

## **Minutes No. 2 of the extraordinary General Meeting of Shareholders of Kazakhstan Electricity Grid Operating Company (KEGOC)**

Astana

16 October 2015

Location of Kazakhstan Electricity Grid Operating Company (KEGOC) joint-stock company (hereinafter - KEGOC or the Company): 59 Tauyelsizdik Ave, Astana, Kazakhstan.

Venue of the extraordinary General Meeting of Shareholders of Kazakhstan Electricity Grid Operating Company (KEGOC) joint-stock company, (hereinafter - the Meeting): 59 Tauyelsizdik Ave, Astana, Kazakhstan, 11:00 AM.

Kuanysh Bektemirov, the Chairman of the Board of Directors, delivered the welcoming speech and told the audience that the present Meeting was convened on the initiative of the Board of Directors on 16 October 2015 with the following agenda:

1. Approve the Regulations on the General Meeting of Shareholders of KEGOC.
2. Approve the new revision of KEGOC's Charter;
3. Approve the new revision of the Corporate Governance Code of KEGOC.
4. Approve the new revision of the Regulations on the Board of Directors of KEGOC.
5. Approve the financial statements, distribution of the net income, decision to pay dividends on ordinary shares and on the amount of the dividends per one ordinary share of KEGOC for the first half of the year 2015.

Information about the Meeting was published in the national print media Yegemen Kazakhstan and Kazakhstanskaya Pravda on 15 September 2015 and on the website of KEGOC.

Kuanysh Bektemirov introduced the panel of the General Meeting of Shareholders:

1. Kuanysh Bektemirov - Chairman of the Board of Directors, KEGOC;
2. Alexey Repin - representative of Samruk-Kazyna (major shareholder);
3. Bakytzhan Kazhiyev - Chairman of the Management Board, KEGOC;
4. Yertai Ramazanov - Corporate Secretary, KEGOC.

In accordance with clause 1.4 of Article 36 of Law of the Republic of Kazakhstan No. 415 dated 13 May 2003 'On Joint-Stock Companies' (hereinafter - the Law), General Meeting of Shareholders of KEGOC defined the number of members and term of office of the Counting Board and elected its Chairman and members .

Then, Kuanysh Bektemirov gave the floor to Shayakhmet Tokubayev, the Chairman of the Counting Board.

Shayakhmet Tokubayev reported about the registration of shareholders and the quorum of the Meeting, clarified the rights and responsibilities of shareholders, in addition, he said that the Meeting shall be entitled to consider and decide on the agenda, if at the end of the registration of the meeting participants, shareholders or their representatives included in the list of shareholders entitled to participate in and vote on it, and who hold in aggregate fifty and more percent of the voting shares of the Company have been registered.

All attending shareholders were registered and their powers were properly checked. The powers of the representative of Samruk-Kazyna (shareholder) were certified by a duly issued power of attorney (provided).

During the registration all shareholders, who attended the Meeting, received explanatory notes, draft decisions and voting ballots on the agenda issues.

Shayakhmet Tokubayev informed that in accordance with the list of shareholders of the Company represented by the Company's Registrar - Integrated Securities Registrar - as of 12 October 2015, the total number of placed shares amounts to - 260,000,000 among them - 260,000,000 ordinary shares, preferred shares - none.

The meeting was attended by 106 (one hundred six) shareholders entitled to attend and vote at the Meeting. Number of votes registered at the Meeting of Shareholders is 234,056,304 (two hundred thirty-four million fifty-six thousand three hundred and four), that represents 90.022% of the total number of votes of the shareholders - owners of the Company's placed shares.

### **Quorum of the extraordinary General Meeting of Shareholders is reached.**

Kuanish Bektemirov, Chairman of the Board of Directors, gave the floor to Bakytzhan Kazhiyev, the Chairman of the Management Board of KEGOC.

Bakytzhan Kazhiyev made a welcoming speech and proposed the shareholders of KEGOC to consider the Meeting open.

After that, in accordance with clause 4 of Article 48 of the Law, Bakytzhan Kazhiyev offered to set an open form of voting on the agenda issues.

After discussion, the shareholders decided to set the open form of voting.

#### **Voting results:**

'Pro' - 105 shareholders, representing 99.057% of the total number of shareholders present

'Contra' - none

'Abstain' - 1

Voting was conducted according to the principle: 'one shareholder - one vote'.

#### **Resolved:**

Decide on the form of voting on agenda items: open.

Bakytzhan Kazhiyev proposed to elect Alexey Repin, representing the major shareholder Samruk-Kazyna, the Chairman of the Meeting.

#### **Voting results:**

'Pro' - 104 shareholders, representing 98.113 % of the total number of shareholders present

'Contra' - none

'Abstain' - 2

Voting was conducted according to the principle: 'one shareholder - one vote'.

**Resolved:**

Elect Alexey Repin, representing the major shareholder Samruk-Kazyna, the Chairman of the Meeting.

Bakytzhan Kazhiyev continued.

In accordance with sub-clause 12 of Article 1 of the Law, as part of his activity, the Corporate Secretary of the Company shall monitor the preparation and holding of the shareholders' meetings, ensure the compilation of the materials on the agenda of the General Meeting of Shareholders of the Company.

In this regard, it is proposed to elect Yertai Ramazanov, the Corporate Secretary of the Company, the Secretary of the Meeting.

**Voting results:**

'Pro' - 105 shareholders, representing 99.057% of the total number of shareholders present

'Contra' - none

'Abstain' - 1

Voting was conducted according to the principle: 'one shareholder - one vote'.

**Resolved:**

Elect Yertai Ramazanov the Secretary of the Meeting.

Alexey Repin welcomed the shareholders and thanked for electing him the Chairman of the General Meeting of Shareholders, then he informed of the regulations of the Meeting:

- speaking on agenda items: up to 10 minutes;
- voting form: open;
- voting: 3 minutes;
- canvassing: 3 minutes;
- counting of votes and announcement of results : 10 minutes;
- questions and answers: 10 minutes.

Chairman of the Meeting, Alexey Repin, announced the agenda of the Meeting formed by the Board of Directors, which includes the following items:

1. Approve the Regulations on the General Meeting of Shareholders of KEGOC.
2. Approve the new revision of the KEGOC's Charter;
3. Approve the new revision of the Corporate Governance Code of KEGOC.
4. Approve the new revision of the Regulations on the Board of Directors of KEGOC.
5. Approve the financial statements, distribution of the net income, decision to pay dividends on ordinary shares and on the amount of the dividends per one ordinary share of KEGOC for the first half of the year 2015.

The Chairman of the Meeting, Alexey Repin, informed the shareholders that no proposals on changing the agenda of the Meeting had been received, in accordance with clause 3 of Article 43 of the Law, and put the item 'On approval of the agenda of the General Meeting of Shareholders of KEGOC' to vote.

**Voting results:**

'Pro' - 234,054,447 votes (90.021%).

'Contra' - none

'Abstain' - none

Voting was conducted according to the principle: 'one share - one vote'.

**Resolved:**

Approve the following agenda of the Meeting:

1. Approve the Regulations on the General Meeting of Shareholders of KEGOC.
2. Approve the new revision of KEGOC's Charter;
3. Approve the new revision of the Corporate Governance Code of KEGOC.
4. Approve the new revision of the Regulations on the Board of Directors of KEGOC.
5. Approve the financial statements, distribution of the net income, decision to pay dividends on ordinary shares and on the amount of the dividends per one ordinary share of KEGOC for the first half of the year 2015.

**RESULTS AND PROGRESS REVIEW OF ISSUES ON THE AGENDA**

The Chairman of the Board of Directors, Kuanish Bektemirov, spoke on **the first item** of the agenda and informed that in December 2014, KEGOC under the People's IPO Programme entered the Kazakhstan stock market, in this regard the Company developed the Regulations on the General Meeting of Shareholders of KEGOC. The Regulations determine the procedure of preparation, convocation and holding of the General Meeting of Shareholders of KEGOC, jurisdiction, rights and duties of KEGOC, minor and major shareholders, the principles of decision-making and monitoring the decisions implementation, etc.

The Regulations consist of 19 sections.

The Regulations determine the procedure of preparation, convocation and holding of the General Meeting of Shareholders, its competence, rights, responsibilities, decision-making principles and organization of the control of their implementation.

The General Meeting of Shareholders is the superior body of the Company.

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

The Company provides equal opportunity for participation of all the Company's shareholders at the General Meeting of Shareholders.

The Company provides equal rights and fair treatment of all shareholders.

Acquisition of information - Shareholders shall obtain the necessary information to make decisions about the Company, including the financial statements of the Company in the manner specified by the General Meeting of Shareholders or the Company's Charter.

Making decisions on matters of their competence - Shareholders shall be provided with appropriate conditions for participation at the General Meeting of Shareholders and decision-making.

Election of the Board of Directors - Participate in determining the number, term of office of the Board of Directors, the election of its members and the termination of their powers, as well as determining the amount and terms of remuneration;

Receipt of dividends - Shareholders shall have the right to receive dividends in the amount and terms defined by the General Meeting of Shareholders.

'Obligations of shareholders'

- pay for shares;
- notify the Company's Registrar and the registered holder of the shares owned by this shareholder of any changes in the data, which are required to maintain the Register of the Company's shareholders.
- not to disclose the information about the Company or its operations if such information is official, commercial and another secret protected by laws of the Republic of Kazakhstan;

The Annual General Meeting of Shareholders shall be convened by the Board of Directors or by a court ruling in favour of any stakeholder who charges the Company's bodies of violating the procedure of convening the General Meeting of Shareholders given in the laws of the Republic of Kazakhstan.

The annual General Meeting of Shareholders shall be held no later than five (5) months after the end of the fiscal year. This period shall be extended by three (3) months if the Company fails to complete the audit of its operations of the reporting period.

The annual General Meeting of Shareholders shall:

1) approve the annual financial statements of the Company and consolidated annual financial statements;

2) decide the procedure for distributing the net income for the past financial year and the size of the dividends per one ordinary share of the Company.

3) consider claims from the shareholders in relation to activities of KEGOC and its officials and results of consideration of such claims.

'The extraordinary General Meeting of Shareholders' is convened - by the Board of Directors, a major shareholder, the liquidation commission on the basis of a court ruling in favour of the suit by the major shareholder.

The Decision to refuse to convene the extraordinary General Meeting of Shareholders at the request of the major shareholder may be taken: if the procedure of the request to convene an extraordinary General Meeting of Shareholders set out in the laws of the Republic of Kazakhstan is not complied; issues proposed for the agenda do not meet the requirements of the laws of the Republic of Kazakhstan.

The General Meeting of Shareholders shall be prepared and held by:

1) the Management Board;

2) the contracted Registrar of the Company in accordance with the contract;

3) the Board of Directors;

4) liquidation commission of the Company.

'Competence of the Board of Directors'

The exclusive competence of the General Meeting of Shareholders includes consideration of 27 issues, which may not be transferred to the competence of the Board of Directors or other bodies or officials of the Company, unless otherwise stipulated by laws of the Republic of Kazakhstan.

Key issues:

- approve the Charter; the Corporate Governance Code; the Rules of selection and election of the members of the Board of Directors, the Rules of remuneration and reimbursement of expenses of the members of the Board of Directors; the annual financial statements of the Company; the procedure on distributing Company net income for the reporting financial year, take decision regarding dividends payment on ordinary shares and approve the dividend rate per one ordinary share of the Company; the Regulations on the General Meeting of Shareholders; the Regulations on the Board of Directors; the Regulations on the Dividend Policy;

- decide to increase the number of authorized shares or change the type of unplaced authorized shares of the Company, not to pay dividends on ordinary and preferred shares of the Company, on the exchange of the placed shares of one type to another type, and on the conditions and procedures for such exchange, on the Company's participation in the establishing or operations of other legal entities or withdrawal from the partners (stakeholders) of other legal entities if a part or several parts of assets alienated (acquired) amount to twenty-five per cent or more of all assets owned by the Company.

- determine the number of members and terms of office of the Counting Board of the Company, elect its members and early terminate their powers, determine the number of members, terms of office of the Board of Directors of KEGOC, elect its members and

chairman and early terminate their powers, and determine the size and terms of remuneration and reimbursement of expenses for the members of the Board of Directors of KEGOC in fulfilment of their duties; determine the audit organization and the amount of payment for the services of the audit organization for auditing financial statements; approve the annual financial statements of the Company.

**'Voting at the General Meeting of Shareholders'**

During the meeting in presentia, the voting at the General Meeting of Shareholders shall be conducted on the one (1) share - one (1) vote principle:

Decisions of the General Meeting of Shareholders may be adopted through absentee voting.

The absentee ballots shall be sent to the shareholders not later than 45 calendar days prior to the date of absentee meeting of the General Meeting of Shareholders.

The ballot shall be signed by a shareholder - an individual - with details of the identity document of such individual.

The absentee ballot of a shareholder - a legal entity - shall be signed by its head and sealed by such legal entity.

The vote shall be valid if cast by the shareholder without violation of the voting procedure specified in the ballot, and only one of the possible voting options is checked in the ballot.

The representative of the major shareholder of the Company (Samruk-Kazyna), Alexey Repin, informed shareholders of the following proposals of Samruk-Kazyna to the draft Regulations on the General Meeting of Shareholders of KEGOC:

1. exclude from clause 8.6 of the draft Regulations on the General Meeting of Shareholders of KEGOC the words 'Supervisory Board and the Executive Body' as they refer to the legal entity established in the form of a limited liability company and it shall be respectively revised to read as follows: 'Participate in determining the number, term of office of the Board of Directors, the election of its members and termination of their powers, as well as determining the amount and terms of remuneration';

2. correct a spelling error in the title of the section '8 THE LIST OF SHAREHOLDERS ENTITLED TO PARTICIPATE IN GENERAL MEETING OF SHAREHOLDERS' to read as follows: '8 THE LIST OF SHAREHOLDERS ENTITLED TO PARTICIPATE IN GENERAL MEETING OF SHAREHOLDERS';

3. supplement Section 13 with clause 57 in accordance with the Corporate Governance Code of Sovereign Wealth Fund Samruk-Kazyna approved by the Decree of the Government of the Republic of Kazakhstan dated 15 April 2015 to read as follows:

'57. In case of acquisition of shares (equity interest) in the organizations by institutional investors, in order to ensure stability and sustainability of the organizations, the institutional investors acting in a fiduciary capacity shall disclose their corporate governance policy and regulation of investment activities that they conduct, including the current decision-making procedures in the company of investor.

Institutional investors acting in a fiduciary capacity shall report about how they solve significant conflicts of interest that may affect the property rights in respect of investments carried out by them.

The institutional investor shall mean a legal entity that raises funds for the purposes of investments in accordance with the laws of the Republic of Kazakhstan, for instance, large financial institutions that accumulate spare funds of the population, companies or enterprises for further investment in various financial instruments (insurance and pension funds, investment companies).'

**Having reviewed the submitted materials, the Chairman of the General Meeting of Shareholders, Alexey Repin, put to vote the item 'On approval of the Regulations on the General Meeting of Shareholders of KEGOC' taking into account the proposals from Samruk-Kazyna.**

**Voting results:**

'Pro' - 234,054,447 votes (90.021%).

'Contra' - none

'Abstain' - none

Having considered the agenda item and submitted materials in accordance with clause 1.17 of Article 21 of KEGOC's Charter, **the General Meeting of Shareholders DECIDED:**

Approve the Regulations on the General Meeting of Shareholders of KEGOC (Appendix No. 1 hereto).

The Chairman of the Management Board, Bakytzhan Kazhiyev, spoke on **the second item** of the agenda and informed that the effective Charter of the Company was approved by the Management Board of Samruk-Kazyna on 9 April 2013.

In order to bring the Charter of the Company into conformity with the Law 'On Joint-Stock Companies' taking into account the amendments made by the Law of the Republic of Kazakhstan on 29 December 2014, the Law 'On Electric Power Industry', as well as the Corporate Governance Code of Sovereign Wealth Fund Samruk-Kazyna approved by the Decree of the Government of the Republic of Kazakhstan dated 15 April 2015, the new revision of KEGOC's Charter was developed.

Services for provision of system services of power control were excluded from the activities, while the following services were added:

- 1) organize the operation of the capacity market.
- 2) maintain readiness of electric capacity to bear the load;
- 3) make payments for services associated with maintaining availability of electric capacity from newly commissioned generating facilities;
- 4) purchase services associated with maintaining availability of the electric capacity at the centralized capacity trading;
- 5) prepare and place on the Internet resource a list of concluded contracts for services associated with maintaining readiness of the electric capacity to bear the load, indicating the participant of the wholesale market.

Due to the fact that the Company entered the Kazakhstan stock market and formation of the General Meeting the words 'Sole Shareholder' were excluded.

Amendments in the Charter were made in respect of:

- 1) competence of the management bodies;
- 2) rights and obligations of shareholders, members of the Board of Directors and the Chairman of the Management Board;
- 3) names of committees of the Board of Directors.

For example, the competence of the General Meeting of Shareholders is supplemented with such functions as approval of the Rules of selection and election (appointment) of the members of the Board of Directors of the Company and approval of the Rules of remuneration and reimbursement of expenses of the members of the Board of Directors of the Company.

The competence of the Board of Directors is supplemented with such items as approval of the documents regulating the internal activity of the Company, approval of the Development Plan, as well as amendments thereto, and approval of the Company's annual report and sustainability report, etc.

Duties of the Chairman of the Board of Directors are supplemented with regard to responsibility for the process of assessing the Board of Directors, its committees, and follow-up; ensuring monitoring and supervision over the proper implementation of decisions made by the Board of Directors and the General Meeting of Shareholders; as well as measures to resolve corporate conflicts when they arise.

In addition, names of the following committees of the Board of Directors were brought into conformity with the Charter:

- 1) Audit;
- 2) Appointment and Remuneration;

3) Strategic Planning and Corporate Governance.

In addition, amendments were made in the concept of a major transaction in accordance with the Law 'On Joint-Stock Companies'.

The representative of the major shareholder of the Company (Samruk-Kazyna), Alexey Repin, informed shareholders of the following proposals of Samruk-Kazyna to the presented draft Charter of the Company in the new revision:

1. amend clause 1 of Article 24 of the draft Charter of the Company in accordance with the Corporate Governance Code of Sovereign Wealth Fund Samruk-Kazyna, approved by the Decree of the Government of the Republic of Kazakhstan dated 15 April 2015 to read as follows:

'1. Members of the Board of Directors shall be elected for a period up to three years. Henceforth, if the performance results are good, a member can be elected for another three-year period. Election of any person to the Board of Directors, at which such person shall hold position of the member of the Board of Directors for more than six (6) years successively, requires special consideration based on the requirement for qualitative update of the Board of Directors' membership. An independent director cannot be elected to the Board of Directors for more than nine years successively. In exceptional cases election can be made for more than nine years, the election of an independent director to the Board of Directors shall take place annually with a detailed clarification why it is necessary to re-elect this member of the Board of Directors and how it will impact the independence of decision making.'

2. Set the thresholds for definition of a major transaction or interrelated transactions at the level of 10%, and and restate clause 3 of Article 36 of the draft Charter of the Company to read as follows:

3. A major transaction shall be considered:

1) a transaction or a set of interrelated transactions as a result of which the Company acquires or alienates (can acquire or alienate) property with the cost exceeding ten or more percent from the total amount of balance sheet value of the Company assets;

2) a transaction or a set of interrelated transactions as a result of which the Company may redeem its placed securities or sell redeemed securities in the amount of ten or more percent of the total number of placed securities of the same type'.

3. Clause 7 of Article 26 of the draft Charter of the Company shall be amended and stated to read as follows:

'7. Materials for the meeting of the Board of Directors shall be submitted to the members of the Board of Directors not later than seven (7) calendar days, and on the issues indicated in clause 10 of Article 27 of the Charter - not later than fifteen (15) days before the proposed date of the meeting.'

4. Clause 10 of Article 27 of the draft Charter of the Company shall be amended and stated to read as follows:

'10. It is not allowed to hold a meeting of the Board of Directors in absentia or mixed form when considering the issues envisaged in sub-clauses 1, 2, 7, 8, 10, 12, 15, 20, 24, 27, 31, 45, 46, 48, 52, 57, and 71 of Clause 4 of Article 22, as well as considering the investment/credit projects and personnel issues'.

**Having reviewed the submitted materials, the Chairman of the General Meeting of Shareholders, Alexey Repin, put to the vote the item 'On approval of a new revision of the KEGOC's Charter ' taking into account the proposals of Samruk-Kazyna.**

**Voting results:**

'Pro' - 234,054,460 votes (90.021%)

'Contra' - none

'Abstain' - 114 votes (0.00004%)

Having reviewed the agenda issue and submitted materials, in accordance with clause 1.1 of Article 36 of the Law of the Republic of Kazakhstan 'On Joint-Stock Companies' and clause 1.1 of Article 21 of KEGOC's Charter, **the General Meeting of Shareholders DECIDED to:**

1. Approve the new revision of KEGOC's Charter (Appendix No. 2 hereto).
2. Declare the Charter of KEGOC approved by the Sole Shareholder (minutes of the Management Board of Samruk-Kazyna No.17/13 on 9 April 2013) to be no longer in force.
3. This decision shall enter into force after approval of the new revision of KEGOC's Charter with the European Bank for Reconstruction and Development.
4. The Chairman of the Management Board of KEGOC (Bakytzhan Kazhiyev) to sign the new revision of KEGOC's Charter and to take other actions arising from this decision.

Bakytzhan Kazhiyev, the Chairman of the Management Board of KEGOC, spoke on **the third item** of the agenda and informed of the following:

On 15 April 2015, the Government of the Republic of Kazakhstan issued Decree No. 239 to approve the Corporate Governance Code of Sovereign Wealth Fund Samruk-Kazyna. Pursuant to the decision of the Management Board of Samruk-Kazyna (minutes No. 22/15 dated 27 May 2015), the Corporate Governance Code of Sovereign Wealth Fund Samruk-Kazyna was approved as a mandatory corporate standard to be used by the legal entities of which Samruk-Kazyna holds directly or indirectly over fifty per cent of voting shares (equity interest).

According to the mentioned decision of the Management Board of Samruk-Kazyna, the representative of Samruk Kazyna in the Board of Directors of KEGOC was instructed to ensure that the new revision of the Corporate Governance Code of KEGOC is submitted for consideration to the General Meeting of Shareholders by 1 December 2015.

#### **Structure of the draft Code**

The Code consists of two parts - 'Basic Principles' and 'Abstract to the Principles.'

#### **'The government as the shareholder of Samruk-Kazyna'**

- Management of the Fund through the shareholder rights and representation in the Board of Directors of Samruk-Kazyna;
- Strategic management and control over the activities of the Group - on the level of the Board of Directors of Samruk-Kazyna. Members of the Government - Members of the Board of Directors of Samruk-Kazyna;
- Civil servants shall not be members of the Boards of Directors of the Fund's Group;
- Organisations of the Group;
- Operating self-sufficiency of the Group;
- Focusing on the growth of long-term value and sustainable development;
- Investment activity on market principles;
- Optimal structure of assets;
- Concentration on core business;
- Ombudsman for settlement of social and labour disputes and compliance with the business ethics principles.

#### **'Corporate governance in Samruk-Kazyna Group'**

The section determines the management model, the role and function of Samruk-Kazyna and the companies of the Group

Samruk-Kazyna controls companies using:

- Representation in the Board of Directors;
- Expectations of shareholders;
- Corporate standards, policies, methodology;
- KPI - the main element of performance assessment;
- KPI and Development plans of the companies shall be approved by the Board of Directors of the companies;

- The Board of Directors of the companies shall have full autonomy.
- Non-interference;
- Samruk-Kazyna in the business (current) activities of the companies;
- The Board of Directors of the holding company shall ensure the management efficiency of their whole group;
- Samruk-Kazyna and the Group companies are responsible for the growth of long-term value and sustainable development.

### **Sustainable development of Samruk-Kazyna Group**

Economic goals - we conduct our business responsibly, meeting the high standards of business ethics

Environment protection - we create value for our shareholders, current and future generations of Kazakhstan

Society - we are going towards implementation of the Kazakhstan - 2050 strategy through introduction of the 'sustainable development' principles.

### **'Rights of shareholders and fair treatment'**

Acquisition of information - Shareholders shall receive information affecting their interests in timely manner.

Decision-making on issues of their competence - Shareholders shall be provided with appropriate conditions to participate in the General Meeting of Shareholders and decision-making.

Election of the Board of Directors - Eligibility for election/early termination and remuneration of members of the Board of Directors.

Obtain of dividends - Shareholders shall have the right to determine the amount of dividends, conditions and procedures for their payment.

### **'Efficiency of the Board of Directors'**

Composition of the Board of Directors - a transparent process of search and selection of members of the Board of Directors, high requirements for the candidates. Composition: 7-11 people, independent directors: up to 50%. Powers of the Board of Directors - real powers on key issues (investment, business plans, appointment of the Chairman and members of the Managements Board.

Efficiency of meetings - the Board of Directors shall hold its meetings regularly to ensure the efficient fulfilment of its duties. Active committees contribute to the profound and careful consideration of issues, improvement of the quality of made decisions. Corporate Secretary shall duly record and indicate in full the outcome of the discussions and decisions made.

Assessment and development - on an annual basis as part of a structured process the Board of Directors and its committees shall be assessed, whereas no less than once every three years, the assessment shall be carried out with the assistance of independent professional organization. Continuous development of directors, improvement of professionalism of the Board of Directors and its individual members. The assessment results have an impact on the amount of remuneration, incentives, re-election (appointment) or early termination of powers.

Succession - succession planning in the Board of Directors, the Fund and the Company shall ensure the availability of succession plans for the Board of Directors in order to maintain business continuity and progressive renewal of the Board of Directors.

### **'Efficiency of the Executive Body'**

Professional composition - senior manager and members of the executive body shall have high professional and personal characteristics, as well as impeccable reputation and adhere to high ethical standards.

CEO and Management Board - Appointment by the Board of Directors - the Board of Directors shall elect a senior manager and members of the executive body, determine the term of office, size of the official salary, the conditions of their remuneration.

Transparent process of appointments - to improve transparency of the appointment and remuneration processes in the organization the Board of Directors shall approve and strictly adhere to the Rules on the Nomination, Remuneration, Assessment and Succession.

The Nomination and Remuneration Committee - key role - The key role in the search and selection of candidates for the executive body, determining their remuneration belongs to the Nomination and Remuneration Committee.

Succession Planning - Executive body succession planning shall be ensured. The mechanism and terms of re-election of members of the executive body shall motivate them to achieve long-term results, providing the possibility of early termination, in case of non-fulfilment of key performance indicators.

Organizational efficiency- Executive body shall ensure establishment of an optimal organizational structure: efficiency of decision-making; increase of productivity; promptness of decision-making; organizational flexibility.

Remuneration and development based on achievement of KPI - Senior manager and members of the executive body shall be assessed by the Board of Directors. The main criterion is achievement of KPI. The assessment results have an impact on the amount of remuneration, incentives, re-election (appointment) or early termination of powers.

Recommended term of office of the Executive Body - up to three years.

#### **'Risk management, internal control and audit'**

In Samruk-Kazyna and organizations a well-functioning risk management and internal control system designed to provide reasonable assurance in achieving the strategic and operational goals by Samruk-Kazyna and organizations, and representing a set of organizational policies, procedures, standards of conduct and actions, management methods and mechanisms established by the Board of Directors and the executive body of Samruk-Kazyna and organizations shall be established to ensure the following:

- 1) optimal balance between the growth of the organization cost, profitability and accompanying risks;
- 2) efficiency of financial and economic activities and achievement of financial sustainability of the company;
- 3) soundness of assets and efficient use of resources of the company;
- 4) completeness, reliability and accuracy of financial and management statements;
- 5) compliance with the requirements of the laws of the Republic of Kazakhstan and internal documents;
- 6) adequate internal control to prevent fraud and to provide efficient support for operation of the core and auxiliary business processes and analysis of performance.

#### **'Transparency'**

Information disclosure - in a timely manner and accurately disclose the information about all important aspects of its activities, including financial condition, performance results, ownership and management structure. Financial statements shall comply with International Financial Reporting Standards (IFRS) and include statement of joint income, balance sheet, cash flow statement, and capital statement. The annual financial statements shall, inter alia, contain explanations to the financial statements and shall be confirmed by an independent auditor.

The external auditor shall be selected by tender. The transparency of the external auditor selection procedure shall be provided by: strict regulation of procedures for selection of the external auditor, participation of the Audit Committee of the Board of Directors in the procedure for

selection of the external auditor, accessibility and clarity of requirements for auditing organizations, assessment criteria, requirements for the official tender proposal.

Disclosure channels and tools - The annual report is one of the key sources of information for stakeholders. The annual report shall be well structured and visually convenient for perception, and published in Kazakh, Russian and English languages. Requirements for the content of the annual report shall comply with international standards.

Internet resource shall be well structured, easy to navigate and available to all stakeholders.

Briefings and press releases. Meetings with stakeholders. Responses to requests.

Effects - Shareholders and stakeholders shall receive qualitative information in a timely manner. Improve the reputation and image. Increase investment attractiveness

**Having considered the submitted materials, the Chairman of the General Meeting of Shareholders, Alexey Repin, put to the vote the item 'On approval of the Corporate Governance Code of KEGOC in the new revision'.**

**Voting results:**

'Pro' - 234,055,115 votes (90.021%)

'Contra' - none

'Abstain' - none

Having considered the agenda item and submitted materials, in accordance with clause 1.5 of Article 21 of KEGOC's Charter, **the General Meeting of KEGOC Shareholders DECIDED to:**

1. Approve the new revision of the Corporate Governance Code of KEGOC (Appendix No. 3 hereto).
2. Declare the Corporate Governance Code of KEGOC approved by the Sole Shareholder (Order of the Chairman of the Management Board of Samruk-Kazyna No. 36-п dated 17 May 2011) to be no longer in force.

The Chairman of the Board of Directors, Kuanysh Bektemirov, spoke on the fourth item of the agenda and informed that the Corporate Governance Code of Sovereign Wealth Fund Samruk-Kazyna was approved in accordance with Decree of the Government of the Republic of Kazakhstan No.239 dated 15 April 2015. Pursuant to the decision of the Management Board of Samruk-Kazyna (minutes No. 22/15 dated 27 May 2015) the Corporate Governance Code of Sovereign Wealth Fund Samruk-Kazyna was approved as a mandatory corporate standard to be used by the legal entities of which Samruk-Kazyna holds directly or indirectly over fifty per cent of voting shares (equity interest).

In this regard, the Company in accordance with the law of the Republic of Kazakhstan "On Joint-Stock Companies" (hereinafter - the Law), the Charter, and recommendations of PricewaterhouseCoopers consultants engaged for corporate governance diagnostics, developed the new revision of Regulations on the Board of Directors (hereinafter - the Regulations).

The Regulations detail the procedure of activities of the Board of Directors as the governing body of KEGOC, define the status, goals, principles and functions, procedure of election and competence of the Board of Directors, the powers and responsibilities of the members of the Board of Directors, the procedure for convening and holding meetings of the Board of Directors, approval and execution of decisions, define the basic principles of relations of the Board of Directors with the General Meeting of Shareholders, and the Management Board.

**'General Provisions'**

The Regulations consist of 20 sections.

The Regulations detail the procedures of activities of the Board of Directors as a management body in KEGOC.

Define the status, goals, principles and functions, election procedure and competence of the Board of Directors

The powers and responsibilities of the members of the Board of Directors, the procedure for convening and holding meetings of the Board of Directors, approval and execution of its decisions.

The Provisions obey the laws of Kazakhstan, the Charter, the Corporate Governance Code and internal documents of the Company.

### **'Goals, principles and functions of the Board of Directors'**

#### **Goals of the Board of Directors:**

- conduct the overall management of the Company activity;
- ensure the implementation of the Company's interests and the protection of shareholders' rights;

- establish principles and rules of the Company's activity;

#### **Activity of the Board of Directors shall be based on the following principles:**

- efficiency;
- responsibility;
- objectivity in decision-making;
- maximum observance and implementation of interests of the General Meeting of Shareholders and the Company;
- protection of the shareholders' rights;
- promote the growth of the long-term value and sustainable development of the Company;

#### **Within their main functions the Board of Directors shall:**

- determine the strategy for the Company development and monitor its implementation;
- set and monitor the key performance indicators for the Development Plan;
- risk management system and internal control;
- elect, remunerate, plan the succession and supervise the performance of the Chairman and members of the Management Board;

### **'Assessment of performance and remuneration of the Board of Directors'**

- The Board of Directors shall annually assess its work, whereas no less than once every three years the assessment shall be carried out with the assistance of independent professional organization.

- Results of the assessment shall be taken into account in the election or the early termination of powers of the Board of Directors;

- The Chairman of the Board of Directors shall be responsible for the entire process of assessment and its follow-up.

#### **'Remuneration of the members of the Board of Directors'**

- Based on the decisions of the General Meeting of Shareholders, members of the Board of Directors shall be paid out a fixed annual remuneration and additional remuneration for participation in each meeting in presentia of the committee.

- When determining the amount of remuneration the expected contribution of the members of the Board of Directors to improving the efficiency of the entire Board of Directors and the Company's activities shall be taken into account.

- Expenses associated with the travel to the place of meetings of the Board of Directors and travel expenses shall be compensated.

Performance of duties of the members of the Board of Directors has been amended and supplemented/ Members of the Board of Directors shall adhere to the following principles in their activities:

- to act within the limits of their powers; allot enough time to prepare and participate in the meetings of the Board of Directors, and its committees;

- promote the growth of the long-term value and sustainable development of the Company;

- maintain high standards of business ethics; avoid conflicts of interest.

The following functions of the Board of Directors have been added:

- approve and monitor the efficient implementation of major investment projects and other key strategic projects within the competence of the Board of Directors;
- elect, remunerate, plan the succession and supervise the performance of the Chairman and members of the Management Board;
- corporate governance and ethics;
- monitor compliance with the Code and corporate standards for business ethics (Business Ethic Code) in the Company;
- approve the induction programme for the newly elected members of the Board of Directors, and professional development programme for each member of the Board of Directors.

The following functions and competence of the Chairman of the Board of Directors were expanded:

- 1) plan the meetings of the Board of Directors and develop the agenda;
- 2) ensure that the members of the Board of Directors timely obtain complete and relevant information to make decisions;
- 3) ensure that the Board of Directors focuses on the strategic issues and minimise the routine (operational) issues subject to consideration by the Board of Directors;
- 4) ensure maximum efficiency of the meetings held by the Board of Directors through provision of enough time for discussion, detailed and in-depth study of agenda issues, stimulation of open discussions, and achievement of consensus;
- 5) establish proper communication and interaction with shareholders, including consulting with major shareholder on the key strategic issues;
- 6) ensure monitoring and supervision over the proper implementation of the decisions made by the Board of Directors and the General Meeting of Shareholders;
- 7) to make a decision that meets the Company's interests, ensure all options and suggestions of the members of the Board of Directors are considered when their views differ;
- 8) in case of a corporate conflict, take measures to resolve such conflict and minimise its negative impact on the Company's activity, and timely inform shareholders on the cases when such conflicts cannot be resolved with own resources.

In accordance with the Code the frequency of meetings of the Board of Directors shall be eight - twelve (8-12) meetings per year, under the previous Code at least six meetings per year.

In addition, terms of submission of materials to the members of the Board of Directors for the meeting of the Board of Directors were amended, previously it was no later than ten working days, and now it is not later than seven working days.

According to the recommendations of consultants the amendments were made with regard to implementation of the standards and requirements for holding meetings of the Board of Directors. In this connection new sections 'Management of the Board of Directors' Activity' and 'Procedure for Holding a Meeting of the Board of Directors' were included in the Regulations. They detail the procedure of a meeting from the beginning till its end

Also, for better consideration of the Regulations, section 'Meetings of the Board of Directors' is divided into two sub-sections 'Meeting of the Board of Directors in presentia' and 'Meeting of the Board of Directors in absentia'.

In addition, amendments were made in the section 'Committees of the Board of Directors', where the frequency of the committee meetings is specified - at least four meetings a year. Also the following was supplemented: the duty of the Chairman of the Committee shall include the preparation of the report on activity of the committee, and on a separate meeting the Chairman of the Committee shall report to the Board of Directors based on the progress.

Additions to the section 'Assessment of the Board of Directors' Performance' have been made - assessment shall be conducted at least once every three years, with the assistance of independent professional organizations. It has been also added, that the Chairman of the Board of Directors shall be responsible for the process of assessment and relevant measures.

The section 'Remuneration of the members of the Board of Directors' has been also supplemented. The Company discloses information on the amount of remuneration of the members of the Board of Directors; the Rules of remuneration of the members of the Board of Directors

shall be approved by the General Meeting of Shareholders; the Chairman of the Management Board, if elected as a member of the Board of Directors, shall not be remunerated for his work in the Board of Directors; nobody shall participate in the decision on his/her own remuneration.

The representative of the major shareholder of the Company (Samruk-Kazyna) Alexey Repin, told shareholders about the following proposals of Samruk-Kazyna on the the new revision: of the draft Regulations on the Board of Directors of KEGOC

1. In accordance with the Corporate Governance Code of Samruk-Kazyna, the Board of Directors shall act in the interests of the organization and make decisions based on the principles of sustainable development and fair treatment of all shareholders. In this regard, we consider it necessary to reflect this principle in clause 6.2 of Section 2 of the draft Regulations on the Board of Directors and it shall be stated to read as follows:

'2) observe the interests of the Company to the maximum extent, and comply with the principles of sustainable development and fair treatment of all shareholders'.

3. clause 6.3 of Section 2, is proposed to be deleted in order to avoid duplication;

4. clause 22 of Section 4 of the draft Regulation on the Board of Directors of KEGOC states that the number of members in the Board of Directors shall be at least six , where not less than one third shall be independent directors. However, in accordance with the Corporate Governance Code of Samruk-Kazyna the number of the Board of Directors of KEGOC shall be from seven to eleven people, the recommended number of independent directors in the Board of Directors of the Company shall be up to fifty percent of the total number of members of the Board of Directors, therefore Samruk-Kazyna considers it necessary to bring clause 22 of Section 4 of the draft Regulation on the Board of Directors of KEGOC in accordance with the Corporate Governance Code of Samruk-Kazyna to read as follows:

'22. The number of the Board of Directors of KEGOC shall be from seven to eleven people, the recommended number of independent directors in the Board of Directors shall be up to fifty percent of the total number of members of the Board of Directors.'

5. in accordance with the Corporate Governance Code of Samruk-Kazyna, independent director shall monitor the possible loss of independence status and notify in advance the Chairman of the Board of Directors in the event of such situations. In the event of circumstances affecting the independence of member of the Board of Directors, the Chairman of the Board of Directors shall immediately bring this to the attention of the shareholders to make a relevant decision. In this regard, Samruk-Kazyna proposes to amend sub-clause 8 of clause 42 of the draft Regulations on the Board of Directors of KEGOC to read as follows:

'8) within two (2) business days inform the Board of Directors of change of circumstances resulting in termination of his/her office as an independent director, also inform the Chairman of the Board of Directors, who shall immediately bring this to the attention of the shareholders to make a relevant decision'.

6. in accordance with the Corporate Governance Code of Samruk-Kazyna, Samruk-Kazyna proposes to amend clause 58 of Section 9 of the draft Regulations on the Board of Directors to read as follows:

'8. Materials for the meeting of the Board of Directors shall be submitted to the members of the Board of Directors not later than seven (7) calendar days, and on the issues specified in clause 66 hereof, no later than fifteen (15) business days before the proposed date of a meeting.'

7. regarding clause 62.2 of Section 10 of the draft Regulations on the Board of Directors Samruk-Kazyna considers it appropriate not to limit the maximum time for discussion of the agenda and accordingly recommends to state it to read as follows:

'2) the discussion of agenda items depending on the complexity of the issue;'

8. Samruk-Kazyna considers it necessary to supplement clause 66 of the draft Regulations on the Board of Directors with the list of important and strategic issues, as specified in the Charter of the Company.

9. Samruk-Kazyna considers it expedient to delete clause 68 of Section 11 of the draft Regulations on the Board of Directors.

**Having considered the submitted materials, the Chairman of the General Meeting of Shareholders, Alexey Repin, put to the vote the item 'On approval of the new revision of Regulations of the Board of Directors of KEGOC ' taking into account the proposals of Samruk-Kazyna.**

**Voting results:**

'Pro' - 234,054,938 votes (90.021%)

'Contra' - none

'Abstain' - none

Having reviewed the agenda issue and submitted materials, in accordance with clause 1.18 of Article 36 of the Law of the Republic of Kazakhstan 'On Joint-Stock Companies', and clause 1.18 of Article 21 of KEGOC's Charter, **the General Meeting of Shareholders DECIDED to:**

1. Approve the new revision of Regulations on the Board of Directors of KEGOC (Appendix No. 4 hereto).

2. Declare the Regulations on the Board of Directors of KEGOC approved by the Sole Shareholder (Order of the Chairman of the Board of Samruk-Kazyna No. 39-П dated 5 June 2014) to have lost its force.

Bakytzhan Kazhiyev, the Chairman of the Management Board, spoke on **the fifth item** of the agenda and informed that as of 30 June 2015 KEGOC has 24,893.53 km of transmission lines, 77 master substations and 4.8 thousand workers.

KEGOC group includes two subsidiaries (EnergoInform, FSCS RES) with 100% equity interest and one associated company (Batys-Transit) with 20% equity interest.

KEGOC is a natural monopoly. Tariffs for services are set by the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of Kazakhstan on a 'cost plus' principle.

Currently, the following tariffs are in force in the company: for transmission 1.943 KZT/kWh, for dispatching 0.182 KZT/kWh and for balancing services 0.083 KZT/kWh.

Also KEGOC is preparing an application for the approval of these tariffs for the five-year period.

Electricity generation in Kazakhstan in the first half of 2015 amounted to 46 billion kWh and compared to the first half of 2014 decreased by 700 million kWh or 1.6%.

Electricity consumption in Kazakhstan in the first half of 2015 amounted to 45.7 billion kWh and compared to the first half of 2014 increased by 300 million kWh or 0.7%.

The actual volumes of rendered services on electricity transmission via KEGOC networks in the first half of 2015 amounted to 18.8 billion kWh. In comparison with the first half of 2014, this indicator increased by 100 million kWh or 0.6%.

The actual volumes of rendered technical dispatching services of electricity transmission and consumption in the first half of 2015 were 42 billion kWh. The volumes of rendered services for technical dispatching of electricity supply to the grid decreased by 600 million kWh or by 1.4% compared to first half of 2014.

The actual volumes of rendered electricity generation and consumption balancing services in first half of 2015 amounted to 79 billion kWh. The volume decreased by 300 million kWh or by 0.4% compared to the first half of 2014.

KEGOC services have a clear seasonal pattern. As a rule, in the autumn and winter the transfer volumes are high, during the spring and summer period - reduced.

The Company's income from operations increased by 25% to KZT 53.5 billion for the first half of 2015, compared with KZT 42.7 billion for the first half of 2014 due to increase of income from electric power transmission services by 57.6% (or KZT 13.3 billion, including discounts); increase of income from technical dispatching services for electricity supply to the grid and electricity consumption by 33% (or KZT 1.9 billion); growth of income related to electricity

generation and consumption balancing in Kazakhstan by 37.5% (or KZT 1.8 billion). Increase of income from the core operations is due to an increase in the average annual tariff.

At the same time for the first half of 2015, there was no accrual of income from sales of power regulation services to non-residents due to absence of contract for the provision of power regulation services to Uzbekenergo SJSC. Also, there was a decrease in income from the sale of purchased electricity for the first half of 2015, compared to the same period in 2014 (by KZT 4.8 billion) as there was no unscheduled electricity consumption by the power system of Uzbekistan from the Kazakhstan UPS.

Cost of sales increased by 1%, or KZT 400 million. The change in the cost in the reporting period compared to the same period in the previous year was affected by increase in expenses for depreciation of the fixed assets (KZT 3.2 billion), payroll expenses (KZT 1 billion), as well as decrease in the cost of purchased electricity (KZT 2.8 billion).

General and administrative expenses have increased by 78%, or KZT 5 billion. The increase of general and administrative expenses compared to the same period of 2014, was mainly due to the growth of expenses related to accumulation of reserves by KZT 3.9 billion for accounts receivable of Uzbekenergo SJSC.

This slide shows the dynamics of the operational efficiency of activity taking into account the income and expenses of the Company. The decrease in the operating income based on the results of the first half of 2015 compared to 2014 was due to the income from reassessment of fixed assets in the first half of 2014. It shall be noted that, despite the impact of negative external factors, EBITDA margin shows the growth and makes 34%.

The balance sheet assets value and cost of construction in progress as of 30 June 2015 amounted to KZT 468 billion and decreased in comparison with 30 June 2014 by 11 billion (due to depreciation).

Given the depreciation of the existing production facilities, the prospects for the development of inter-regional network and power delivery, new generating capacities planned to be commissioned, the Company pursues an active investment policy. Since 2000, we have been rehabilitating the national power grid. To meet the demand for electricity of Kazakhstan consumers and provide export and transit potential, we carry out the construction of new power facilities.

During the first half of 2015 the Company has implemented one of the major investment projects - Construction of 500 kV Ekibastuz – Shulbinsk HPP (Semey) – Ust-Kamenogorsk transmission line.

KEGOC has a long-term liabilities structure with loyal creditors (International Bank for Reconstruction and Development, European Bank for Reconstruction and Development, Development Bank of Kazakhstan)

Also, the International Credit Agencies assign positive and stable ratings.

Due to the significant amount of borrowings denominated in foreign currency, the Company is exposed to currency risk. As part of its management, the Company applies a risk minimization method by placing funds on the foreign currency deposit accounts in the amount of 179.7 million US dollars, which secures the debt service for 1.8-2 years.

In addition, Bakytzhan Kazhiyev said that the issue on the agenda of the General Meeting of Shareholders has been previously considered by the Board of Directors, and the General Meeting of Shareholders is proposed to distribute 40.01% of net profit among all holders of ordinary shares, which would amount to KZT 9.40 per one ordinary share.

**Having considered the submitted materials, the Chairman of the General Meeting of Shareholders, Alexey Repin, put to the vote the item 'On approval of the financial statements, distribution of the net income, decision to pay dividends on ordinary shares and the amount of dividends per one ordinary share of KEGOC for the first half of 2015'.**

**Voting results:**

'Pro' - 234,054,938 votes (90.021%)

'Contra' - none

'Abstain' - none

Having reviewed the agenda issue and submitted materials, in accordance with clause 1 of Article 23 and clause 1.8 of Article 36 of the Law of the Republic of Kazakhstan 'On Joint-Stock Companies', and clause 1.10 of Article 21 of KEGOC's Charter, **the General Meeting of Shareholders DECIDED to:**

1. Approve the interim financial statements of the Company for the first half of 2015 (Appendix No. 5 thereto).

2. Approve the distribution of the net income of Kazakhstan Electricity Grid Operating Company (KEGOC) joint-stock company (address: 59 Tauyelsizdik Ave, Astana, 010010, Republic of Kazakhstan, BIN 970740000838, IBAN KZ45826Z0KZTD2001154 in ATF Bank BIC ALMNKZKA) in the amount of two billion four hundred forty-four million tenge (KZT 2,444,000,000) earned as of the first half of 2015 among all holders of the ordinary shares of the Company.

3. Approve the size of the dividend per one ordinary share of the Company in the amount of nine tenge and forty tiyn (KZT 9.40).

4. Finalize the list of the Company's shareholders, who has the right to obtain dividends on the ordinary shares of the Company following the results of the first half of the year 2015, as at 00 hours 00 minutes on 30 October 2015.

5. Determine the date to start payments of dividends as 16 November 2015.

6. Pay the dividends within twenty (20) working days from the start date of dividend payment in the form of non-cash transaction to the shareholders' accounts:

1) on the ordinary shares of the Company that are held by the nominee shareholder, Central Securities Depository, through the paying agent represented by the Central Securities Depository;

2) by the Company itself if the ordinary shares of the Company are not in nominal holding of the Central Securities Depository.

7. Bakytzhan Kazhiyev, the Chairman of the Management Board of the Company, to take the required measures to implement this decision in accordance with the laws of the Republic of Kazakhstan.

The Chairman announced that the agenda for the Meeting is over and thanked the shareholders, the Board of Directors, the Management Board and the invited persons for participation.

The meeting of the General Meeting of Shareholders closed at 12:20 PM.

**Signatures:**

**Chairman of the General Meeting of Shareholders** \_\_\_\_\_ **A. Repin**

**Secretary of the Annual General Meeting of Shareholders** \_\_\_\_\_ **Ye. Ramazanov**

**Chairman of the Counting Board of the General Meeting of Shareholders** \_\_\_\_\_ **Sh. Tokubayev**

**Members of the Counting Board of the General Meeting of Shareholders** \_\_\_\_\_ **D. Shugayev**

\_\_\_\_\_ **A. Meirzhanov**

\_\_\_\_\_ **A. Satymbekov**

\_\_\_\_\_ **M. Zhunusov**

\_\_\_\_\_ **G. Konakbayeva**

\_\_\_\_\_ **A. Koshanova**

\_\_\_\_\_ **A. Repin**

**Authorized representative of the major  
shareholder Samruk-Kazyna**