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# OUR APPROACH TO SUSTAINABLE DEVELOPMENT

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To achieve the Sustainable Development Goals, we consistently integrate ESG principles into the corporate culture and key processes of the Fund. We are constantly improving the corporate governance system in accordance with the best international practices, being a driver of changes in portfolio companies, setting high standards and requirements.

[GRI 2-9](#), [GRI 2-10](#), [GRI 405](#)

The Fund's Corporate Governance Code approved by the Government takes into account the latest global trends in corporate governance and the most relevant provisions of the OECD, in particular, in improving the effectiveness of Boards of Directors and their accountability to shareholders. The Code was developed with the direct participation of OECD experts, Fund management and a pool of independent directors of the group.

The Fund's Group of Companies strives to comply with the principles of the Corporate Governance Code as much as possible in order to strengthen the confidence of institutional investors. In 2022, an analysis of the main provisions of the Code for their compliance was carried out, in the reporting year, the Fund basically complied with all the principles set out in the Code.

By raising standards in the field of corporate governance, we focus on the requirements of the Premium segment<sup>11</sup> of leading stock exchanges, which in turn are based on the strictest requirements of the UK Code of Conduct, the OECD Guidelines for State-Owned Enterprises. As a result, compliance with the requirements of the Premium segment significantly increases the opportunities of companies in the capital markets.

As a responsible investor, the Fund promotes the development of good corporate governance practices in all portfolio companies. The Fund's representatives are members of the Board of Directors of portfolio companies, which enables the Fund to ensure the functioning of corporate governance at a high level, as well as compliance with the interests of the Fund when making decisions in portfolio companies. The Fund reviews the reports of portfolio companies on the evaluation of the effectiveness of the BoD, reports on the activities of portfolio companies, approves the Strategies of portfolio companies, taking into account the cascading of the strategic goals of the Fund.

We are aware that the risks associated with insufficient disclosure of information become investment risks that affect

the long-term sustainability and value of companies. In this regard, we are working to improve the quality and accessibility of disclosed information, including through regular reporting by IFSWF (International Forum of Sovereign Wealth Funds) on Compliance with the Santiago Principles.

The Fund Group implements the preparation of annual non-financial reports (sustainability reports) in accordance with advanced international standards (GRI, TCFD, ISSB, CDP). As a tool for tracking real business changes, the Fund Group has already implemented and will expand the practice of passing an independent assessment by reputable international rating agencies and obtaining ESG ratings.

In 2022, the Charters and Regulations on the Board of Directors have been updated in all portfolio companies in terms of delineating the competencies and powers of the Board of Directors and the Management Board, the procedure for holding meetings and the format of materials for meetings of the Board of Directors have been unified. In 2023, work will continue on integrating the key provisions of the UK Corporate Governance Code into the Fund's Corporate Governance Code..

<sup>11</sup> The Standard segment assumes compliance with the basic minimum requirements of the European Union for issuers, there is no mandatory requirement to comply with the requirements of the UK Corporate Governance Code.

# CORPORATE GOVERNANCE

In our daily practice, we strive to adhere to high standards of corporate governance in the activities of the Fund Group and continuously work on improvements in this area, using the best international practice.

The management of sustainable development issues is integrated into the current corporate governance structure and is carried out at all organizational levels.

☉ [Annual Report 2022: Corporate Governance System](#)

The sole shareholder of the Fund is the Government of the Republic of Kazakhstan, whose powers include approval of the Fund's Development Plan, election and early termination of members of the Board of Directors and the Chief Executive Officer. [GRI 2-10](#)

The Board of Directors provides strategic guidance and control over the implementation of sustainable development, makes decisions on economic, environmental and social issues, based on the recommendations of the relevant Committees. [GRI 2-9](#)  
The Board of Directors delegates the solution of the tasks of the company's current activities to the Management Board headed by its CEO. [GRI 2-13](#)

To improve the effectiveness of decisions taken, preliminary consideration and development of recommendations for the most complex and significant economic, environmental and social issues, the Board of Directors has formed five active committees, one of which is headed by an independent director. Sustainable development issues are considered in the following committees under the Board of Directors: [GRI 2-9](#), [GRI 2-12](#), [GRI 2-14](#)

- The Nomination and Remuneration Committee provides recommendations and forms proposals on attracting

qualified specialists to the Board of Directors, Management Board, to the position of a Corporate Secretary, approval of remuneration of independent directors, terms of remuneration and bonuses for Chairman and members of the Management Board, also Ombudsman and the Corporate Secretary.

- The Audit Committee of the Fund's Board of Directors monitors risks in the field of sustainable development, the quality of non-financial information and reporting, compliance with corporate governance principles and legislation, as well as controls the independence of external and internal audits.
- The Strategy Committee considers strategic planning issues, including the Fund's Development Plan for a 10-year period and the Fund's action plan for a 5-year period.
- The Transformation Program Oversight Committee considers the issues of the Fund transformation and assets restructuring and privatization.

Information about the full composition of the Board of Directors and the committees under the Board of Directors is disclosed in detail in the Fund's Annual Report for 2022,

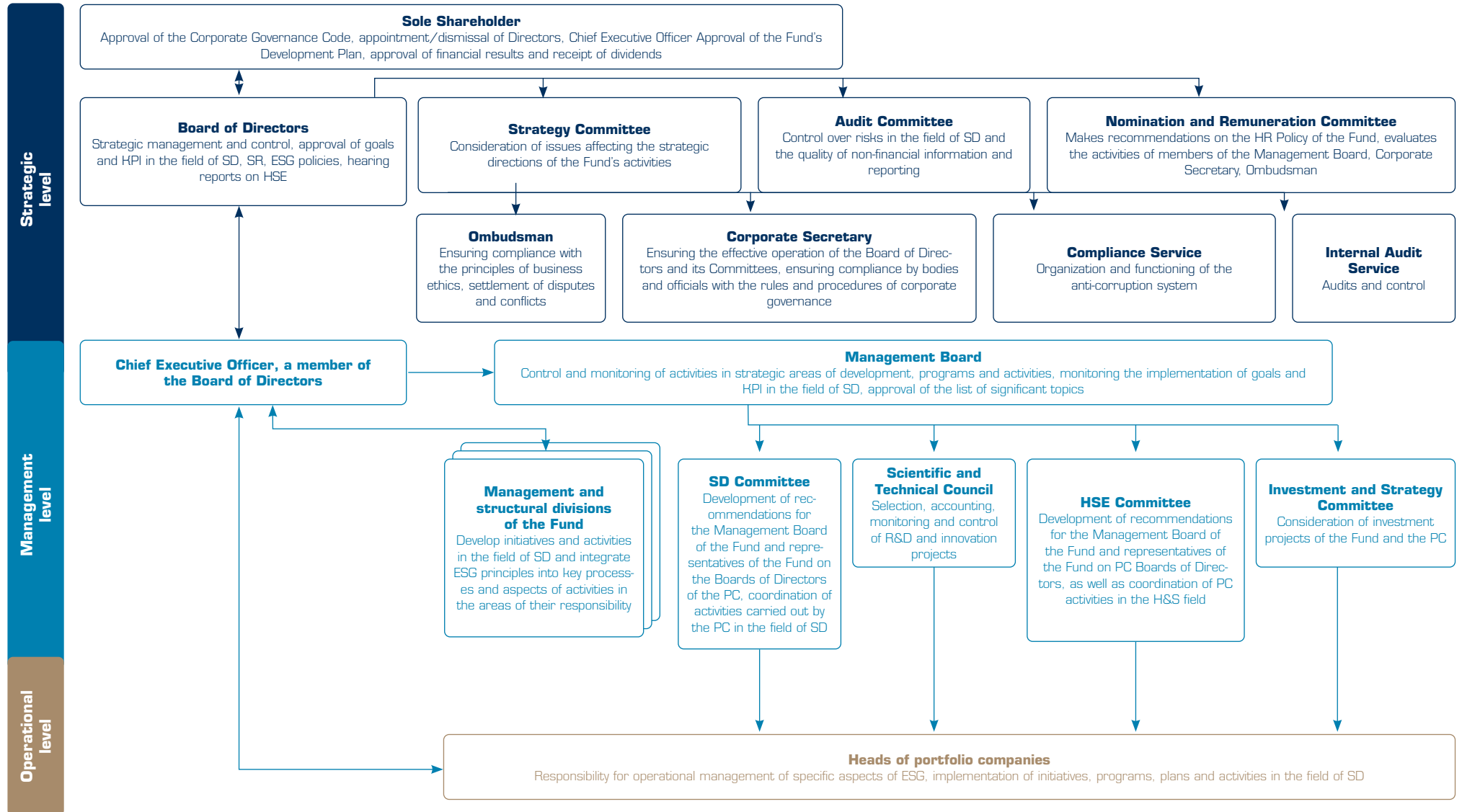
☉ [Annual Report 2022: the Board of Directors and its Committees](#), as well as on the corporate website. [GRI 2-9](#), [GRI 2-10](#)  
☉ [sk.kz](#)

Information on the activities of the Board of Directors and its Committees is posted annually on the corporate website.

In 2022, 18 meetings of the Board of Directors were held, at which 121 issues were considered.



# MANAGEMENT STRUCTURE OF ASPECTS OF SUSTAINABLE DEVELOPMENT





Within the framework of sustainable development, the following reports were approved: Report on compliance/non-compliance with the principles and provisions of the Corporate Governance Code; Sustainability Report for 2021; Report of the Managing Director for Economics and Finance; review of the Report on H&S and Prevention of the Spread of COVID-19 in the Fund's portfolio companies, Report on the results of diagnostics corporate governance.

The Fund's executives responsible for solving economic issues, as well as issues of sustainable development, are members of the Management Board. The Management Board of the Fund manages the daily activities of the Company, ensuring its compliance with the Development Plan, Action Plan and decisions taken by the Sole Shareholder and the Board of Directors. The Management Board reports quarterly to the Board of Directors on the results of the Fund's activities. [GRI2-12](#), [GRI2-13](#) According to internal regulatory documents, the CEO of the Fund cannot be the Chairman of a Committee of the Board of Directors of the Fund. [GRI2-11](#)

The main issues considered by the Management Board of the Fund in 2022:

- Approval of the annual financial statements of the Fund's portfolio companies for 2021;
- Election of the Boards of Directors and Supervisory Boards of the Fund's portfolio companies;
- Coordination and/or appointment of the first Heads of the Fund's portfolio companies;
- Replenishment of the authorized capital of the Fund's portfolio companies;
- Amendments to the Charters and other internal regulatory documents of the Fund's portfolio companies.

The following committees in the field of sustainable development carry out their activities under the Management Board:

- Committee on Health, Safety and Environment.  
The Committee serves as a dialogue platform for discussing

problematic issues, exchanging experience, as well as submitting strategic initiatives and ideas in the field of occupational safety, industrial safety and environmental protection for consideration.

- Committee on Sustainable Development. The purpose of the creation of the Committee on Sustainable Development is to develop recommendations and coordinate the activities carried out by portfolio companies in the field of sustainable development.
- Scientific and Technical Council. The Council ensures collegial and transparent decision-making, selects, records, monitors and controls R&D and innovation projects.

In 2022, the Fund underwent structural changes aimed at implementing ESG principles. A separate structural unit has been created under the Management Board – the ESG Department – under the leadership of the Managing Director for Strategy and Asset Management, coordinating work in this direction. [GRI2-24](#)

## SELECTION AND PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS

The criteria for the selection and election of members of the Board of Directors, including independent directors, and the Chairman of the Board of Directors are defined by the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Company's Charter, Corporate Governance Code and the Regulations on the Board of Directors of the Company.

According to the provisions of the Fund's Corporate Governance Code, when selecting candidates for the Board of Directors, the following are taken into account:

- 1) work experience in senior positions;
- 2) work experience as a member of the Board of Directors;
- 3) work experience;



- 4) education, specialty, including the availability of international certificates;
- 5) availability of competencies in areas and industries (industries may vary depending on the asset portfolio);
- 6) business reputation;
- 7) the presence of a direct or potential conflict of interest in case of election to the Board of Directors of the Fund.

In 2022, the Board of Directors of the Fund consisted of 7 people, 3 of them were independent directors, the share of independent directors was 43% and corresponds to international best practices. During the reporting period, the composition of the Board of Directors was balanced in terms of knowledge, competencies, industry expertise and age diversity. [GRI 2-10](#)

The committees are composed of members of the Fund's Board of Directors and experts with the necessary professional knowledge to work in a particular committee. [GRI 2-10](#)

Members of the Board of Directors should continuously improve their knowledge of the competencies of the Board of Directors and the performance of their duties in the Board of Directors and committees, including such areas as legislation, corporate governance, risk management, finance and audit, sustainable development, knowledge of the industry and the specifics of the organization's activities. Since 2021, the Rules of Professional Development of members of the Board of Directors of the Fund have been in effect in the Fund. [GRI 2-17](#)

To ensure the availability of collective knowledge, since 2020, the Regulations on the Performance Evaluation of the Board of Directors, Board Committees, Chairman and Members of the Board of Directors of Samruk-Kazyna JSC have been in force, according to which the Board of Directors, Committees, Chairman and members of the Board of Directors of Samruk-Kazyna JSC are evaluated as part of

a structured process approved by the Board of Directors. Assessment methods are self-assessment or the involvement of an independent consultant to improve the quality of the assessment. At the same time, at least once every three years, the assessment is carried out with the involvement of an independent consultant. The results of the evaluation are taken into account when re-electing or early termination of the powers of members of the Board of Directors. [GRI 2-18](#)

An independent assessment of the Fund's corporate governance was carried out in 2021. The assessment covered five components of corporate governance, including the effectiveness of the Board of Directors and executive body, risk management, internal control and audit, sustainability and transparency. Based on the results of the evaluation, recommendations were made on further improving the efficiency of corporate governance, which we continued to work on in the reporting year. In 2022, a self-assessment was carried out on the above five components of corporate governance. [GRI 2-18](#)

## REMUNERATION POLICY FOR MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

In accordance with the legislation<sup>12</sup>, the amount and conditions of remuneration payment to independent directors of the Fund are determined by the Sole Shareholder. [GRI 2-19](#) [GRI 2-20](#)

Members of the Fund's Board of Directors who are civil servants do not receive separate remuneration for membership in the Board of Directors and its committees. [GRI 2-19](#)

There is a fixed annual remuneration for independent directors, no other payments are provided. The amount and conditions of remuneration payment to independent directors of the Fund are determined by the Decree of the Government of the Republic of Kazakhstan dated October 17, 2008, No. 962 "On Measures for Implementing Decree of the President of the Republic of Kazakhstan dated October 13, 2008, No. 669" (Annex No. 3, which is marked "FOU"). [GRI 2-19](#) [GRI 2-21](#)

The conditions for the payment of remuneration to an Independent Director are: [GRI 2-18](#) [GRI 2-19](#)

- 1) conscientious performance of the powers of a member of the Board of Directors of the Fund using methods that best reflect the interests of the Fund;
- 2) guidance in decision-making by the legislation, the charter and internal documents of the Fund;
- 3) participation in meetings of the Board of Directors of the Fund, except for illness, vacation, business trip, with the provision of supporting documents.

If the Independent Director participates in less than half of the meetings of the Board of Directors of the Fund held in presence and in absentia, the annual remuneration is reduced by fifty percent, except for the cases provided for in sub-item 3.

Remuneration of members of the Management Board consists of a constant and variable component. The variable component is tied to the fulfillment of medium-term goals and objectives and is set in accordance with the corporate and functional HPI of the Fund approved by the Board of Directors. With regard to remuneration linked to the results of activities, clear target measurable HPIs have been defined. More details about the policy and the process of determining remuneration are disclosed in the Fund's Annual Report for 2022.

© [Annual Report 2022: Remuneration Policy](#)

<sup>12</sup> Law of the Republic of Kazakhstan «On the National Welfare Fund»

# RISK MANAGEMENT AND INTERNAL CONTROL

The corporate risk management system is a key component of the corporate governance system, and is aimed at timely identification, assessment, management and monitoring of risks. CRMS is aimed at providing reasonable assurance to achieve strategic and operational goals, objectives in the field of reliable reporting and compliance with legislation.

The main internal regulatory document regulating risk management issues in the Fund is the Fund's Risk Management and Internal Control Policy. This Policy has been compiled taking into account the recommendations of COSO "Conceptual Funds of risk management of organizations: integration with strategy and performance indicators" and is designed to strengthen the responsibility of risk owners for risk management at all levels of the Fund, to increase the integration of risk management into all processes of the Fund. The Board of Directors approves the risk appetite for the upcoming period, the risk map and register, as well as quarterly approves the Fund's risk reports, which include strategic, financial, legal and operational risks.

In order to effectively manage risks, the Board of Directors has defined the principle of "three lines of defense". [GRI 2-23](#) The first line of defense is the direct owners of the risks. The second line of defense is the Risk Management and Internal Control Department and the Compliance Service, which perform control and monitoring functions. The third line of defense is the Internal Audit Service, which provides an objective and independent assessment of the effectiveness of the risk management and internal control system. [GRI 2-16](#) [GRI 2-24](#)

All key risks, including the risks of accidents, risks of significant investment projects, risks of social instability, financial risks, risks of litigation, reputational risks, risk of the impact of sanctions legislation, risks of the privatization program were in constant focus of attention and control of the Board of Directors in 2022. [GRI 2-12](#)

## ORGANIZATIONAL STRUCTURE OF THE CORPORATE RISK MANAGEMENT SYSTEM [GRI 2-24](#)

The Board of Directors plays an important role in the formation of an effective risk management system. The Board of Directors is responsible for approving the Fund's general risk management and internal control policy, as well as the Fund's individual risk management policy and risk management structure; approving risk appetite, key risk indicators, risk register and risk map; quarterly approving risk management reports describing and analyzing the company's key risks, and risk management measures.

In order to carry out effectively the functions of risk management and internal control, an Audit Committee functions under the Board of Directors, which performs the following advisory functions on risk management and internal control: preliminary approval of risk issues submitted to the Board of Directors; consideration of critical risks, measures taken and plans of the Fund's Risk Management Group analysis of reports of external and internal auditors on the status of the Fund's internal control and risk management systems.

The Management Board is responsible for the organization and effective functioning of the CRMS to ensure compliance with and following to corporate policies. The functions of the Risk Management Board include: timely provision of quarterly risk reports to the Audit Committee and the Board of Directors; ensuring the implementation of the CRMS Policy and improvement of internal documents in the field of risk management and internal control of the Fund; approves the organizational structure of the Fund, providing an effective risk management system.

The Internal Audit Service carries out activities to provide independent and objective guarantees and consultations aimed at improving the organization's activities. Internal audit helps an organization achieve its goals by using a systematic and consistent approach to assessing and improving the effectiveness of risk management, control and corporate governance processes.

The Risk Management and Internal Control Department performs the following functions: ensuring the functioning of CRMS, development and updating of methodological documents on CRMS; analysis of internal/external factors that may have a significant impact on the risks of the Fund Group; identification of risks in the risk map and register; consolidation of risks for the Fund Group by analyzing information; is responsible for timely preparation of the risk register, risk map and risk appetite, as well as for the preparation of quarterly reports on the Fund's risks; interaction with IAS, portfolio companies, external consultants and other stakeholders on risk management issues within their competence.

In 2022, the Fund approved 24 risks in the risk register as the most significant for the Fund's activities, divided into the following groups: strategic risks, financial risks, operational risks and legal risks. The risk register contains ESG risks, such as environmental risk, accident risk, risk of social instability, personnel risks, risk of litigation, risk of violation of corporate governance principles, compliance risks. Also, in 2022, the Fund took into account climate risk factors within the framework of environmental risk.

## INTERNAL CONTROL SYSTEM

The internal control system is an integral part of the Fund's CRMS and is aimed at building a management system that can quickly respond to process risks, monitor the main and auxiliary processes and daily operations, and is built in accordance with the COSO model "Internal Control – Integrated Model", and also consists of five interdependent components:

- control environment;
- risk assessment;
- control procedures;
- information and communication;
- monitoring.

In 2022, the work on building an effective internal control system continued by documenting control procedures in the Fund's internal regulatory documents and compliance with internal regulatory documents in the field of risk management and internal control.

The Internal Audit Service of the Fund is an important element of the risk management and control system. In 2022, the Internal Audit Service conducted audits in accordance with the approved Annual Audit Plan and provided recommendations for improving internal control and risk management systems in the field of business planning, procurement process, compliance with administrative expenses. Based on the results of the inspections, the Service issued recommendations, including proposals to improve the existing internal control and risk management systems, processes, principles and methods of doing business.

The Service conducts its activities in accordance with international professional standards of internal audit, including the Code of Ethics of the International Institute of Internal Auditors. The Service has implemented Programs for guarantee/assurance and improving the quality of internal audit in order to assess internal audit activities for compliance with the Definition of Internal Audit, the requirements of

the International Standards of Professional Practice of Internal Audit of the Institute of Internal Auditors and the Code of Ethics, as well as to assess the effectiveness and efficiency of internal audit and identify opportunities for improvement.

The Program for guarantee/assurance and improving the quality of internal audit provides for periodic internal evaluation and ongoing monitoring of activities, as well as external independent evaluation conducted at least once every 5 years, as well as regular collection of feedback from the audited entity based on the results of the audit. In 2023, it is planned to conduct an external independent evaluation of the Service's activities, the results of which will be presented to the Board of Directors of the Fund.

© [Annual Report 2022: Risk Management and Internal Control](#)

## WORK OF THE COMPLIANCE SERVICE AND THE INSTITUTION OF THE OMBUDSMAN

The Compliance service is the driver of changes not only of the Fund, but also of the entire quasi-public sector towards greater transparency. The fight against corruption is conducted throughout the Fund's Group of Companies in several directions at once. We are actively promoting the institute of compliance in all portfolio companies, thereby bringing the fight against corruption to a qualitatively new level.

Since 2017, compliance services have been established in large portfolio companies of the Fund. At the moment, in all subsidiaries and affiliated companies that fall under

the requirements of the Law of the Republic of Kazakhstan "On Combating Corruption" have compliance services or divisions that are assigned to perform anti-corruption compliance functions. To ensure its effectiveness, the compliance function is endowed with sufficient powers and resources.

All compliance services report directly to the Board of Directors/ Supervisory boards, which ensures their independence from executive bodies. Conflicts of interest are eliminated by excluding the possibility of combining other positions in the company. [GRI 2-15](#)

We follow the best international practices in the field of corruption and regulatory risk management. Analyses and monitoring of these risks are carried out, the results of which are sent to interested government agencies and companies. In the reporting period, all significant business processes of the Fund were analyzed in order to identify corruption and other risks. [GRI 205-1](#)

As part of the Fund's reforms, the role of compliance in ensuring procurement transparency has been strengthened. According to the new Procurement Procedure adopted from



April 1, 2022, categories of single-source procurement that are subject to compliance verification are defined. There is also a ban on business relations with suppliers whose participants are registered in offshore jurisdictions. The new Procurement Procedure provides for the possibility of unilateral termination of transactions in case of violation by suppliers of anti-corruption obligations.

One of the most effective tools for preventing corruption was verification of the reliability of counterparties. Currently, work is underway to automate this process in the Fund's e-procurement system. It is planned to connect to state databases, which will allow analyzing existing counterparties, as well as verifying the reliability of third parties and their affiliation with employees of the Fund's Group of Companies. Connecting to the database will allow checking on sanctions and other "black lists", as well as monitoring the activity of third parties based on scenarios and historical data.

All employees and members of governing bodies undergo a comprehensive security check when entering into employment contracts, as well as familiarization with the Anti-Corruption Policy. [GRI 205-2](#) During the reporting period, 100% of senior managers and administrative and managerial personnel received anti-corruption training.

The official corporate website of the Fund on the home page and in the "Compliance" section contains information in the state, Russian and English languages about the requirements of the anti-corruption system, the main documents in the field of compliance, as well as contacts of the Hotline, functioning in the Company. Appeals, including anonymous ones, received on Hotlines and through other official channels, are considered according to established procedures. The operator of the Hotline is an independent company in relation to the Fund, which allows to ensure the proper level of confidentiality and anonymity of the applicant.

To raise awareness of the employees of the Fund's Group of Companies about the work of the Hotline, videos, posters are posted on a permanent basis in public places, screensavers with Hotline contacts are used. [GRI 2-25](#) Explanatory work and popularization of the "hotline" is carried out in order to increase the culture of reporting violations, also with involvement of the top management of companies, including the policies established by the Fund to protect the applicant and the inadmissibility of harassment. [GRI 2-24](#)

The dynamics of incoming messages to the hotline demonstrates the increasing confidence in the hotline on the part of employees and counterparties of the Fund's Group of Companies.

The processes of registering incoming requests and providing responses to the applicant are automated fully within the framework of a comprehensive compliance system. All requests from the operator of the hotline are submitted to the compliance officers of the Fund Group of Companies in real time.

In total, 905 requests were received by the Hotline during the reporting period. A quarter of the total number of applications received was confirmed. [GRI 2-25](#)

For the Group of companies of the Fund for the reporting period based on the results of compliance audits and investigations of Compliance Services of portfolio companies (including appeals to the "hotline") 171 employees were brought to disciplinary responsibility. In the reporting period, 2 people were brought to criminal responsibility in the Fund's Group for corruption offenses. [GRI 2-25](#), [GRI 205-3](#)

For 2023, the Fund plans the following activities aimed at further formation of an anti-corruption culture:

- certification audit for compliance with the requirements of the international standard ISO 37001 in the Fund with further phased certification of the Fund Group companies;
- development of information systems and data analysis tools to mitigate identified corruption risks;
- participation in the development of the institute of anti-corruption compliance in the quasi-public sector together with the public authorized bodies;
- development of "new" areas of compliance (including sanctions, listing, regulatory, antimonopoly, etc.) with further cascading into portfolio companies through unified methodological approaches.

## Ombudsman

The Fund has an Ombudsman institute, which promotes the principles of corporate ethics, ensuring the objective settlement of corporate conflicts and ethical violations. [GRI 2-25](#) The activities of the Company's Ombudsman are regulated by the legislation of the Republic of Kazakhstan, the Charter, the Regulations on the Ombudsman of the Fund, the Code of Conduct of the Fund and other internal documents.

The main tasks of the Ombudsman are:

- assistance in resolving labor disputes, conflicts, problematic issues of a social and labor nature, as well as in compliance with the principles of business ethics by employees;
- assistance in improving the rating and image of the Fund through early warning and settlement of disputes and conflicts;
- providing informal communications between managers and employees, timely identification of problems and areas for improvement on this basis, making proposals to improve the policies and procedures of the Fund and portfolio companies.