



# **KAZATOMPROM**

NATIONAL ATOMIC COMPANY

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**REPORT  
ON COMPLIANCE WITH THE PRINCIPLES  
AND PROVISIONS OF THE CORPORATE  
GOVERNANCE CODE OF NAC  
KAZATOMPROM JSC  
FOR 2018**

*April 2019*

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## Introduction

Resolution of the Management of Samruk-Kazyna (hereinafter – the Fund), Minutes № 22/15 dated 27 May 2015 approved the Corporate Governance Code (hereinafter – the Code) for the legal entities, fifty or more percent of the voting shares (participatory interests) of which belong to the Fund as a mandatory corporate standard.

The goals of the Code are to improve the corporate governance of the Fund and the Organisations, provide for governance transparency, and confirm the Fund and the Organisations' commitment to adhere to standards of good corporate governance.

The Code has been developed in accordance with legislation of the Republic of Kazakhstan and the Fund's internal documents. The Code takes account of developments in corporate governance both in Kazakhstan and globally, and the Transformation Programme approved by the Fund's Board of Directors (Minutes No. 113 dated 17 September 2014). The provisions of the Code should be applied with consideration of special provisions contained in legislation of the Republic of Kazakhstan.

The Fund and the Organisations should comply with the principles of the Code. Any instance of non-compliance is to be disclosed in the Organisations' Annual Reports together with explanations for the non-compliance. The Board of Directors may conclude that certain provisions of the Code are either not applicable or impossible to implement. If an instance of non-compliance with the provisions of the Code should last for more than six months, the Organisation must notify the Fund and provide an explanation of the reasons for non-compliance. The Boards of Directors of the Fund and the Organisations, respectively, should each be responsible for implementing the Code. Corporate Secretaries should monitor the implementation of the Code and advise the Boards of Directors and the Executive Bodies of the Fund and the Organisations on compliance with the Code. Every year, Corporate Secretaries should prepare a report on compliance/non-compliance with the principles and provisions of the Code. These reports shall be submitted for the consideration of the appropriate Committees of the Board of Directors and subsequently for approval by the Board of Directors. The approved reports shall be included in the Annual Reports of the Fund and the Organisations.

Cases of non-compliance with the provisions of this Code should be thoroughly considered at meetings of the respective Committees of the Boards of Directors and the Boards of Directors, and appropriate decisions should be made to improve corporate governance of the Fund and the Organisations.

In accordance with the Provisions of the Corporate Governance Code the Corporate Secretary Service prepared a report on compliance/non-compliance with the principles and provisions of the Code. The Company also carries out work on improving the Corporate governance system in accordance with the approved plan of measures, drawn up on the basis of the conclusions and recommendations on the results of annual evaluation of the Company's corporate governance rating done using the methodology approved by the Fund, as well as recommendations of BCG for improving the Corporate governance system for IPO listing.

The form of the Report has the same structure and details as the Code. The Report is presented in the form of a table, consisting of 7 parts (similar to the Code), each has the following structure:

- Provisions of the Corporate governance code;
- Description of the current situation in the Company regarding the corresponding provision of the Code;
- Level of compliance (“observed” / “partially observed” / “not observed” / “not applicable”);

Monitoring included the following key steps:

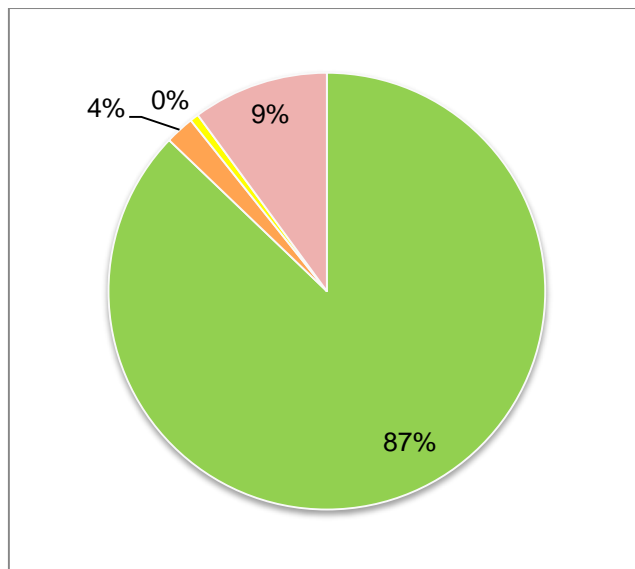
- 1) Collection of available information of the Company.
- 2) Completing the report by the persons responsible for carrying out Gap-analysis in various areas, based on the analysis of internal documents and materials of the Company and information obtained during the interview.
- 3) Consolidation of the monitoring results for consideration by the Internal Audit Committee of the Board and approval by the Board, with subsequent inclusion of the report conclusion in the annual report of the Company for a wide range of stakeholders.

Further, the main conclusions are presented in the context of each separate section of the Code.

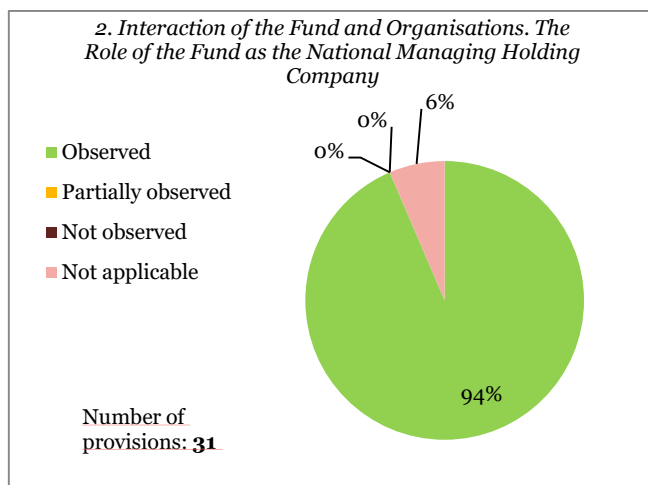
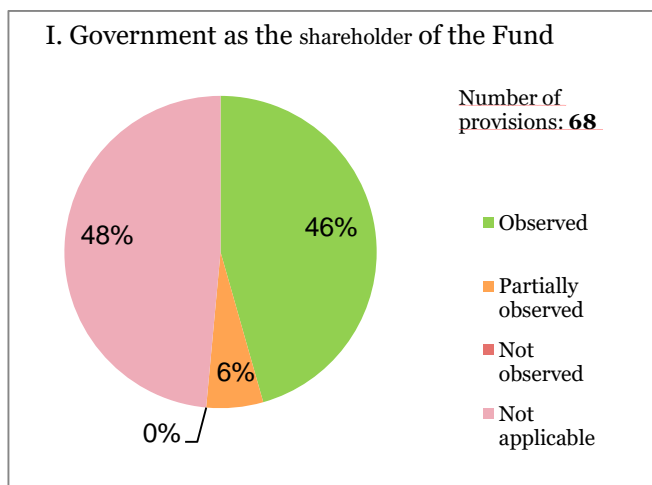
### Main conclusions

According to the results of the analysis, in practice 87% of the provisions of the Code are observed in the Company, 4% of the provisions of the Code are partially observed (with an explanation of the reasons) and 0% of the provisions are currently not observed. 9% of the provisions of the Code are not applicable to the Company.

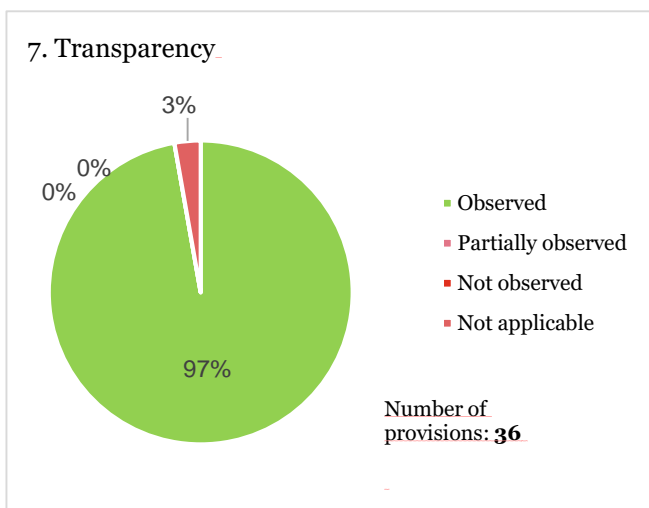
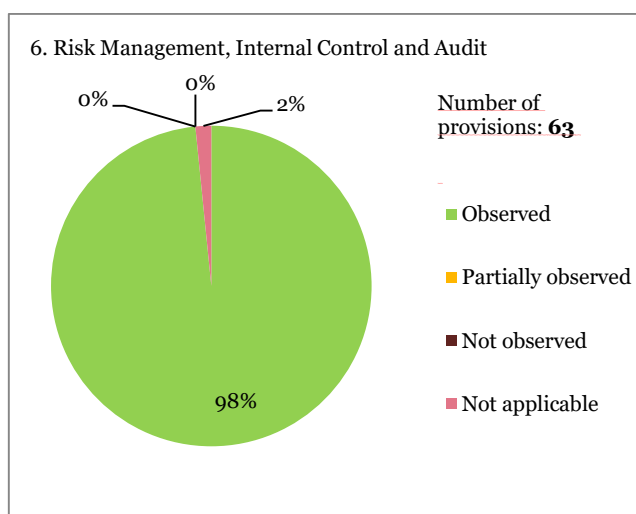
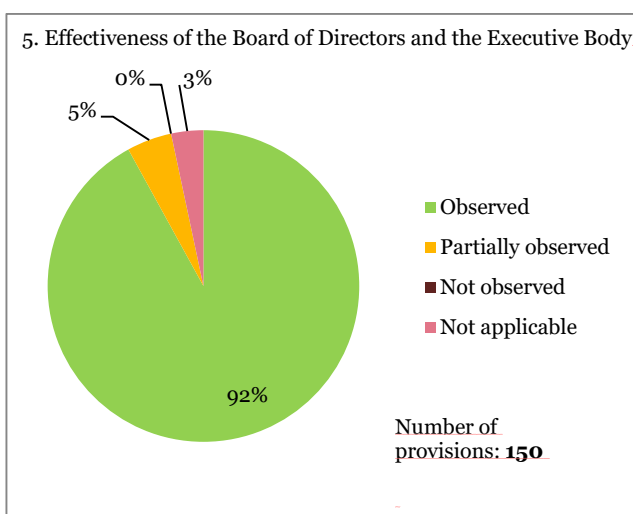
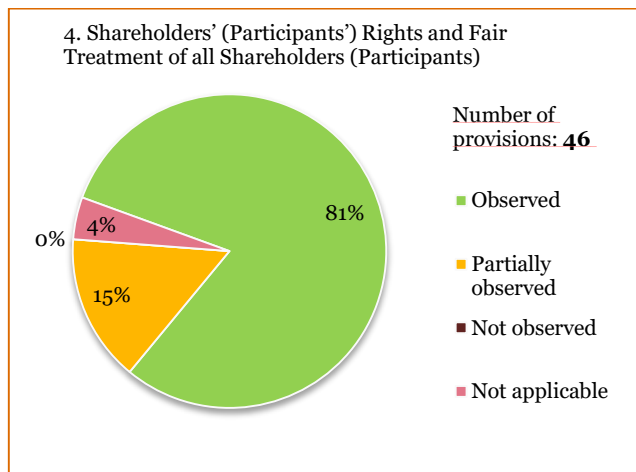
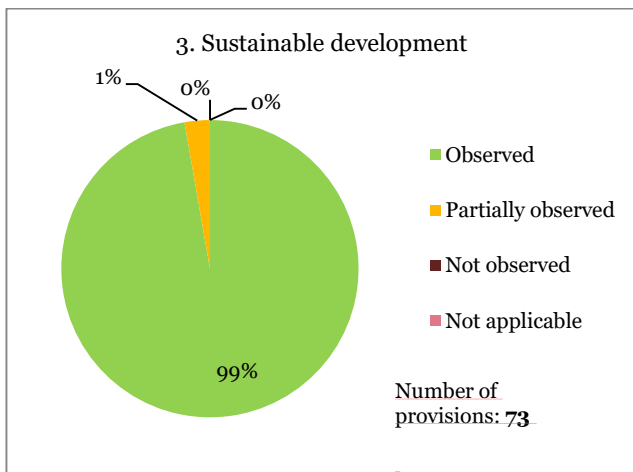
	Evaluation of the Company, %	Number
Observed	86%	404
Partially observed	4%	19
Not observed	0%	0
Not applicable	9%	44
Total number of the Code provisions		467



The main results of the analysis of the compliance of the Company's practice with the provisions of the Corporate Governance Code:

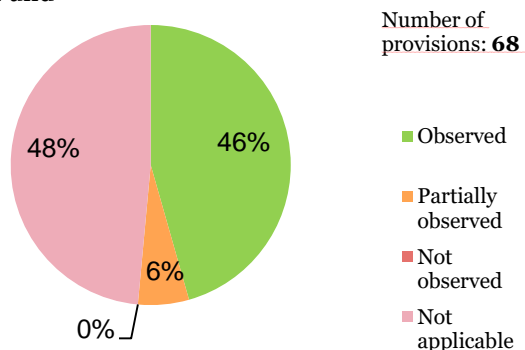


Further, the Report provides detailed analysis on the compliance of the Company's practice of corporate governance with the provisions of the Code.



**I. The Government as the Shareholder of the Fund**  
 Below are results of the Chapter of the Code: "The Government as the Shareholder of the Fund".

I. Government as the shareholder of the Fund



According to the results of the analysis, the current practice of corporate governance in the Company under this chapter meets the requirements of the Code by 46%. 48% - 33 provisions of the chapter are not applicable to the Company as they relate to the activities of the Fund (the Sole Shareholder of the Company).

#	Key spheres of Company's compliance with the Code requirements
1.	The Board of the Company approved the Company's Development Strategy for 2018-2028 (Minutes No. 01/18 of the Board dated February 8, 2018). The Company reports to the Board of Directors of the Company on implementation of the indicators of the strategy on half-year basis. The Management of the Company takes decisions in accordance with its competency, and in the way prescribed by the law, Charter and internal documents of the Company.
2.	The main strategic goal of the Company is the growth of long-term value and sustainable development. Based on the strategic goals and objectives defined in the development strategy, development plans (business plans) are developed. The bodies, officials and employees of the Company and organizations act and make decisions in accordance with the development strategy and bylaws.
3.	The relationship between the Company and the Shareholders is determined by the Company's Charter, the Law on the Joint stock companies of RoK, the Law on the Fund of the RoK. The Charter of the Company defines its bodies and their competencies: the General Meeting of Shareholder, the Board, the Management, IAS, and they are listed in the regulations on the relevant bodies (Regulations on the Board, Regulations on the Management, Regulations on the Company's IAS, etc.).
4.	The Company approved the Code of Corporate Ethics and compliance (hereinafter referred to as the "CCE") (approved by the Board Minutes No. 8/18 dated 26.09.2018). The Company has approved the Anti-bribery policy (by the decision of the Board of Directors of the Company dated April 30, 2015 No. 7/15), moreover the Company has its own "hot-line" and e-mail provided on the official internet site for anonymous calls and letters. The proposed mechanism allows claiming straight to the Audit Committee of the Company on the violation of the CCE. The CCE applies to employees and officials of the Company and is mandatory for execution.
5.	The Company has ensured the presence of the Ombudsman, whose duties include clarifying the provisions of the CCE and organizing the review of all situations related to violations of business ethics, legislation or policies of the Company. The Ombudsman is independent and has a high enough status and level of accountability in order to make any issues in the field of business ethics, compliance with the Company's policies or legislation at the level of the Company's management and Board of Directors.

According to the results of the analysis, the current practice of corporate governance in the Company partially complies with the requirements of the Code by 6%. The practice of corporate governance of the Company at the moment does not meet or partially meets the requirements of the Code as listed below and the following measures are proposed to bring corporate governance practices in line with the provisions of the Code:

#	Areas of non-compliance with key requirements of the Code	Explanations and measures for implementation
1.	<p>The Fund and the Companies should have an optimal structure of assets. The Fund and the Companies should seek the greatest simplicity of their asset structure and their organizational and legal forms of the assets.</p>	<p>According to the Code, a holding company (Kazatomprom) may be established as a joint stock company. It is recommended that other Organisations within the same group be established as limited liability partnerships. It is recommended to consider converting Organisations already established as joint stock companies to limited liability companies. As of December 31, 2018, the Company controlled subsidiaries and affiliates and owned shares in the charter capital of the enterprise - 21; associated companies with stakes in the charter capital - 10; jointly controlled enterprises - 13; other enterprises with a share of participation - 4. Of 46 subsidiaries of the Company in terms of organizational and legal form: LLP - 33; JSC - 5; other organizational and legal forms (non-residents of the Republic of Kazakhstan) - 8.</p> <p>Currently, within the framework of the business transformation and asset restructuring program, the Company is working to separate the core activity, simplify the structure of assets, exit from the spheres of activity in order to avoid competition with private business in the territory of the Republic of Kazakhstan. At the same time, the Company systematically works on the sale of non-core assets.</p> <p>Based on the results of the risk analysis and the economic effect, subject to the adoption of all necessary decisions by the authorized bodies of the Company, it is possible to hold negotiations with other participants of the subsidiaries in the form of joint-stock company for reorganization in the LLP. These measures should also be envisaged by the Restructuring Plan for the medium-term period.</p>
2.	<p>The Organisations should operate within their core activities. New activities may take place only if there is insufficient competition in a given market or if the involvement of the Fund and the Organisations will aid the development of small and medium-sized businesses.</p>	<p>Based on the results of an analysis conducted by an external consultant in 2015, as part of the business transformation program, it was revealed that individual S&amp;A perform their activities in a competitive environment. Currently, the Company is implementing the Action Plan on Restructuring the Company's Assets in order to identify the core activity, simplify the structure of assets, exit from the spheres of activity in order to avoid competition with private business in the territory of the Republic of Kazakhstan. At the same time, the Company systematically works on the sale of non-core assets.</p>

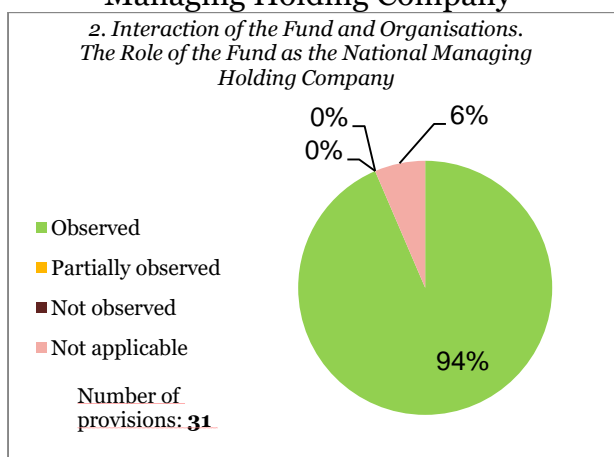
<p>3.</p>	<p>It is recommended that the Fund should have and retain a controlling stake (interest) in its organisations.</p>	<p>Of the 46 subsidiaries of the Company, 5 are joint-stock companies (JSCs), in which the size of the Company's shareholding is between 40% and 100%. 33 are limited-liability partnerships (LLP) with an interest of 5% to 100% (including 50% or more - 21, less than 50% - 12). Other companies (not residents of the Republic of Kazakhstan) with the size of the block of shares and shares of interest from 10 to 100%. (Including 50% or more - 3, less than 50% participation - 4). Total number of S&amp;As in which Company has less than 50% of shares is 16.</p> <p>It is possible to hold negotiations with other participants of the Company's subsidiaries and affiliates for the acquisition of controlling interests. These measures should also be envisaged by the Restructuring Plan for the medium-term period.</p>
<p>4.</p>	<p>Notifications of alleged violations should be sent directly to the IAS or the Board of Directors of the Fund or organization. The executive body and all its structural units, including the security service, should not impede the transfer of notifications of alleged violations to IAS or to the Board of Directors</p>	<p>The Company has established the Ombudsman's Service and the Compliance Service, whose duties include clarification of the provisions of the Code of ethics and compliance and review of all situations related to violations of business ethics, laws or policies of the Company.</p> <p>The Ombudsman and the Compliance Service are independent and have a sufficiently high status and level of accountability in order to raise any issues in the field of business ethics, compliance with the Company's policies or legislation at the level of management and the Company's BoD.</p> <p>The company has mechanisms aimed at gathering information about the violation of the Code of ethics and compliance and Company policies. The company approved the Anti-Corruption and Fraud Policy (Approved by the Board of Directors No. 7/15 of 04/30/2015), the ombudsman also has a helpline and an email address indicated on the Company's website and in the Anti-Corruption and Fraud Policy for anonymous calls and letters. The existing mechanism allows you to report directly to the Audit Committee on Corporate Ethics Violations. At the same time, this functionality, according to the Code, is assigned to the IAS.</p> <p>The Company will initiate the introduction of relevant amendments to the Code, in terms of assigning such functions to the Ombudsman and the Company's Compliance Service.</p>



**Potential negative impact on the Company regarding non-compliance with key requirements of the Code**

1. The absence of a controlling stake (participation share) in the Company's subsidiaries and affiliates, in particular, in the mining companies, entails the risk of losing control over the sales markets and production volumes, reducing the Company's share in the world market and, as a consequence, the possibility of influencing the price in the world market. There is also a risk of receiving dividends from subsidiaries and affiliates in an incomplete (planned) amount.
2. The inconsistency of the provisions of the Code with other internal documents of the Company may be misleading, to shareholders, and potential investors.

## II. Interaction of the Fund and Organisations. The Role of the Fund as the National Managing Holding Company

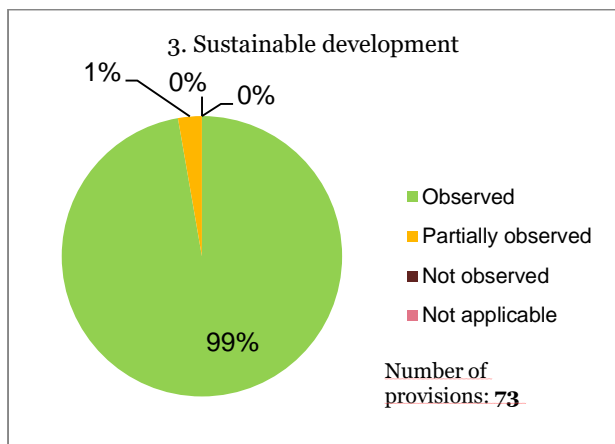


Below are the results of the analysis under the Code section: "Interaction of the Fund and Organisations. The Role of the Fund as the National Managing Holding Company". According to the results of the analysis, the current practice of corporate governance in the Company under this section is 94% consistent with the requirements of the Code. 6% - 2 provisions of the chapter are not applicable to the Company, in connection with the IPO and, as a result, the Fund is no longer the sole shareholder of the Company.

#	Key spheres of Company's compliance with the Code requirements
1.	The bodies and departments within the Fund and the Organisations should have approved Regulations and job descriptions for respective positions. Compliance with these documents ensures consistency of governance processes.
2.	The Fund annually sends to the Chairman of the Board of Directors and representatives of the Fund on the Board of Directors of the Company shareholder expectations for the upcoming fiscal year. After consideration of the letter at the Board of Directors, the Management Board of the Company develops the Action Plan for meeting the shareholder's expectations.
3.	The Fund participates in the management of the Company through the implementation of the functions of a shareholder (participant), as well as through the Board of Directors, in the manner determined by the charters of the companies and the Code
4.	The company's Board of Directors on a quarterly basis holds a meeting on the implementation of the medium-term development plan (business plan), KPD, and interested-party transactions, the decision on which is taken by the Company's Board. The Board of Directors annually reviews the results of the implementation of the Strategy and Development Plan (business plan), which includes the budget, efficiency, investment and financial plans.
5.	The Board of Directors of the Company has full autonomy in making decisions within its competence established by the charter of the Company.
#	Potential negative impact on the Company regarding non-compliance with key requirements of the Code
1.	Not applicable.

### III. Sustainable Development

The results of the analysis under the Code chapter «Sustainable Development» are presented below:



According to the results of the analysis, the current practice of corporate governance in the Company under this section is 99% consistent with the requirements of the Code.

In particular, the Company fulfills the following key requirements of the Code:

#	Key spheres of Company's compliance with the Code requirements
1.	By the decision of the Management Board of Kazatomprom JSC No. 53 dated March 20, 2018, the Stakeholders Card of Kazatomprom JSC was approved. By the decision of the Management Board of NAC Kazatomprom JSC No. 310 dated December 28, 2018 amendments were made to the stakeholder map governing the feedback process on the integrated annual report. The Board approved the Sustainable Development Program of Kazatomprom JSC in the field of corporate social responsibility for 2015-2019 (Minutes No. 3/17 dated May 18, 2016), the Board of the Company approved the Corporate Social Responsibility Policy (Minutes dated 30.03.2015).
2.	The Board of the Company holds quarterly meetings on the implementation of the Company's development plan (business plan), and annually holds a meeting devoted to the implementation of the development strategy, involving all interested parties. When evaluating the performance of the Company, the Board compares the Company with similar companies.
3.	The anti-corruption and fraud policy includes measures to inform stakeholders about the fight against corruption.
4.	The Company annually publishes the Annual Integrated Report containing the section on Sustainable Development.

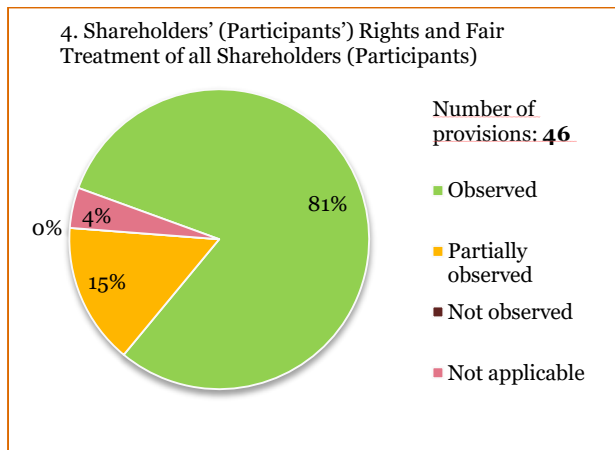
According to the results of the analysis, the current practice of corporate governance in the Company by 1% partially meet the requirements of the Code as listed below and the following measures are proposed to bring corporate governance practices in line with the provisions of the Code:

#	Areas of non-compliance with key requirements of the Code	Explanations and measures for implementation
1.	The fund, companies and organizations whose shares are listed on the stock exchange annually develop and publish reports on sustainable development with due regard for ensuring the protection of information constituting official, commercial and other secrets protected by law.	The company plans to include the relevant section in its annual report. Information disclosure issues are an important requirement within the framework of compliance with the listing rules, in connection with which the Company updated and developed relevant internal documents and created a responsible unit for work with investors. Currently, the sustainable development report is present in the integrated annual report of the Company as one of its sections. Basing on the literal interpretation of the provisions of the Code, the Company is recommended to consider the sustainable development report as a separate document and publish it on the Company's website.

**Conclusion: Potential negative impact on the Company regarding non-compliance with key requirements of the Code**

1. Negative impact is minimal, taking into account the presence of the relevant section in the integrated annual report of the Company.

IV. Shareholders' (Participants') Rights and Fair Treatment of all Shareholders (Participants)  
Below are the results of the analysis under the chapter of the Code: «Shareholders' (Participants') Rights and Fair Treatment of all Shareholders (Participants)».



According to the results of the analysis, the current practice of corporate governance in the Company under this section meets the requirements of the Code by 81%. In particular, the Company fulfills the following key requirements of the Code:

#	Key spheres of Company's compliance with the Code requirements
1.	Shareholders (participants) and investors receive information about the activities of the organization through: <ol style="list-style-type: none"> <li>1) an annual report including, a report of the Board of Directors and audited annual financial statements;</li> <li>2) the organization's Internet resource, containing a section for shareholders (participants) and investors, reflecting current information on the organization's activities;</li> <li>3) the possibility of obtaining information and documents through sending requests to the organization in the manner prescribed by the legislation of the Republic of Kazakhstan, constituent and internal documents of the organization;</li> <li>4) press releases and other information materials distributed by the organization;</li> <li>5) briefings by the organization;</li> <li>6) other methods in accordance with the internal documents of the organization</li> </ol>
2.	In order to effectively distribute the profits of the organization, a clear and transparent mechanism for determining the amount and payment of dividends has been defined (the Company's Dividend Policy).
3.	Dividends are paid within the period established by the decision of the general meeting of shareholders (sole shareholder).
4.	The Company has an Investor Relations Department, whose functions include maintaining communication with investors, ensuring timely and high-quality response to shareholders' questions.

Based on the results of the analysis, the current practice of corporate governance in the Company in this section partially complies with the provisions and principles of the Code by 15%. The main discrepancies are related to the detailed regulation of the work of the General Meeting of Shareholders, the establishment of requirements for institutional investors and some clarifications in the Company's dividend policy.

#	Areas of non-compliance with key requirements of the Code	Explanations and measures for implementation
1.	The procedures of the General Meeting of Shareholders (Participants) should ensure equal treatment of all Shareholders (Participants). The	The company is developing the relevant regulations / procedures for the General Meeting of Shareholders.

	procedures should not unreasonably complicate or raise the cost of voting.	
2.	<p>Institutional investors acting as a proxy should disclose how they resolve significant conflicts of interest that may affect the property rights in relation to their investments.</p> <p>An institutional investor is a legal entity seeking to attract funds to be invested in accordance with legislation of the Republic of Kazakhstan. Institutional investors may be large financial organisations accumulating surplus funds of the population or legal entities for further investment in various financial instruments (insurance funds, pension funds and investment companies).</p>	Such a rule is not provided for by paragraph 26 of the Company's Charter (shareholder's obligations). The Company should consider the possibility of making appropriate adjustments to the Company's Charter and receive feedback from institutional investors.
3.	<p>If shares (interests) in the Organisation are owned by institutional investors, and if these institutional investors act as a proxy, they should disclose, for the purpose of the Organisation's stability, their corporate governance policies and regulations concerning investment activities, including their decision-making procedures. An institutional investor is a legal entity seeking to attract funds to be invested in accordance with legislation of the Republic of Kazakhstan. Institutional investors may be large financial organisations accumulating surplus funds of the population or legal entities for further investment in various financial instruments (insurance funds, pension funds and investment companies).</p>	Such a rule is not provided for by paragraph 26 of the Company's Charter (shareholder's obligations). At the same time, this information is publicly available on the official website of the some institutional investors. The Company should consider the possibility of making appropriate adjustments to the Company's Charter and receive feedback from institutional investors.
4.	<p>The importance of the General Meetings of Shareholders means that it is essential that any executive involved in governance and management systems attends the Meetings if invited.</p>	In accordance with the Charter of the Company, invited persons may attend the General Meeting of Shareholders, who are entitled to speak at the meeting with the permission of the Chairman of the meeting. The mandatory participation of all relevant officials (in particular, members of the Board) at such a meeting is not provided in the current Charter. The company should develop and approve the relevant regulations / regulations of the General Meeting of Shareholders.
5.	<p>The Organisation should develop Regulations for General Meetings of Shareholders (Participants) specifying the procedures for a proper discussion of agenda items, decision-making and presentations by executives.</p>	Detailed regulations for the work of the General Meeting of Shareholders are at the development stage in the Company. The current provisions of the legislation and the Charter of the Company allow the General Meeting of Shareholders to carry out its activities without infringing upon the rights of shareholders of the Company.

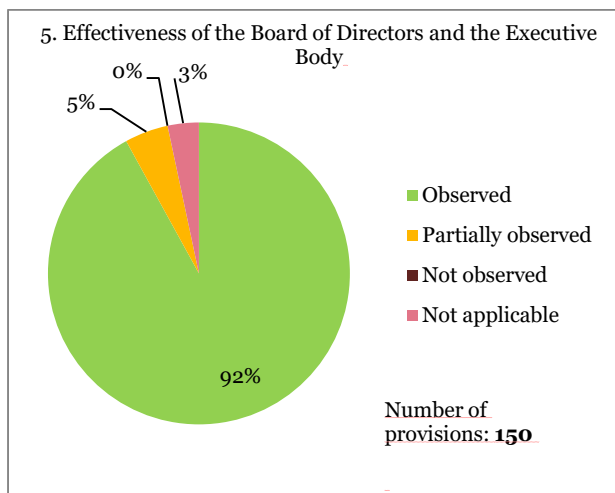
6.	The process for voting at the General Meeting of Shareholders should be as simple as possible for the Shareholders (Participants) and should include all possible means of voting as specified in the Organisation's Charter.	The detailed voting process is planned to be regulated in the relevant internal document of the Company. At the moment, the Company is governed by the provisions of the applicable law and the Charter of the Company.
7.	Materials related to the agenda of the General Meeting (with considerations of protection of confidential information) should be posted on the Organisation's corporate website and should include contact details (telephone number, email) of the people responsible for relations with the Shareholders (Participants) and investors.	The issue of providing shareholders with relevant materials on the agenda of the meeting of the General Meeting of Shareholders and posting them on the Company's website, taking into account the protection of confidential information, is being worked out in the Company. The Company has the necessary resources to implement this standard, however, the General Meeting of Shareholders was not held in 2018.

**# Potential negative impact on the Company regarding non-compliance with key requirements of the Code**

1.	The lack of detailed regulations for the work of the General Shareholders Meeting of the Company may entail certain difficulties during the meeting of the General Shareholders Meeting in the part not regulated by the legislation and the Articles of Association of the Company, which may reduce the trust of shareholders in respecting their rights.
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## V. Effectiveness of the Board of Directors and the Executive Body

Below are the results of the analysis under the Code section: «Effectiveness of the Board of Directors and the Executive Body».



Based on the results of the analysis, the current practice of corporate governance in the Company under this section meets the requirements of the Code by 92%. In particular, the Company fulfills the following key requirements of the Code:

#	Key spheres of Company's compliance with the Code requirements
1.	In accordance with the Regulations on the Board of Kazatomprom JSC, the members of the Board bear personal responsibility for the performance of the duties of a member of the Board, including fiduciary duties to the shareholder (s) and decisions taken, the effectiveness of their activities, action and / or inaction.
2.	The term of office of the Board members does not exceed three years, with the right of subsequent re-election, which is clearly enshrined in the Company's Charter and the Regulations on the Board and the Code approved by the Sole Shareholder.
3.	The Board of Directors of the Company and its committees should observe a balance of skills, experience and knowledge, ensuring the adoption of independent, objective and effective decisions in the interests of the organization, taking into account fair treatment of all shareholders and the principles of sustainable development.
4.	In organizations with several shareholders, the process of electing members of the Board of Directors and the Chairman of the Board of Directors is carried out in the manner determined by the Law of the Republic of Kazakhstan "On Joint Stock Companies" and the Charter of the organization. In these organizations, it is recommended that the Nomination and Remuneration Committee of the organization be involved in determining the composition, necessary skills and competencies of the Board of Directors and candidates to the Board of Directors.
5.	The participation of members of the Government, officials of state bodies on the Board of Directors of the Company is not allowed.
6.	Evaluation of the activities of the Board, Committees of the Board and each member of the Board is held annually and every 3 years with the involvement of an independent consultant.
7.	The Company approved the Regulation on the Settlement of Corporate Conflicts and Conflicts of Interest of Kazatomprom JSC (approved by the Board Minutes No. 2/11 dated 10.03.2011), which defines the concept of conflict of interests, a list of possible situations of conflict of interest, fixes the procedure for resolving conflicts of interests among members of executive Bodies and other employees of the Company, which is being implemented in practice.

According to the results of the analysis, the current corporate governance practice in the Company partially complies with the requirements of the Code by 5% as indicated below and the following measures are proposed to bring the corporate governance practice in line with the provision of the Code:

#	Areas of non-compliance with key requirements of the Code	Explanations and measures for implementation
1.	<p>Major shareholders (the sole shareholder) can meet with the chairman and members of the Board of Directors to discuss development strategy, elect the first head of the executive body and other aspects that affect the growth of long-term value and the sustainable development of the organization. Such meetings are pre-planned and held in accordance with approved procedures.</p>	<p>Representatives of Samruk-Kazyna JSC held meetings with the Chairman and members of the Board of Directors to discuss development strategy issues, elect the first head of the Executive Body and other aspects that affect the growth of long-term value and the Sustainable Development of the Organization. Such meetings were not pre-planned and held in accordance with approved procedures. At the same time, meetings of the members of the Board of Samruk-Kazyna JSC with the members of the Company's Board of Directors were rather rare and not systematic. The Company should consider the need for meetings of the Board of Directors members with the management of Samruk-Kazyna JSC and other major shareholders of the Company on an annual basis according to the schedule developed by the Company and agreed with major shareholders.</p>
2.	<p>In the composition of the Board of Directors it is necessary to ensure diversity in terms of experience, personal characteristics and gender composition. The Board of Directors should include independent directors, in quantities sufficient to ensure the independence of decisions made and fair treatment of all shareholders. The recommended number of independent directors on the company's Board of Directors is up to fifty percent of the total number of members of the Board of Directors.</p>	<p>Determination of the number, term of office of the Board of Directors, election (appointment) of the Chairman of the Board of Directors, its members and early termination of their powers, as well as determination of the amount and terms of remuneration and reimbursement of expenses to members of the Board of Directors for the performance of their duties fall within the exclusive competence of the General Shareholders Meeting. Observed in accordance with the Charter of NAC Kazatomprom JSC, the Regulation on the Board of Directors of NAC Kazatomprom JSC and the Corporate Governance Code of NAC Kazatomprom JSC and the relevant provisions of the Fund. The number of members of the Company's Board of Directors is 7. Not less than 30% members must be independent directors (3 out of 7 members are independent directors). The diversity of the composition of the Company's Board of Directors on the basis of gender is not met as there are no female directors.</p>



<p>3.</p>	<p>The general meeting of shareholders elects members of the Board of Directors based on clear and transparent procedures, taking into account the competencies, skills, achievements, business reputation and professional experience of the candidates. When re-electing individual members of the Board of Directors or its entire composition for a new term, their contribution to the effectiveness of the organization's Board of Directors is taken into account.</p>	<p>Determination of the number, term of office of the Board of Directors, election (appointment) of the Chairman of the Board of Directors, its members and early termination of their powers, as well as determination of the amount and terms of remuneration and reimbursement of expenses to members of the Board of Directors for the performance of their duties fall within the exclusive competence of the General Shareholders Meeting. Executed in accordance with the Charter of NAC Kazatomprom JSC, the Regulation on the Board of Directors of NAC Kazatomprom JSC and the Corporate Governance Code of NAC Kazatomprom JSC. At the same time, there is no detailed procedure for creating a succession plan and procedures for forming a pool of candidates for the position members of the Board of Directors of the Company. It is necessary to develop a succession plan / methodology for the formation of a succession plan taking into account the best international practices and submit to the Company's authorized body. on the development stage of the Company and is based on an independent evaluation of the Company's Board of Directors</p>
<p>4.</p>	<p>The Fund and organizations need to ensure the existence of succession plans for members of the Board of Directors to maintain business continuity and progressively renew the composition of the Board of Directors.</p>	<p>It is necessary to develop a succession plan / methodology for the formation of a succession plan, taking into account the best international practices, and submit it to the authorized body of the Company. The succession plan is at the development stage in the Company.</p>
<p>5.</p>	<p>The level of remuneration of members of the Board of Directors should be sufficient to attract, retain and motivate each member of the Board of Directors to the level that is required for successful management of the organization. The remuneration of a member of the organization's Board of Directors is determined in accordance with the methodology developed by the Fund, and the expected positive effect on the organization of the participation of this person on the Board of Directors should be taken into account. In organizations with several shareholders, the relevant rules for remuneration of members of the Board of Directors are developed on the basis of the Fund's methodology and approved by the general meeting of shareholders. The Nomination and Remuneration Committee of the Board of Directors of the organization makes proposals on the amount of remuneration of candidates for independent directors.</p>	<p>Independent directors of the Company are paid remuneration in accordance with the methodology of Samruk-Kazyna JSC. Samruk-Kazyna JSC approved the Rules for forming the compositions of the Board of Directors and Supervisory Councils of the Samruk-Kazyna JSC companies. The remuneration policy of members of the Board of Directors complies with the methodology of Samruk-Kazyna JSC, however, this document was not approved by the decision of the General Meeting of Shareholders of the Company. The Company is recommended to develop a Remuneration Policy for members of the Board of Directors and submit it for consideration by the General Meeting of Shareholders of the Company.</p>

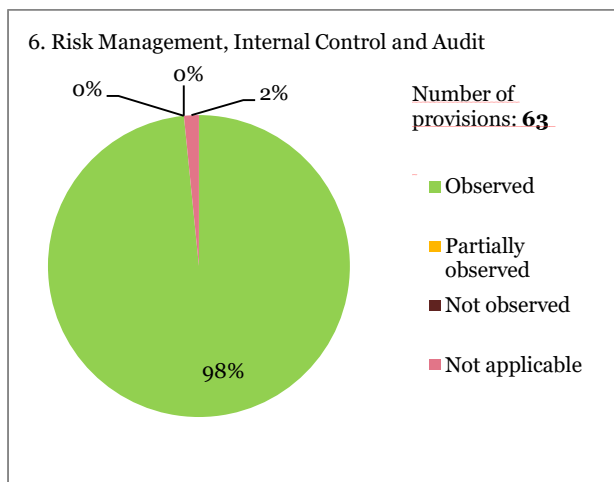
6.	<p>In organizations with several shareholders, the relevant rules for remunerating members of the Board of Directors are developed on the basis of the Fund's methodology and approved by the general meeting of shareholders.</p>	<p>Samruk-Kazyna JSC approved the Rules for forming the compositions of the Board of Directors and Supervisory Councils of the Samruk-Kazyna JSC companies of expenses of independent directors of companies of Samruk-Kazyna JSC. At the same time, these rules of remuneration of the members of the Board of Directors of the Company are not approved by the General Meeting of Shareholders of the Company. The Company is recommended to develop a Remuneration Policy for members of the Board of Directors and submit it for consideration by the General Meeting of Shareholders of the Company.</p>
7.	<p>In special cases, a combination of both forms (via ballots, in person attendance, by the mean of conference session/call and written opinion) of the Board of Directors and its committees is possible. This concerns a situation where one or several members of the Board of Directors are not able to personally attend a meeting of the Board of Directors. The quorum for holding a meeting of the Board of Directors is at least half of the number of its members and is determined taking into account the members of the Board of Directors who participate in the discussion and voting of the issues under consideration, using technical means of communication (in the form of a video conference session, telephone conference call, etc. the presence of their votes expressed in writing</p>	<p>The quorum for holding a meeting of the Board of Directors is at least half of the number of members of the Board of Directors, including members of the Board of Directors who use technical means of communication (i.e., in the mode of a video conference call and telephone conferencing). The quorum can be determined taking into account the absent members of the Board of Directors in the presence of their votes expressed in writing in accordance with Appendix No. 4 to these Regulations. When determining the quorum and voting results, this opinion is taken into account only on those issues on the agenda on which it contains the result of voting by a member of the Board of Directors. At the same time, according to the Charter of the Company, the use of technical communication means is equivalent to the in-absentia form. Moreover, so-called "written opinion" (mentioned in the current BoD Regulation) has almost the same form as the in-absentia ballot and as a result cannot be considered as the presence in person of the BoD member. The Company should make the appropriate changes to the Charter of the Company. Corresponding changes are included in the agenda of the annual General Meeting of Shareholders of the Company following the results of 2018.</p>

**# Potential negative impact on the Company regarding non-compliance with key requirements of the Code**

1.	<p>In view of the incompatibility of observance of the principle of gender diversity in the composition of the Company's Board of Directors, the lack of a mechanism for forming a succession plan for members of the Board of Directors and their remuneration, a decline in the Company's investment appeal may occur.</p>
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## VI. Risk Management, Internal Control and Audit

Below are the results of the analysis under the Code chapter: «Risk Management, Internal Control and Audit».

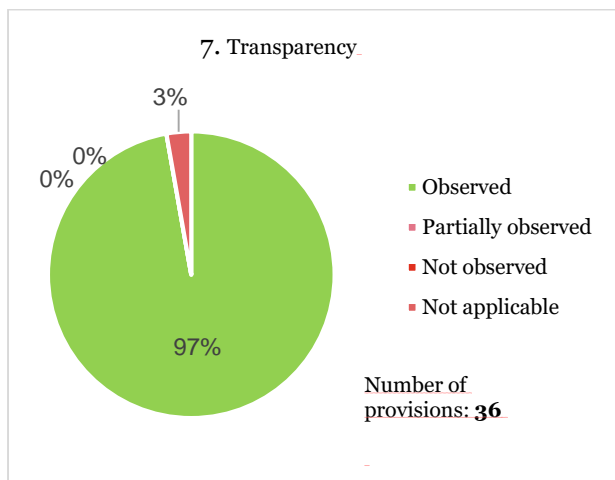


Based on the results of the analysis, the current practice of corporate governance in the Company under this chapter is 98% consistent with the requirements of the Code. In particular, the Company fulfills the following key requirements of the Code:

#	Key spheres of Company's compliance with the Code requirements
1.	An effective risk management system is a fundamental element of the activity and development strategy of Kazatomprom JSC. Kazatomprom JSC has formed a structural unit responsible for the organization of risk management activities, which carries out activities to organize the activities of the Company's risk management system. At the Company's enterprises, separate structural units responsible for risk management have been formed, or risk managers have been appointed.
2.	The Management of the Company is responsible for the organization of an effective RMS and ICS. The process of risk management is based on interaction with key business processes of the Company, such as: strategic planning, operational activities, investment activities, credit activities, budgeting, staff motivation.
3.	Qualitative and quantitative risk appetites, a register and a risk map are approved in the Company. The risk register provides for levels of tolerance for key risks.
4.	All key issues on risks submitted for consideration and approval to the Board of the Company are preliminary considered by the Internal Audit Committee of the Company. Only after all comments and suggestions of the Internal Audit Committee have been worked out, is document submitted to the Board of the Company. All meetings of the Committee and the Board of the Company are recorded.
5.	Employees and officials of the Company have the right to confidentially declare to the Internal Audit Committee/Board of the Company about the violation or incorrect execution of risk management procedures or internal control, or other policies, as well as cases of fraud, violation of legislation, hotline.
6.	The Regulation on IAS provides for functional accountability to the Board of Directors. Functional accountability is ensured by the Board of Directors by approving the annual and strategic plan, budget, composition, and remuneration conditions of IAS. The provision specifies that IAS should be free from the intervention of third parties in the process of determining the scope of internal audit, conducting work and reporting on results. The head of the CBA should provide the board with the information if there are interventions and discuss the possible consequences.
#	Potential negative impact on the Company regarding non-compliance with key requirements of the Code
1.	Not applicable.

## VII. Transparency

Below are the results of the analysis under the Code chapter: «Transparency».



Based on the results of the analysis, the current practice of corporate governance in the Company under this chapter is 97% consistent with the requirements of the Code. In particular, the Company fulfills the following key requirements of the Code:

#	Key spheres of Company's compliance with the Code requirements
1.	The Company has the Rules "Disclosure of information of NAC Kazatomprom JSC approved by the decision of the Board of Directors dated December 6, 2017 No. 11/18.
2.	The Company has approved by the Board decision dated January 29, 2015 No. 52 "The list of documents and information constituting confidential information of NAC Kazatomprom JSC and each employee signs the Obligation to not disclose information constituting confidential information of NAC Kazatomprom JSC. Compliance Service leads regular accounting and monitoring of persons who have access to the Company's insider information.
3.	Financial statements are published as required. Shares of NAC Kazatomprom JSC are listed on stock exchanges. NAC Kazatomprom JSC is listed on AIX and LSE. On the Company's Internet resource there is a separate section of the Investors website, containing the necessary information in accordance with the AIX and LSE rules (in three languages) and contact details of the responsible persons. The Company has the Rules for Disclosing Information in the Media dated May 26, 2016 No. 155, approved by the Board of Directors. Placement of information on the Internet resource of NAC Kazatomprom JSC is governed by the Information Disclosure Rules approved by the BD 11/18 of December 6, 2017. The corresponding disclosure schedules were drawn up taking into account the requirements of the exchanges on which the Company's shares are placed. The Company also has a Disclosure Policy information of NAC Kazatomprom JSC, approved by the decision of the Company's Board of Directors of 10/19/2018, No. 9/18.
4.	The Company prepares an Integrated Annual Report in accordance with the provisions of the Code and best practices for disclosing information.
5.	The Company ensures the audit of annual financial statements in accordance with the legislation of the Republic of Kazakhstan and internal documents of the Company. The annual audit of the financial statements is conducted through the involvement of an independent auditor, an international audit organization that has a high level of professional skill of the audit firm; Experience in both Kazakhstan and international markets; Knowledge of the industry's business; Positive reputation. The independent auditor as an external entity provides an objective opinion to the Interested parties on the reliability of the financial statements and its compliance with the requirements of IFRS.

The selection of the external auditor of the Company is carried out on the basis of a competition. The procedure for selecting an audit organization is carried out in accordance with the Rules for choosing an audit organization for Samruk-Kazyna JSC and organizations, more than fifty percent of the voting shares (shares) which are directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management, approved by the Decision of the Board of Samruk-Kazyna JSC (hereinafter - the Fund) dated December 27, 2016. The members of the audit committee are members of the competition committee for the selection of an external auditor and participate in the process of evaluating the results of the competition. The recommendations of the audit committee of the board of directors on the purpose and amount of payment for the services of an external auditor are presented to the board of directors and the general meeting of shareholders. The Audit Committee of the Board of Directors recommends the amount of payment, the timing of the audit and the choice of an audit organization to the Board of Directors of the Company.

6. The company is disclosed on the corporate website: the name of the audit organizations that provided services for the audit of financial statements; information on the amount of remuneration of the audit organization under the contract; "Policy in the field of attracting services of audit organizations" (Minutes of the Board of Directors of 19.02.2019 No. 1/19), which contains information on the appointment and rotation of the external auditor and key personnel of the audit organization, on the approval of the services of the audit organization, not related to the audit of financial statements and other information, and on the employment of former employees of an audit organization.

The Company's audit is carried out by an auditing organization that is not affiliated with it and its management. The external auditor does not provide consulting services to the company. In 2018, the external auditor rendered services for conducting seminars, the cost of which is not more than 10% of the total value of remuneration paid to all audit organizations. There are no cases of recruitment to senior positions or positions that imply a significant impact on the process of preparing financial statements of former members of the audit team earlier than 2 years after their dismissal from an audit organization. Rotation of the partner was carried out for a period of not more than 5 years, however, in exceptional cases, such term of authority of the partner can be prolonged by the approval of the Audit Committee with the condition that total period of office of such partner will be no longer than 7 years..

**# Potential negative impact on the Company regarding non-compliance with key requirements of the Code**

1. Not applicable.