



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

REPORT

**ON ACTIVITY OF THE BOARD OF DIRECTORS/COMMITTEES OF KAZAKHSTAN
ELECTRICITY GRID OPERATING COMPANY (KEGOC) JOINT-STOCK COMPANY
FOR 2017**

Astana

BOARD OF DIRECTORS

Members of the Board of Directors as of 31 December 2017



**Kuanysh
Bektemirov**

Chairman of KEGOC's
Board of Directors

Born in 1970, citizen of the Republic of Kazakhstan.

Elected on 31 January 2012 and 8 May 2012 by the decisions of the Management Board of Samruk-Kazyna¹, on 30 April 2015 by the General Meeting of Shareholders of KEGOC.

Education: Al-Farabi Kazakh State University majoring in Physics (1993), Kazakh National Agrarian University, Electrical Engineer (2004).

Work experience for the last five years:

Since July 2017, Co-managing Director for Asset Optimization of Samruk-Kazyna Sovereign Wealth Fund joint stock company;
2014 - 2016, Chief Asset Management Officer, Samruk-Kazyna;
2012 – 2014, Managing Director, Samruk-Kazyna;
2011 – 2012, CEO, AstanaEnergoContract.

Participation in the management bodies of other entities:

Chairman of the Board of Directors of Samruk-Energy;
Chairman of the Board of Directors at Tau-Ken Samruk National Mining Company; Chairman of the Supervisory Board of United Chemical Company LLP, member of the Board of Directors of Kazatomprom JSC.
Shares owned in KEGOC or its subsidiaries: none.



**Anatoliy
Spitsyn**

Independent Director,
Chairman of the Strategic
Planning and Corporate
Governance Committee,
member of the Audit
Committee under KEGOC's
Board of Directors

Born in 1939, citizen of the Russian Federation.

Elected on 24 October 2011 and 8 May 2012 by the decisions of the Management Board of Samruk-Kazyna; on 30 April 2015 by the General Meeting of Shareholders of KEGOC.

Education: Odessa Institute of Marine Engineers majoring in Civil Engineering (1962), Academy of Social Sciences Graduate School of the CPSU Central Committee (1972).

Work experience for the last five years:

Since 2016: Chairman of the Supervisory Board of Karagandy Compound Alloy Plant;
Since 2013: 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.

Member of the Union of Architects of the USSR and the Russian Federation;

First Vice President of the Eurasian Club of Scientists.

Participation in the management bodies of other entities:

Chairman of the Supervisory Board of Karagandy Compound Alloy Plant;
Member of the Board of Directors of Samruk-Energy.

Doctor of Economics, Professor, Member of the Russian Academy of Natural Sciences, Vice President of the Russian Academy of Natural Sciences, a member of the Union of Architects of the USSR and the

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

Russian Federation, First Vice President of the Eurasian Club of Scientists.



Luca Sutera - Independent Director, Chairman of the Audit Committee, the Nomination and Remuneration Committee under KEGOC's Board of Directors.

Born in 1971, citizen of Italy.

Elected on 8 May 2012 by the decision of the Management Board of Samruk-Kazyna; on 30 April 2015 by the General Meeting of Shareholders of KEGOC.

Education: London School of Economics and Political Science, Great Britain (1995); Specialization in Finance "L.Bocconi" University, Italy - Master's Degree in Business Economics with Honours (1997), Global Executive MBA - I.E. Business School, Spain (2012).

Work experience for the last five years:

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), UAE).

Since April 2014: member of IoD (UK Institute of Directors)

Since April 2011: Member of the Russian Association of Independent Non-Executive Directors.

Participation in the management bodies of other entities:

Member of the Audit and Risk Committee of the Board of Directors SOHAR Aluminium, Muscat, Oman;

Member of the Board of Directors of TAQA Energy India Ltd, India (Abu Dhabi National Energy Company Group), UAE.

Member of the Board of Directors of Samruk-Energy.

Shares owned in KEGOC or its subsidiaries: none.



Dominique Fache - Independent Director, Chairman of the Occupational Health, Safety and Environmental Protection Committee, member of the Audit Committee of the Board of Directors of KEGOC.

Born in 1949, citizen of France.

Elected on 30 April 2015 by the General Meeting of Shareholders of KEGOC.

Education: University of Sorbonne, France (1972), degree in Engineering, Lomonosov Moscow State University, Russia.

Work experience for the last five years and participation in the management bodies of other entities:

Since 2016: Chairman of RTF Board of Directors;

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.

Shares owned in KEGOC or its subsidiaries: none.



Janusz Bialek, Independent Director, Chairman of the Nomination and Remuneration Committee, Member of the Strategic Planning and Corporate Governance Committee of KEGOC's Board of Directors

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

Elected on 30 April 2015 by the General Meeting of Shareholders of KEGOC.

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 2014: 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.

Shares owned in KEGOC or its subsidiaries: none.



Suinshlik Tiyessov
Member of KEGOC's Board of Directors, Chairman 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, citizen of the Republic of Kazakhstan

Elected on 28 October 2016 by the General Meeting of Shareholders of KEGOC.

Education: Lenin Polytechnic Institute, Almaty, majoring 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.

Candidate of Technical Sciences, author of the monograph *Formation of the electricity market in Kazakhstan*. Participated in the formation of the national grid, introduction of unique transmission lines and 1,150-500 kV substations, and the largest electricity generators: Aksuiyskaya GRES, Ekibastuz GRES. Participated in the development and introduction of: external power supply design of Tengiz oil and gas field; implementation of the National Power Grid rehabilitation programme; the electricity and capacity market project in Kazakhstan, the First Electricity Law in 1995; all regulatory and legal documents relating to operation of the electricity market in Kazakhstan.

Shares owned in KEGOC or its subsidiaries: none.

Born in 1953, citizen of the Republic of Kazakhstan.

Elected on 28 October 2016 by the General Meeting of Shareholders of KEGOC.

Education: Kirov Kazakh State University, Lawyer.

Work experience for the last five years:



Zhanna

Yegimbayeva

Member of KEGOC's Board of Directors, Chairman 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.

Since 2016: Advisor at Baiterek National Holding JSC.
2011-2016: Deputy Head of the Office of the Prime Minister of the Republic of Kazakhstan.

Participation in the management bodies of other entities:

Member of the Board of Directors of KazAgro National Management Holding JSC.

Member of the Board of Directors of Kazakhstan Engineering NC JSC.

Shares owned in KEGOC or its subsidiaries: none.



Bakytzhan Kazhiyev

Chairman of KEGOC's Management Board, member of KEGOC's Board of Directors.

Born in 1964, citizen of the Republic of Kazakhstan.

Elected on 31 May 2011 and 8 May 2012 by the decisions of the Management Board of Samruk-Kazyna; on 30 April 2015 by the General Meeting of Shareholders of KEGOC.

Education:

1986: Alma-Ata Power Engineering Institute majoring in electrical networks and systems, Electrical Engineer;

2007: Karaganda State Technical University, Bachelor of Economics

Work experience for the last five years:

Since 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

Shares owned in KEGOC or its subsidiaries: none.

The process of selection and election of members to the Board of Directors of KEGOC is regulated by the Rules approved by the General Meeting of Shareholders on 12 May 2017 developed in accordance with the Law of the Republic of Kazakhstan on Joint-Stock Companies and the Charter of KEGOC, which also defines the criteria for the election of independent directors. The Board of Directors includes four independent directors or 50% of the total members of KEGOC Board of Directors.

Information on attendance at the meetings in praesentia of the Board of Directors and Committees of the Board of Directors

Members of the Board of Directors	Meeting of the Board of Directors	Strategic Planning and Corporate Governance Committee	Nomination and Remuneration Committee	Occupational Health, Safety and Environmental Protection Committee	Audit Committee
Kuanysh Bektemirov Representative of major shareholder	9/9 Chairman of the Board of Directors	-	-	-	-
Anatoliy Spitsyn Independent Director	9/9	8/8 Chairman of the Committee	1/1*	1/1*	10/10
Luca Sutera Independent Director	9/9	1/1*	9/9	1/1*	10/10 Chairman of the Committee
Dominique Fache Independent Director	8/9	1/1*	1/1*	5/6 Chairman of the Committee	10/10
Janusz Bialek Independent Director	7/9	7/8	7/9 Chairman of the Committee	1/1*	1/1*
Suinshlik Tiessov Representative of major shareholder	9/9	8/8	-	6/6	-
Zhanna Yegimbayeva Representative of major shareholder	9/9	-	9/9	6/6	-
Bakytzhan Kazhiyev Chairman of Management Board of KEGOC	9/9	-	-	-	-
Rustem Sauranbayev Expert without the right to vote		5/7			
Saltanat Satzhan Expert without the right to vote					7/9
Daulet Karimov Expert without the right to vote			7/8	5/5	

** due to the decision of the Board of Directors to establish new Committees, since 27 January 2017 the mentioned directors (experts) have not been the members of these Committees.*

In 2017, the Board of Directors held nine (9) meetings in presentia and two (2) meetings in absentia, where 155 issues were considered with relevant decisions made. The major issues are as follows:

Strategic, financial, economic and investment issues	reviewed annual/interim financial statements, proposed to the General Meeting of Shareholders the procedure for distributing the net income and amounts of KEGOC's dividends;
	reviewed progress reports on the Investment Programme, large investment projects, Innovation and Technology Development Strategy of KEGOC;
	approved a list of strategic key performance indicators (KPI) of the first level with calculation methodology and key parameters of KEGOC portfolio;
	approved KEGOC Development Plan (Business Plan) for 2018-2022, and reviewed quarterly reports on the implementation of KEGOC Development Plan for 2017-2021;
	made decisions on the conclusion of non-arms length transactions;
	made a decision on the second bond issue within the first bond program of KEGOC;
	approved 2017-2018 Road Map for KEGOC's Business Transformation Programme;
	approved the Action Plan to improve KEGOC's OSH management system.
Corporate governance and sustainability issues	approved the Action Plan for KEGOC corporate governance improvement and KEGOC corporate governance code introduction for 2017-2021; reviewed the quarterly reports on the plan implementation;
	approved the Report on compliance/non-compliance with the principles and provisions of the Corporate Governance Code for 2016;
	reviewed the Performance Report of the Board of Directors and its committees, the Chairman and members of the Board of Directors and employees of the Internal Audit Service following the performance results of the Board of Directors for 2016;
	approved the Professional Development Program for each member of the Board of Directors;
	the competence of the Strategic Planning and Corporate Governance Committee includes monitoring and evaluation of the Business Transformation Program implementation;
	approved the Action Plan to improve the OSH management system of KEGOC, reviewed the quarterly Health and Safety Reports
	approved the Annual Report and the Sustainability Report for 2016
Risk management, internal	approved risk appetite for 2018, Risk Register, Risk Map,

control and audit issues	Key Risk Management Action Plan, key risk tolerance levels and indicators for 2018, and reviewed quarterly risk reports
	approved the Action Plan to ensure the financial stability of KEGOC
	approved Currency and Interest Risk Hedging Policy and Rules for securing the continuity of KEGOC's operations
	reviewed IAS performance reports, the IAS's Annual Audit Plan
	introduced changes into the Guidelines on Risk Management System, Internal Control System Standard, Regulations on Arrangement and Works Performance on the Internal Control System at KEGOC, and Internal Audit Organization Rules
HR policy issues:	approved new membership of KEGOC's Management Board
	approved motivational maps of the key performance indicators of members of the Management Board and reviewed quarterly reports on their execution
	reviewed the Report on KEGOC's Succession Plan in 2016
	approved the Rules of social support to KEGOC employees in a new edition
	approved amendments and addenda to the Organizational Structure and the total staff number of the Executive Administration (head office)
	approved the Rules for election and early termination of the powers of the Chairman and members of KEGOC's Management Board
Regarding the performance of subsidiaries	reviewed the issues regarding the annual and extraordinary General Meeting of Batys Transit JSC shareholders
	approved financial statements of EnergoInform and FSC RES for 2016
	considered the payment of dividends on ordinary shares and approved the amount of dividends per EnergoInform's ordinary share for 2016
	approved amendments and addenda to EnergoInform's Charter

Also, the Board of Directors in 2017 made the decisions:

introduce amendments to KEGOC Board of Directors' decision (Minutes 1) dated 24 January 2014 on Making a material transaction through the contract for long-term procurement of work package including turn-key construction of 500 kV OHTL Shulbinsk HPP (Semey) – Aktogai –Taldykorgan – Alma.

conclude the following non-arms length transactions:

- with Batys Transit for conclusion of amendment agreements to the securities contracts dated 05 October 2007;
- between Batys Transit and Aktyubinskiye MES branch for maintenance of Batys Transit equipment installed at 220 kV outdoor switchgear at 500 kV Ulke SS and 220 kV OHTL Ulke - Kazchrome 1 and Ulke - Kazchrome 2;
- between Batys Transit and Aktyubinskiye MES branch for maintenance of Batys Transit equipment installed at 500 kV outdoor switchgear at 500 kV Ulke SS and 500 kV OHTL Zhitikara - Ulke;

- between Batys Transit and Sarbaiskiye MES branch for maintenance of Batys Transit equipment installed at 500 kV outdoor switchgear at 500 kV Zhitikara SS and 500 kV OHTL Zhitikara - Ulke SS;
- between Balkhash TPP and Almatinskiye MES Branch of KEGOC for operational maintenance of Balkhash TPP equipment installed at No. 122 Vodozabor SS (one 6 kV bay);
- between Tengizchevroil LLP and Zapadnye MES branch for maintenance of Tengizchevroil LLP equipment installed at 220 kV Kulsary SS (two 10 kV bays);
- between Kazakhstan-China Pipeline LLP and Tsentralnye MES branch for maintenance of Kazakhstan-China Pipeline LLP equipment installed at 220 kV Balkhashskaya SS (two 110 kV bays);
- between Kazakhstan-China Pipeline LLP and Tsentralnye MES branch for maintenance of Kazakhstan-China Pipeline LLP equipment installed at 500 kV Agadyr SS (transformer T-2, one 220 kV bay, six 35 kV bays, five 10 kV bays).

In addition, the members of the Board of Directors of KEGOC took part in the international conference 'Development of Electric Power Systems - Problems and Prospects' in line with the 'energy of the future' global trend became known worldwide as part of 'Astana EXPO-2017' international exhibition and celebration of the 20-year anniversary of KEGOC. Independent directors Luca Sutera and Janusz Bialek were speakers at the 'Astana EXPO-2017' international exhibition; Anatoliy Spitsyn took part in IX Astana Economic Forum and made a presentation on the topic: 'Future Energy and Innovative Economy'.

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

Strategic Planning and Corporate Governance Committee;

Nomination and Remuneration Committee;

Occupational Health, Safety and Environmental Protection Committee;

Audit Committee.

STRATEGIC PLANNING AND CORPORATE GOVERNANCE COMMITTEE

The committee's operations shall be governed by the Regulations on the Committee for Strategic Planning and Corporate Governance.

Composition of the Committee:

Anatoliy Spitsyn, Chairman of the Committee, Independent Director;

Suinshlik Tiyessov;

Janusz Bialek, Independent Director;

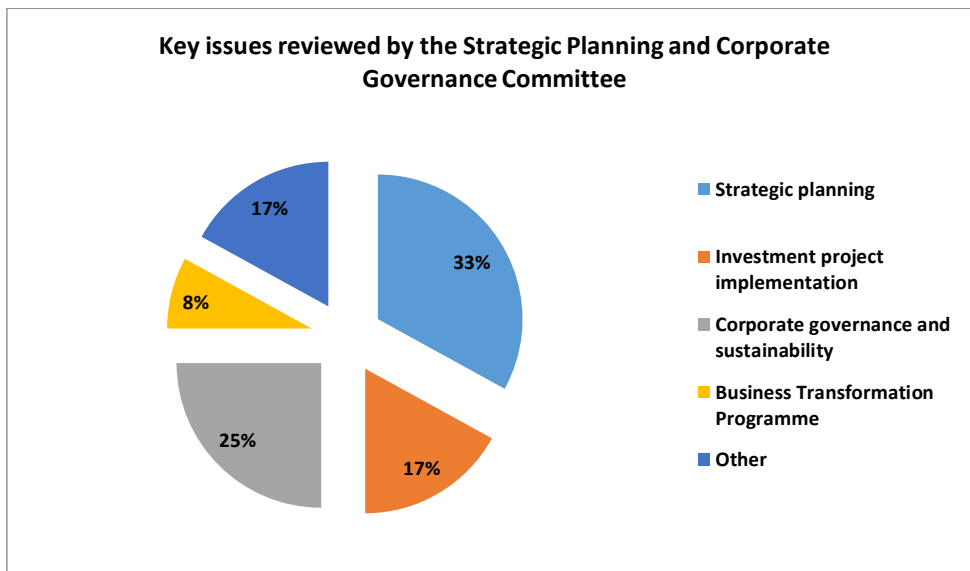
Rustem Sauranbayev, Expert without the right to vote.

Functions of the Committee:

Work out and submit to the Board of Directors the recommendations relating to:

- priority areas of activity and strategic planning ;
- implementation of investment programs and major investment projects;
- improvement of corporate governance and sustainability;
- implementation of Business Transformation Programme.

In 2017 the Committee held eight meetings in praesentia and reviewed 24 issues.



NOMINATION AND REMUNERATION COMMITTEE

The committee's operations shall be governed by the Regulations on the Nomination and Remuneration Committee.

Composition of the Committee:

Janusz Bialek, Chairman of the Committee, Independent Director;

Luca Sutera, Independent Director;

Zhanna Yegimbayeva;

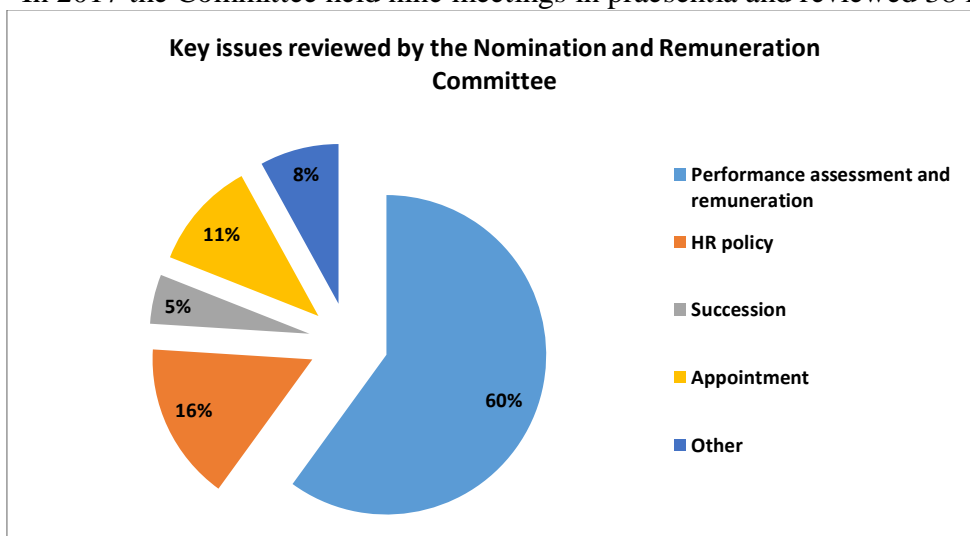
Daulet Karimov, Expert without the right to vote.

Functions of the Committee:

Work out and submit to the Board of Directors the recommendations relating to:

- the membership, terms of powers of the Management Board, election of the Chairman of the Management Board and its members and early termination of powers based on the evaluation of their performance results and skills;
- planning of succession of the Board of Directors and the Management Board;
- ensuring continuing and objective assessment of the performance of the Board of Directors, IAS and the Corporate Secretary;
- ensuring effective HR policy, labour payment and remuneration system, as well as social support, professional development and training of employees.

In 2017 the Committee held nine meetings in praesentia and reviewed 38 issues.



In addition, members of the Committee in 2017 took an active part in the process of stage-by-stage selection of employees for new positions and positions with changes in job descriptions (job-matching), including the CEO-1 management team.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE

The Committee's operations shall be governed by the Regulations on the Occupational Health, Safety and Environmental Protection Committee.

Composition of the Committee:

Dominique Fache, Chairman of the Committee, Independent Director;

Suinshlik Tiyyessov;

Zhanna Yegimbayeva;

Daulet Karimov, Expert without the right to vote.

Functions of the Committee:

Work out and submit to the Board of Directors the recommendations relating to:

- the policy and procedures for ensuring occupational health, safety and environmental protection;
- monitoring of strategic KPIs of KEGOC relating to the occupational health, safety and environmental protection, and achievement of goals in this area;
- ensuring continuing and objective assessment of the performance of the Board of Directors, IAS and the Corporate Secretary;
- sustainability in terms of occupational health, safety and environmental protection.

In 2017 the Committee held six meetings in praesentia and reviewed ten issues, including:

- Concept of development of KEGOC labour safety system.
- Action Plan to improve the OSH management system;
- quarterly Health and Safety Reports of KEGOC.

In addition, a recommendation was made to include the LTIFR indicator in the KPI motivational map of the Managing Director for Business Asset Management of KEGOC.

Audit Committee

The Committee's operations shall be governed by the Regulations on the Audit Committee.

Composition of the Committee:

Luca Sutera, Chairman of the Committee, Independent Director;

Anatoliy Spitsyn, Independent Director;

Dominique Fache, Independent Director;

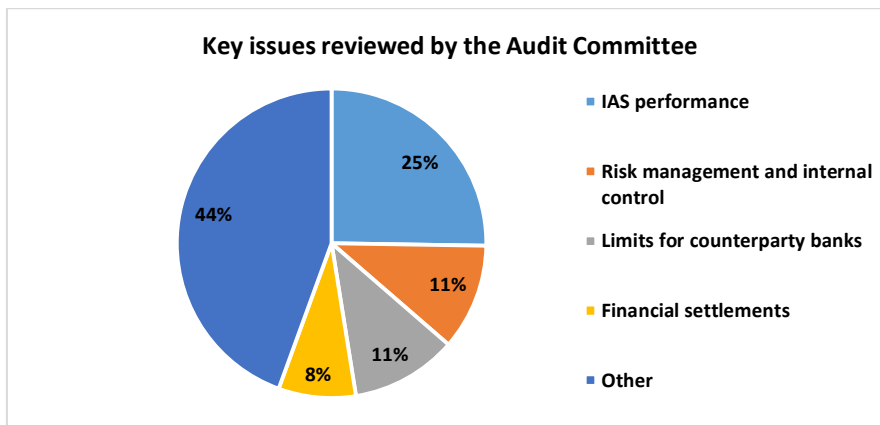
Saltanat Satzhan, Expert without the right to vote.

Functions of the Committee:

Work out and submit to the Board of Directors the recommendations relating to:

- establishment of effective control system for financial and economic activities of the Company (including the completeness and accuracy of financial statements);
- control over reliability and effectiveness of the internal control and risk management systems 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.

In 2017 the Committee held ten meetings in praesentia and reviewed 71 issues.



Also, the Audit Committee members held three meetings with the representatives of Ernst & Young, which was selected to conduct the audit of 2016-2018 financial statements, and discussed audit results of KEGOC consolidated financial statements.

On the whole, the performance of the Board of Directors in 2017 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.

ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE

Rules on assessment of performance of the Board of Directors and its committees, the Chairman and members of the Board of Directors of KEGOC provide for annual evaluation of performance of KEGOC's Board of Directors including during the independent corporate governance diagnostics. 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 component 'The Efficiency of the Board of Directors and the Executive Body' was rated at BB, i.e. corresponding in all material respects to the majority of established criteria.

In accordance with the Rules of remuneration and compensation of expenses for the members of the Board of Directors of KEGOC, independent 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.

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).

So, in 2017, the total annual fixed fee of the members of the Board of Directors of KEGOC amounted to KZT 59.429 thousand, the total additional remuneration was KZT 39.024 thousand.