORS PERFORMANCE IN 2016

2.1 NUMBER OF MEETINGS AND ATTENDANCE BY EACH MEMBER OF THE BOARD OF DIRECTORS AT THE MEETINGS

The Board of Directors activity in 2016 was aimed at establishing necessary conditions to maintain stable operation of KEGOC and develop as a global energy company, increasing capitalization and investment attractiveness, effective control over asset management, investment and financial and economic activity, improvement of performance, transparency of internal governance mechanisms, control system and accountability of the Company's bodies and observance of shareholders rights.

The Board of Directors adhered for a year to the work plan developed based on proposals of the Chairman and members of the Board of Directors, Management Board, Internal Audit Service. Planning enabled each member of the Board of Directors to systematically prepare for the meetings and increase the quality of meetings held and feasibility of the decisions made by the Board of Directors.

Participation and attendance by the members of the Board of Directors of the Company at meetings in 2016

Members of the Board of Directors	Attendance												%
	29.01.	26.02	25.03.	29.04.	24.05.	01.07.	26.08.	30.09.	28.10.	05.12.	09.12.	23.12	
Kuanysh Bektemirov	+	+	+	+	+	+	+	+	+	+	+	+	100
Anatoliy Spitsyn	+	+	+	+	+	+	+	+	+	+	+	+	100
Luca Sutera	+	+	+	+	+	+	+	+	+	+	+	+	100
Dominique Fache	+	+	+	+	+	+	+	+	+	+	+	+	100

Janusz Bialek	+	-	+	+	+	+	+	+	+	+	+	+	91.6
Suinshlik Tiyessov	elected on 28 October 2016								+	+	+	+	100
Zhanna Yegimbayeva	elected on 28 October 2016								+	+	+	+	100
Bakytzhan Kazhiyev	+	+	+	-	+	+	+	+	+	+	-	+	83.3

The Work Plan of the Board of Directors was approved on 29 January 2016 (Minutes No. 1).

The Work Plan 2016 of the Board of Directors envisaged consideration of 118 issues, 15 issues of them were not brought for consideration by the Board of Directors for a number of reasons or were deferred for consideration by the Board of Directors in 2016, 14 issues were submitted again for the reason to finalize materials, additionally 65 issues were considered.

The Board of Directors held 3 meetings in absentia and 12 meetings in presentia, where 153 issues were considered with relevant decisions made.

The Board of Directors of KEGOC made key decisions on a number of main areas of the Company activity.

Strategic issues, financial, economic and investment activity:

- amendments and addenda to KEGOC's Long-Term Development Strategy 2025 were approved;
- annual/interim financial statements, proposals for payment/non-payment of dividends on ordinary shares and rate of dividends including the dividend rate per one ordinary share of KEGOC were considered;
- progress reports on KEGOC's Long-Term Development Strategy, Investment Programme, large investment projects for Innovation and Technology Development Strategy of KEGOC were considered;
- KEGOC's Development Plan (business plan) for 2017-2021 was approved;
- Letters on Samruk-Kazyna's expectations and approved Action Plan to meet the expectations of Samruk-Kazyna for 2017-2021 were considered;
- Guidelines on the sustainable development management system were approved;
- the new revision of KEGOC's Accounting Policy was approved.

Corporate governance and risks issues:

- the Annual Report, the Action Plan of the Board of Directors and the Annual Audit Plan of the Internal Audit Service were approved;
- the independent organization's Report on the results of assessment of performance of the Board of Directors and its committees, the Chairman and members of the Board of Directors, the Management Board, the Internal Audit

Service and its Head, and the Corporate Secretary of KEGOC on the basis of performance of the Board of Directors in 2015 was reviewed.

- the Action Plan for KEGOC Corporate Governance Improvement and KEGOC Corporate Governance Code introduction in 2016-2020 was approved; the reports will be reviewed when prepared;
- the sustainability report and KEGOC Development Plan implementation report were reviewed;
- the new revision of the Introduction Programme for newly elected members of KEGOC Board of Directors was approved;
- amendments and addenda to the Regulations on the Board of Directors of KEGOC were reviewed;
- Rules of selection and election of the members of the Board of Directors of KEGOC were reviewed; the new revision of Rules of remuneration and reimbursement of expenses of the members of the Board of Directors of KEGOC was reviewed.
- the new revision of the Rules on the assessment of performance of the Board of Directors and its committees, the Chairman and members of the Board of Directors and employees of the Internal Audit Service of KEGOC were approved;
- amendments and addenda to the Regulations on the Strategic Planning and Corporate Governance Committee of the Board of Directors of KEGOC were approved;
- the Regulations on the Occupational Health, Safety and Environmental Protection Committee of the Board of Directors of KEGOC were approved;
- the new revision of the Regulations on the Management Board of KEGOC was approved;
- the first Bond Programme of KEGOC was approved;
- the Risks Report was reviewed; the Risk Registries and Risk Maps, the Key Risk and Risk Appetite Management Action Plan were approved.

HR policy issues:

- the organizational structure and overall number of employees of KEGOC's Executive Administration (head office) were approved;
- job descriptions, position assessment (grades) and salary schedule for the senior executives of KEGOC were approved;
- the Plan of transition to the new organizational structure of KEGOC was approved;
- the Action Plan to maintain the high level of the KEGOC social stability in 2016-2018 was approved.
- the recommendations to include representatives of Samruk-Kazyna on the Board of Directors of KEGOC were reviewed;

- the new revision of the List of KEGOC employees' positions which shall be elected or approved by KEGOC Board of Directors was approved;
- the remuneration policy for the members of KEGOC's Board of Directors and Management Board was reviewed;
- the Occupational Health, Safety and Environmental Protection Committee of the Board of Directors of KEGOC was established.

Operations of subsidiaries and affiliates:

- the number of members and terms of office of EnergoInform's Board of Directors were determined, its chairman and members were elected, the salary rates and terms of remuneration and compensation for expenses to the members of EnergoInform's Board of Directors, as well as for fulfilment of their duties was determined;
- the auditor to conduct an audit of EnergoInform in 2016-2018 was selected;
- amendment agreements to the securities contract with Batys Transit No. 10-Д-918 dated 05 October 2007 and No. 10-Д-401 dated 17 April 2009 were concluded;
- the issues regarding the extraordinary General Meeting of Batys Transit JSC shareholders were reviewed;
- the new revision of EnergoInform's Charter was approved;
- EnergoInform's financial statements for 2015 were approved;
- the issue regarding payment of dividends on ordinary shares and approval of the amount of dividend per one EnergoInform's ordinary share for 2015 was reviewed;
- the annual financial statements of Financial Settlement Centre for Support to Renewable Energy Sources for 2015 was approved;
- amendments to the Charter of Financial Settlement Centre for Support to Renewable Energy Sources were approved.

One of the important events in the Board of Directors activity in 2016 was the establishment of the Occupational Health, Safety, and Environmental Protection Committee of the Board of Directors of KEGOC. The Committee was established to prepare recommendations to the Board of Directors on the health, safety and environment issues and on the system of reporting to the Management Board and the Board of Directors through the Company's executive body, monitoring of the Company's strategic KPIs of the Company relating to the occupational health, safety and environmental protection and achievement of goals in this area set by the Board of Directors, analysis of the investigation results for large technological failures, group accidents with severe outcomes and provision of recommendations on the necessary measures. In addition, on 30 June - 1 July 2016 the Board of Directors held a meeting with the members of the Management Board and responsible employees of involved structural divisions of KEGOC to discuss the issues

of Long-Term Development Strategy of KEGOC 2025, Innovation and Technology Strategy of KEGOC and introduction of the power market in the Republic of Kazakhstan.

2.2 THE COMMITTEES OF THE BOARD OF DIRECTORS

KEGOC established four committees to review the most important issues and prepare recommendations by the Board of Directors:

- Audit Committee;
- Nomination and Remuneration Committee;
- Strategic Planning and Corporate Governance Committee;
- Occupational Health, Safety and Environmental Protection Committee.

The Committees are advisory bodies of the Board of Directors. All proposals worked out by the Committees are recommendations that shall be submitted to KEGOC Board of Directors for review.

The Audit Committee was established in accordance with the decision of the Board of Directors of KEGOC dated 29 May 2015 (Minutes No. 4) comprising as follows:

Luca Sutera - Chairman of the Committee, Independent Director;

Anatoliy Spitsyn - member of the Committee, Independent Director;

Janusz Bialek - member of the Committee, Independent Director.

The Audit Committee was established for in-depth working out of issues falling within the competence of the Board of Directors or studied by the Board of Directors to control activities of the Company's executive body and elaborate the required recommendations to the Board of Directors and executive body of the Company regarding the following issues:

establishment of effective control system for financial and economic activities of the Company (including the completeness and accuracy of financial statements);

control over internal control and risk management systems reliability and effectiveness and over execution of corporate governance documents;

control over internal and external audit independence, and over the process ensuring enforcement of the laws of the Republic of Kazakhstan;

The Audit Committee shall operate in accordance with the Regulations on the Audit Committee of the Board of Directors of KEGOC approved by the Board of Directors of the Company on 20 October 2009 (Minutes No. 10), as amended and approved by the decisions of the Board of Directors of the Company dated 29 December 2010 (Minutes No. 9) and 28 March 2013 (Minutes No. 3).

In 2016 the Audit Committee held ten meetings in praesentia. Pursuant to the agendas of the Audit Committee meetings 52 issues were reviewed and the respective

recommendations were given to the Board of Directors and the Management Board of the Company.

Participation and attendance at the meetings in praesentia by the members of the Audit Committee in 2016

Members of the Audit Committee	Attendance										
	29.01.	26.02.	25.03.	28.04.	23.05.	30.06.	26.08.	30.09.	28.10.	05.12.	%
Luca Sutera	+	+	+	+	+	+	+	+	+	+	100
Anatoliy Spitsyn	+	+	+	+	+	+	+	+	+	+	100
Janusz Bialek	+	-	+	+	+	+	+	+	+	+	90

The Audit Committee reviewed the quarterly performance reports of the Internal Audit Service, the reports on financial statements, internal control and risk management, internal and external audit, HR issues of the Internal Audit Service, and preliminarily approved the internal regulations governing the activities of the Internal Audit Service.

The Audit Committee also held three meetings with the representatives of Ernst & Young, which was selected to conduct the audit of 2015 financial statements, and discussed preliminary audit results of KEGOC consolidated statements for 2015 in compliance with IFRS, the Management Letters on the financial statements audit results for 2015, the financial statements review results for Q1, H1, and 9M 2016, and presentation of the draft Audit Report in a new format.

In 2016 the Audit Committee fully accomplished its goals, tasks and duties in accordance with the Regulations on the Committee, as well as the action plan of the Committee for 2016. The Committee reviewed all issues of meeting agendas and gave carefully considered and comprehensive recommendations which were adopted by the Board of Directors and the Management Board of the Company.

The work of the Audit Committee has improved the efficiency of the Company's Board of Directors.

The Nomination and Remuneration Committee was established in accordance with the decision of the Board of Directors of KEGOC dated 29 May 2015 (Minutes No. 4) comprising as follows:

Dominique Fache - Chairman of the Committee, Independent Director;

Anatoliy Spitsyn - member of the Committee, Independent Director;

Janusz Bialek - member of the Committee, Independent Director.

The Nomination and Remuneration Committee was established to work out and submit to the Board of Directors the recommendations relating to:

- election or nomination of candidates as independent directors, membership of the Management Board, Internal Audit Service and its Head, Corporate Secretary taking into account the provisions of the Company's internal documents;
- respective remuneration to the Directors, members of the Management Board, Internal Audit Service and its Head, Corporate Secretary in accordance with the goals, tasks and the current state of the Company and level of remuneration in peer companies
- introduction of structured and open system of remuneration to the directors, members of the Management Board, Internal Audit Service and its Head, Corporate Secretary.

The Nomination and Remuneration Committee shall operate in accordance with the Regulations on the Nomination and Remuneration Committee of the Board of Directors of KEGOC approved by the Board of Directors on 10 October 2013 (Minutes No. 9), as amended and approved by the decision of the Board of Directors dated 1 July 2016 (Minutes No.9).

In 2016, the Committee held nine meetings in praesentia. In accordance with the meeting agendas the Committee reviewed 41 issues and provided the respective recommendations to the Board of Directors and the Management Board of the Company.

Participation and attendance at the meetings of the Nomination and Remuneration Committee members in 2016

Members of the Nomination and Remuneration Committee	Attendance									%
	29.01	26.02.	25.03.	23.05.	30.06.	26.08.	30.09.	28.10.	05.12	
Dominique Fache	+	+	+	+	+	+	+	+	+	100
Anatoliy Spitsyn	+	+	+	+	+	+	+	+	+	100
Janusz Bialek	+	-	+	+	+	+	+	+	+	88.8

The Committee reviewed and gave recommendations to the Board of Directors on:

inclusion of Samruk-Kazyna representative on the Board of Directors of KEGOC;
 approval of the motivation key performance indicators for KEGOC's top executives for 2016;

the results of consideration of performance of the Board of Directors and its committees, the Chairman and members of the Board of Directors, the Management Board, the Internal Audit Service and its Head, and the Corporate Secretary;

implementation of KEGOC's Succession Plan in 2015 and approval of the new revision of KEGOC's Succession Plan.

review of amendments and addenda to the Regulations on the Nomination and Remuneration Committee of the Board of Directors of KEGOC.

approval of appointment of KEGOC senior executives and determination of their salaries amounts;

determination of the number of KEGOC Management Board members, early termination of powers of some members of the Management Board and determination of the terms of powers of KEGOC Management Board;

review of new revision of the List of KEGOC employees' positions, which shall be elected or approved by KEGOC Board of Directors;

approval of grades and Salary Schedule for KEGOC senior executives.

introduction of changes to the Organizational Structure and approval of the staff number of KEGOC's Executive Administration (head office);

efficiency of the remuneration policy for the members of KEGOC's Board of Directors and Management Board;

review of Пp KEGOC ИД-311-16-СД. Rules of remuneration and reimbursement of expenses to the members of the Board of Directors of KEGOC;

review of Пp KEGOC ИД-311-16-СД. Rules of selection and election of the members of the Board of Directors of KEGOC.

In 2016 the Committee fully accomplished its goals, tasks and duties in accordance with the Regulations on the Committee, as well as the Action Plan of the Committee for 2016. The Committee reviewed in detail all agenda issues of the Committee meetings and provided carefully considered and comprehensive recommendations which were adopted by the Board of Directors of the Company.

The Strategic Planning and Corporate Governance Committee was established in accordance with the decision of the Board of Directors of KEGOC dated 29 May 2015 (Minutes No. 4) comprising as follows:

Anatoliy Spitsyn - Chairman of the Committee, Independent Director;

Luca Sutera - member of the Committee, Independent Director;

Dominique Fache - member of the Committee, Independent Director;

The Strategic Planning and Corporate Governance Committee is a consultancy and advisory body of the Board of Directors of the Company established to work out and submit to the Board of Directors the recommendations relating to:

- priority areas of the Company's activities, as well as the development strategy, the Development Plan, investment programmes and large investment projects at KEGOC;
- improvement of the corporate governance at the Company;
- strategic risks in order to integrate the risk management system into the planning process;
- the Code, amendments and addenda thereto.

The Committee shall perform its functions in accordance with the Regulations on the Strategic Planning and Corporate Governance Committee of the Board of Directors

of KEGOC approved by the decision of the Board of Directors dated 10 October 2013 (Minutes No. 9) as amended and approved by the decision of the Board of Directors dated 9 December 2016 (Minutes No. 14).

In 2016 the Committee held eight meetings in praesentia. As per the agendas of meetings the Committee reviewed 22 issues and provided the respective recommendations to the Board of Directors and the Management Board of the Company.

Participation and attendance at the meetings by the members of the Strategic Planning and Corporate Governance Committee in 2016

Members of the Strategic Planning and Corporate Governance Committee	Attendance								%
	29.01.	26.02.	25.03.	23.05.	30.06.	26.08.	28.10.	05.12.	
Anatoliy Spitsyn	+	+	+	+	+	+	+	+	100
Luca Sutera	+	+	+	+	+	+	+	+	100
Dominique Fache	+	+	+	+	+	+	+	+	100

The Committee reviewed and made recommendations to the Board of Directors to:

- approve the new revision of KEGOC Development Plan for 2016-2020, as amended, and KEGOC Development Plan for 2017-2021;
- approve the Action Plan for KEGOC Corporate Governance Improvement and introduction of the Corporate Governance Code for 2016-2020;
- execute the reports on KEGOC Development Plan, Innovation and Technology Strategy for 2015, the Long-term Development Strategy 2025, the Action Plan for KEGOC Corporate Governance Improvement and introduction of the Corporate Governance Code for 2016-2020;
- make amendments and addenda to KEGOC Long-term Strategy 2025.

In 2016 the Committee fully accomplished its goals, tasks and duties in accordance with the Regulations on the Committee, as well as the action plan of the Committee for 2016. The Committee reviewed in detail all agenda issues of the Committee meetings and provided carefully considered and comprehensive recommendations which were adopted by the Board of Directors of the Company.

The Occupational Health, Safety, and Environmental Protection Committee was established in accordance with the decision of KEGOC Board of Directors dated 28 October 2016 (Minutes No. 12) comprising as follows:

- Dominique Fache - Chairman of the Committee, Independent Director;
- Janusz Bialek - member of the Committee, Independent Director;
- Luca Sutera - member of the Committee, Independent Director;
- Anatoliy Spitsyn - member of the Committee, Independent Director;

Zhanna Yegimbayeva - member of the Committee, member of the Board of Directors.

The Occupational Health, Safety, and Environmental Protection Committee was established to work out and submit to the Board of Directors the recommendations relating to:

elaboration of recommendations to the Board of Directors on the policy and procedures for ensuring occupational health, safety and environmental protection, including the system of reporting to the Management Board of the Company and the Board of Directors through the executive body of the Company;

monitoring of strategic KPIs of the Company relating to the occupational health, safety and environmental protection, and achievement of goals in this area set by the Board of Directors of the Company;

analysis of the investigation results for large technological failures, group accidents with severe outcomes and provision of recommendations on the necessary measures;

analysis of the practice accepted in the Company for compliance with the advance practice in securing occupational health, safety and environmental protection;

consideration of sustainability issues in terms of occupational health, safety and environmental protection.

The Committee shall operate in accordance with the Regulations on the Occupational Health, Safety and Environmental Protection Committee of the Board of Directors of KEGOC approved by the decision of the Board of Directors dated 9 December 2016 (Minutes No. 14).

In 2016, the Committee held one meeting in praesentia and reviewed the issue On approval of the Regulations on the Occupational Health, Safety and Environmental Protection Committee of the Board of Directors of KEGOC and the issue On consideration of KEGOC Occupational Safety and Security Report for 9 months of 2016.

Participation and attendance of the members of the Occupational Health, Safety and Environmental Protection Committee in 2016

The members of the Occupational Health, Safety and Environmental Protection Committee	Attendance	
	9 December 2016	%
Dominique Fache	+	100
Janusz Bialek	+	100
Luca Sutera	+	100
Anatoliy Spitsyn	+	100
Zhanna Yegimbayeva	+	100

The Committee reviewed and made recommendations to the Board of Directors to approve the Regulations on the Occupational Health, Safety and Environmental Protection Committee of the Board of Directors of KEGOC and consider KEGOC Occupational Safety and Security Report for 9 months of 2016.

The work of the Board of Directors committees has enhanced the efficiency of the Board of Directors of the Company.

2.3 ASSESSMENT OF THE BOARD OF DIRECTORS PERFORMANCE

KEGOC Corporate Governance Code requires that annual assessment of the performance of the Board of Directors shall be conducted at least once every three years by independent consultants.

In June 2016 Dostyk Advisory LLP (the auditing company) conducted an independent external assessment of the performance of the Board of Directors, its committees, the Chairman and members of the Board of Directors and the Corporate Secretary of KEGOC. Additionally, in accordance with the Regulations on the Assessment of Performance of the Board of Directors, members of the Board of Directors, the Management Board, the Chairman of the Management Board, the Internal Audit Service and the Head of the Internal Audit Service of Kazakhstan Electricity Grid Operating Company (KEGOC), the performance of the Management Board, the Internal Audit Service and its Head also underwent the assessment. Based on the assessment results, the independent consultants of Dostyk Advisory assigned the rating certifying the compliance of the Board of Directors activity with the best practices at the 80.37% level, which corresponds to the high level of maturity of the Board of Directors practice and may be characterized as 'Practice Leadership' and gave recommendations on the improvement of the Board of Directors performance. Based on these recommendations the Board of Directors prepared and approved the corresponding Action Plan.

Thus, having reviewed the findings of the performance assessment of the Board of Directors and its committees, the Chairman and members of the Board of Directors, and the Internal Audit Service staff of the Company, the Board of Directors reached the conclusion that the work of the Board of Directors and committees was at an adequate level, and qualification of the members of the Board of Directors and the Internal Audit Service staff complied with the goals and objectives of KEGOC.

On the whole, the performance of the Board of Directors in 2016 contributed to the 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 played an active role in the improvement of the corporate governance in KEGOC, the internal control and risks management mechanisms in respect of wide range of business-processes.