

**Confirmed by resolution of the Sole
Shareholder of JSC “KazTransOil”
(minutes of the meeting of the
management Board of JSC NC
“KazMunayGas” dated
«2» August 2012 № 92)**

**Corporate Governance Code
JSC “KazTransOil”**

Astana, 2012

INTRODUCTION

1. The Code on Corporate Governance (“the Code”) represents a set of rules and recommendations which KazTransOil JSC (“the Company”) shall follow in the course of its business in order to ensure high level of business ethics in relations within the Company and with other market participants.

2. The Company voluntarily adopts and follows Code’s provisions. The purpose of Code’s enactment is forming and introduction in day-to-day Company’s business of norms and traditions of corporate conduct, complying with international standards, based not only on unconditional observance of legislation, but on applying of business ethic norms common for all business community participants.

3. Following provisions hereof is aimed not only at forming positive Company’s image in visions of shareholders, clients, and employees, but also at control and risk reduction, maintenance of sustainable growth of Company’s financial indicators and successful operating.

The Code was drafted with due consideration of existing international experience in corporate governance and in accordance with the provisions of Law of the Republic of Kazakhstan “On Joint Stock Companies” and Charter.

4. The corporate governance implies overall Company’s operating management, performed by its shareholders, the Board of Directors and including their relations with executive Company’s body, other interested parties (employees, clients, partners, state authorities and other entities) in terms of:

1) Determination of Company’s operating strategic goals and effective governance system;

2) Establishment of incentives for labor activity, ensuring performing by Company’s’ authorities and staff members of all actions, necessary for achievement of Company’s operating goals;

3) Reaching balance of interests of shareholders, members of the Board of Directors and members of Company’s executive body and interested parties;

4) Ensuring observance of legislation of RoK, Company’s Charter and Company’s internal documents.

5. Recognizing the importance of the Code, the Company’s authorities and staff members shall follow its provisions when performing their obligations to the Company and shareholders.

6. The bodies, forming the corporate governance system and Company’s control are:

1) General meeting of shareholders – Company’s supreme body;

2) Board of Directors – Company’s managerial body, performing overall management;

3) The Management Board – Company’s collegial executive body, performing management of day-to-day business;

4) Internal audit service – the body, responsible for control over financial and economic activity of the Company, evaluation in internal control, risk management area, corporate governance documents execution and provision of consultations for improvement Company’s activity.

7. Ensuring observance of procedures aimed at securing of rights and shareholders’ interests, and Company’s following provisions of legislation of the Republic of Kazakhstan on joint stock companies, Charter provisions and other Company’s internal documents are to be performed by the Corporate secretary. Corporate secretary also promoted effective information exchange between Company’s bodies and executes functions of advisor to directors and members of the Management Board on the issues of corporate governance.

8. The interactions between the Company and subsidiary and jointly

controlled organizations are performed within confirmed corporate procedures, through Company's relevant bodies and the ones of subsidiary and jointly controlled organizations.

9. Terms and definitions used herein:

Shareholder	Shares owner
Director	Member of Company's Board of Directors
Interested party	individual, who's rights execution, is provided in law and Charter, connected with Company's business
legislation	Set of normative and legislation acts of RoK, adopted in the established procedure
Committees	Committees of the Board of Directors
Internal Audit Committee	Internal Audit Committee of the Board of Directors
Nomination and Remuneration Committee	Nomination and Remuneration Committee of the Board of Directors
Committee for Strategic Planning	Committee for Strategic Planning of the Board of Directors
Social Committee	Social Committee of the Board of Directors
Corporate Secretary	Secretary of the Board of Directors and the General Meeting of Shareholders
Corporate conflict	Disagreement or dispute between: <ul style="list-style-type: none"> 1) shareholder and Company's bodies, or 2) Company's bodies and their members; or 3) Company's body and Company's interested parties on the issues of Company's corporate governance, negatively affecting shareholders' interests and Company's business

Major Shareholder	Shareholder or several shareholders, acting on the basis of agreement concluded by them, owning (jointly) ten and more percent of Company's voting shares
Listing Rules	Listing Rules of the Kazakhstan Stock Exchange JSC and/or other stock exchange where the securities of the Company are listed
Independent non-executive directors/INEDs	Directors determined as independent in accordance with Law of RoK "On Joint Stock Companies" and Charter
General Meeting of Shareholders	Company's supreme body
Management Board	Company's executive body
Board of Directors	Company's managerial body
Internal Audit Service	the body, responsible for control over financial and economic activity of the Company, evaluation in internal control, risk management area, corporate governance documents execution and provision of consultations for improvement Company's activity
Corporate events	Events significantly impacting company's business, affecting interests of shareholders and investors of the company
Charter	Charter of the Company

The terms, applied, but not defined herein are used in the meaning they are used in legislation and the Charter.

SECTION 1. PRINCIPLES OF CORPORATE GOVERNANCE

10. Corporate governance is a sequence of processes providing management and control over Company's business and including interactions between General Meeting of Shareholders, Board of Directors, Management Board, other Company's bodies and interested parties.

11. The Company considers corporate governance as a tool to improve Company's performance, enhance reputation and reduce costs on fund raising. The Company considers a proper system of corporate governance as its contribution in ensuring of supremacy of law in RoK and factor determining its place in modern economy and society on a whole.

12. The corporate governance of the Company shall be formed on the basis of justice, honesty, responsibility, transparency, professionalism and competence. An effective structure of the corporate governance involves respect of the rights and interests of all persons interested in the Company's business and promotes successful performance of the Company including the growth of its market-value and maintaining of its financial stability and profitability.

13. The corporate governance principles set out in this paragraph are aimed at creating of trust in the relations arising in connection with the governance of the Company and serve as a basis for all rules contained in the subsequent Sections of the Code.

The fundamental principles of this Code are the following:

- 1) principle of safeguarding the rights and interests of shareholders
- 2) principle of effective governance of the Company by the Board of Directors and the Management Board
- 3) principle of independent activities of the Company;
- 4) principle of transparency and objectivity of disclosure of information about the Company's business;
- 5) principles of legality and ethics;
- 6) principle of effective dividend policy;
- 7) principle of effective human resources and social policy;
- 8) principle of environmental protection;
- 9) corporate conflict and conflict of interest management policy;
- 10) principle of responsibility.

14. The structure of Company's corporate governance shall correspond to the Legislation and shall clearly define the division of responsibilities between the different bodies of the Company.

15. The adherence to the corporate governance principles stated in the Code shall promote the establishment of an effective approach for conducting an objective analysis of the Company's performance and obtaining of appropriate recommendations from analysts, financial consultants and rating agencies.

1. PRINCIPLE OF SAFEGUARDING THE RIGHTS AND INTERESTS OF SHAREHOLDERS

16. Corporate governance in the Company is based on the principle of securing rights and interest of shareholders and promotes Company's performance, including Company's assets growth and maintenance of financial solvency and profitability of the Company.

17. The shareholders have the right stipulated in law and Charter.

18. The Company ensures fair and equal treatment of all shareholders.

19. Corporate governance provides the shareholders an opportunity to execute their rights, involved with participation I Company's governance. The shareholder is entitled to contest in the court decisions made by Company's bodies.

20. Procedure of information exchange between the Company and shareholders is regulated by legislation, Charter and Company's internal documents.

21. There shall be a dialogue with shareholders based on the mutual understanding of objectives. The Company established Investor Relations division for these purposes.

22. The shareholders shall have the right to discuss with other shareholders and the Company's representatives the matters of observing the rights of shareholders and the Code.

23. The Company shall ensure realization of the fundamental rights of its shareholders including:

- 1) right to participate in Company's governance in the procedure, provided by the law and/or Charter;
- 2) right to address to the Company with written requests in respect of its activities and to receive reasonable replies within the periods established by the Charter;
- 3) right to receive dividends;
- 4) right to receive an interest in the Company's assets in case of its liquidation.

24. The Company in the established procedure ensures execution of fundamental rights of Major Shareholder, including:

- 1) right to request convocation of extraordinary General Meeting of Shareholders or to address in court with a claim on convocation in case if the Board of Directors refuses to convene the General Meeting of Shareholders;
- 2) right to propose the to the Board of Directors include additional items in agenda of the General Meeting of Shareholders in accordance with Law of the Republic of Kazakhstan "On Joint Stock Companies";
- 3) right to request convocation of the meeting of the Board of Directors;
- 4) right to request conducting of audit of the Company by audit organization at its expense.

25. The Company shall ensure the effective participation of its shareholders in making key corporate governance decisions

26. .The Company shall bring to the notice of its shareholders and investors information about Company's corporate events in accordance with Law of RoK "On Joint Stock Companies".

27. The Board of Directors and the Management Board shall justify planned changes in Company's activity and propose a clear policy of reservation and securing shareholders rights.

28. The Company shall provide the shareholders with the reliable information about its financial and economic activities and their results in accordance with law provisions.

29. The officials of the Company shall not participate in making decisions on the matters they are directly or indirectly (through the third persons) are interested in. The information about interest shall be brought to the notice of the Board of Directors.

30. The Company has a system of registration of addresses of shareholders and effective corporate conflicts resolution system.

2. PRINCIPLE OF EFFECTIVE GOVERNANCE OF THE COMPANY BY THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

31. The activities of the Board of Directors shall be based upon the principle of maximum safeguarding and realization of the interests of the Company and its shareholders

32. Directors shall act on the basis of full awareness, faithfully and in the best interests of the Company and shareholders.

33. The Board of Directors shall ensure full transparency of its activities for the Company' shareholders.

34. The same person cannot chair the Board of Directors and the management Board.

35. There shall be a clear division of responsibilities between the Chairman

of the Board of Directors (responsible for supporting of the activities of the Board of Directors) and the CEO (responsible for supporting the Company's activities), stipulated in relevant internal Company's documents.

36. The powers of the Board of Directors and the Management Board are declared in the Charter and relevant terms of references of the Board of Directors and the management Board.

37. The Chairman shall be responsible for leadership of the Board of Directors, ensuring its effectiveness on all aspects of its role and setting its agenda which is approved by the Board of Directors. The Chairman together with the Corporate Secretary shall be also responsible for ensuring that the Directors receive accurate, timely and clear information. The Chairman shall ensure effective communication with shareholders. The Chairman shall also facilitate the effective contribution of the Directors to the activities of the Board of Directors and, in particular, ensure constructive relations between the directors and the Management Board.

38. At least thirty percent of composition of the Board of Directors shall be represented by INEDs. The principles for establishing "the independence" of a director shall be determined by the Legislation, the Charter and this Code.

39. The system of performance evaluation and fair remuneration of the members of the Board of Directors shall ensure the motivation of their work in the interests of the Company and all shareholders.

40. The Company recognizes that to manage day-to-day Company's business there shall be a leader represented by CEO. The Company also recognizes that in course of management there is a need to resolve challenging problems and a collegial approach is necessary rather than individual. In this regard the Company establishes an executive body – the Management Board chaired by CEO.

41. The management Board performs Company's' day-to-day business management to implement objectives and Company's development strategy.

42. The main principles of Management Board functioning are honesty, faithfulness, rationality, diligence, regularity.

43. The activities of the Management Board shall be based upon the principle of maximum safeguarding of the interests of the Company and its shareholders and fully accountable to decisions of the General Meeting of Shareholders and the Board of Directors.

3. PRINCIPLE OF INDEPENDENT ACTIVITIES OF THE COMPANY

44. The business of the Company shall be conducted to ensure the highest possible observance of interests of the Company's shareholders and subject to the provisions of this Code and the Charter.

45. The Company shall conduct its business independently.

46. The Company shall handle all the transactions and maintain relations (whether under a contract or otherwise including any subsequent amendments thereto) between the Company and any major shareholder on a normal commercial basis within legislation provisions.

4. PRINCIPLES OF TRANSPARENCY AND OBJECTIVITY OF THE COMPANY'S ACTIVITIES DISCLOSURE

47. The informational openness shall ensure the maximum reasonableness

and transparency of the Company's governance.

48. The Company facilitates timely and credible information disclosure to the shareholders and interested parties about the Company, including its financial state, economic indicators, performance results, property and management structure which can substantially impact proprietary and other shareholders, investors and interested parties' rights to ensure the possibility to take decisions by the new shareholders on participation in equity and on secession from Company's shareholders, and to make an informed decision by investors on participation in Company's financial activity.

49. The Company regularly and when it is reasonably required by the Legislation, the Listing Rules and the Disclosure Rules shall provide information about any significant corporate events in the Company's activities and at the same time shall implement tools of information disclosure and preservation of confidential and insider information.

50. The informational openness of the Company shall be based upon the appropriate corporate provisions elaborated and approved by the Board of Directors as well as the requirements of the Legislation. The Chairman shall attend the General Meetings to learn shareholders' views about the performance of the Company's management.

5. PRINCIPLES OF LEGALITY AND ETHICS

51. The Company shall act in strict compliance with the Legislation, generally accepted principles (practices) of business ethics, the Charter, provisions of this Code, the Listing Rules, the Disclosure Rules and its contractual obligations.

52. The relations between shareholders, members of the Board of Directors and the Management Board shall be based on mutual confidence, respect, accountability and control.

6. PRINCIPLE OF EFFECTIVE DIVIDEND POLICY

53. The Company follows provisions of legislation and Company's internal document which defines Company's dividend policy.

54. The key principle of the dividend policy is ensuring simple and transparent tool to determine the dividend size, terms and payment procedure.

55. Company's dividend policy shall be transparent enough and publicly available for shareholders, potential investors and community of RoK.

7. PRINCIPLE OF EFFECTIVE HUMAN RESOURCES AND SOCIAL POLICY

56. The corporate governance in the Company shall be based on observance of rights of the Company's employees stipulated by the Legislation and shall be aimed at developing of partnership relations between the Company and its employees in solving social issues and regulating labor conditions.

57. The key principles of the human resources management and social policy are preservation of jobs to the extent possible and subject to the Company's performance, improvement of working conditions and observance of the social safety of the Company's employees in accordance with provisions of collective agreement adopted by the Company and its employees.

58. The Company selects employees on the basis of principle of transparent competition procedures in accordance with Company's internal documents.

59. The corporate governance shall encourage the creation of favorable and

creative environment in a labor collective and facilitate the professional development of the Company's employees

8. PRINCIPLES OF ENVIRONMENT PROTECTION

60. The Company shall ensure environmental friendliness and management in the course of its business subject to the requirements of the Legislation and positive practice in the oil and gas industry

61. The Company shall tend to introduce standards of environment protection in accordance with legislation and international standards, including its subsidiary and jointly controlled organizations.

62. The Company's policy in terms of environment protection is determined by internal regulations in the field of environment protection.

9. CORPORATE CONFLICT AND CONFLICT OF INTEREST MANAGEMENT POLICY

63. The members of the Board of Directors and the Management Board as well as the Company's employees shall discharge their professional duties in good faith and rationally with due care and prudence in the interests of the Company and its shareholders avoiding corporate conflicts and conflict of interests.

64. Should a corporate conflict arise Company's officials shall immediately notify the Corporate Secretary of that.

65. The members of the Board of Directors and the Management Board as well as the Company's employees shall ensure that their activities comply not only with the requirements of the Legislation and the principles of this Code but with ethic standards and common norms of business ethics.

9.1. POLICY OF CORPORATE CONFLICTS SETTLING

66. Corporate conflict prevention and settling performance assumes maximal, full and soonest revelation of such conflicts, should such arise in the Company, and clear coordination of actions of all Company's bodies.

67. The persons affected by a conflict shall not participate in its settling to ensure objective assessment of corporate conflict and creation of conditions for its effective regulation.

68. The Board of Directors develops and periodically reconsiders policy and rules of corporate conflicts regulation, whereby their decisions will meet the interests of the Company and shareholders to the maximum, and the both legal and justified.

69. Should the corporate conflict arise, the participant shall find a way to solve it through negotiations to ensure effective protection of both the shareholders' rights and the Company's business reputation.

70. In case when it is impossible to settle corporate conflicts by means of negotiations they shall be settled strictly in accordance with legislation.

71. CEO on behalf of the Company shall accomplish settlement of corporate conflicts on all the matters, taking decision on which is not attributed to the competence of the Board of Directors, and independently determine the procedure of work on corporate conflicts settlement.

72. The Board of Directors accomplishes settlement of corporate conflicts on the issues attributed to its competence. In such case the Corporate Secretary is attached with a liability to ensure maximal possible awareness of the Board of

Directors about the sense of corporate conflict and with the role of intermediary in corporate conflict settling.

73. The Board of Directors considers certain corporate conflicts, attributed to the competence of the management Board (for example, if conflict subject is action (inaction) of this body or regulations adopted by it).

9.2. POLICY OF CONFLICT OF INTEREST SETTLING

74. Conflict of interests is defined as a situation, when a personal interest of the Company's employee impacts or might impact impartial performance of his duties.

75. All Company's employees shall act not to allow for situation which might cause arising of conflict of interests neither relatively to himself (or associates), nor relatively to others.

76. Key principles of preventing conflict of interests are provided in Code of Corporate ethics of the Company, confirmed by the Board of Directors.

10. PRINCIPLE OF RESPONSIBILITY

77. The Company recognizes and respects the rights of all interested persons and seeks cooperation with such persons for the development and ensuring financial solvency.

78. The interested persons shall have the opportunity to be compensated for violation of their rights in cases provided for by legislation;

79. In the event an interested person participates in the process of corporate management, he/she shall in the prescribed manner have access to material, sufficient and reliable information on timely and regular basis.

80. The interested persons shall have the right to freely inform the Board of Directors of illegal and unethical acts of the Management Board without any derogation from their rights in the event of such information.

SECTION 2. COMPANY'S INTERNAL DOCUMENTS

81. Concrete structures, procedures and corporate governance practice are regulated by the Charter and Company's internal documents, including:

- 1) terms of reference of the Board of Directors;
- 2) terms of reference of the Management Board;
- 3) terms of reference of committees (as established);
- 4) terms of reference of the Corporate secretary;
- 5) terms of reference of the internal control system;
- 6) Risk management policy;
- 7) Information disclosure rules;

82. The above documents are developed in accordance with legislation and corporate governance principles acknowledged in the international practice.

SECTION 3. GENERAL MEETING OF SHAREHOLDERS

1. ORGANIZATION OF HOLDING THE GENERAL MEETING OF SHAREHOLDERS

83. Organization and procedure of holding of General Meeting of Shareholders shall satisfy the following requirements:

- 1) Fair and equal attitude towards all shareholders;
- 2) Access to all shareholders for participation in the General Meeting of Shareholders;
- 3) Provision of full volume of information;
- 4) Straightforwardness and transparency of holding of the General Meeting of Shareholders.

84. Information and materials, provided to the shareholders prior to holding the General Meeting of Shareholders and procedure of its provision shall ensure full picture about the sense of discussed items to maximum, receiving replies on the interesting questions and possibility to take justified decisions on agenda items.

85. Means of informing about the convocation of the general meeting shall ensure opportune notification of all shareholders. When necessary a notification may be duplicated and at the same time various means of giving notification may be used, including corporate web-site of the Company.

86. Informational materials circulated in the course of preparation to the General Meeting shall be systematized in respect of agenda of the General Meeting. The simplest and easiest procedure for receiving or reviewing such materials shall be established.

87. The requirements of information disclosure shall not put any unnecessary administrative burden or unreasonable expenses on the Company.

88. The process of examination and acceptance of changes in the activities and governance of the Company at the General

89. The issues of agenda shall be as clear as possible and exclude the opportunity of their different interpretation. The issues with such wording as "miscellaneous", "diverse", "any other business" etc. shall be excluded from agenda. At any General Meeting, the company shall propose a separate resolution on each separate issue.

90. The voting procedure at the General Meeting shall be as much as possible easy and convenient for a shareholder with use of any practicable methods of voting.

91. The rights of the Major shareholder to put proposals to agenda of the General Meeting of Shareholders in the prescribed manner and to demand calling of an extraordinary General Meeting shall be easily exercisable subject to clear justification thereof.

2. HOLDING OF GENERAL MEETING

92. The procedure of conducting the General Meeting shall ensure equal opportunity to all shareholders to enjoy their rights to participate in the General Meeting. A shareholder may vote at a General Meeting held in presentia personally or through the representative.

93. The rules of the General Meeting shall be based upon the reasonable adequacy and possibility to discuss the agenda issues broadly and to make reasonable decisions thereon.

94. A clear time-limit of speeches shall be allotted to each official or shareholder of the Company.

95. The significance of General Meeting in the Company's operation implies compulsory participation (when invited) of all officials participating in the Company's governance and control over its activities.

96. Time for registration shall be sufficient to allow all shareholders (their

representatives) to be registered, provided that shareholders failed to be registered shall not be counted when determining the presence of quorum and shall not be entitled to participate in voting.

97. The Chairman of the General Meeting shall make efforts to let shareholders receive answers to any substantial questions directly at the General Meeting. When the complexity of questions impedes immediate answering thereof a person (persons) to whom such questions were directed shall submit written answers as soon as reasonably practicable after closing of the General Meeting.

98. The elections to the Board of Directors, as well as to the Management Board and other bodies shall be transparent and justified to the maximum.

99. A procedure for collecting and counting of votes shall be easy and transparent to the maximum; shareholders shall feel certain of excluding every opportunity of any falsification of the ballot. The Company shall ensure the votes be properly cast and registered.

100. Date and time of conducting the General Meeting of Shareholders shall be established in such a way as to allow the maximum number of persons eligible for participation in a General Meeting of Shareholders to participate therein. The General Meeting of Shareholders shall be conducted at registered address of the management Board of the Company.

SECTION 4. BOARD OF DIRECTORS

101. The Board of Directors performs overall management of Company's activity except for the issues, attributed to the exceptional competence of the General Meeting of the Shareholders in line with legislation and/or Company's Charter.

102. The competence of the Board of Directors, members' election procedure and organization of activity are defined by law, Charter and terms of reference of the Board of Directors, confirmed by the General Meeting of Shareholders of the Company.

1. FUNCTIONS OF THE BOARD OF DIRECTORS

103. The Board of Directors shall determine strategic goals, priority directions of the Company's development and set the principal guiding lines of the Company's activities for long-term outlook, ensure that required financial and human resources are in place for reaching the goals set.

104. The Board of Directors shall make objective evaluation of observance of the approved priority directions with due regard to the market situation, financial performance of the Company and other factors affecting the financial and economic activities of the Company.

105. The terms of reference of the Board of Directors shall include approval of Company's internal procedures on risk management, ensuring provision and analyses of effectiveness and improvement of such procedures. These procedures provide for timely notification by the Board of Directors about substantial discrepancies in risk management system.

106. The terms of reference of the Board of Directors shall include approval of internal documents of the Company on information disclosure.

107. The Board of Directors bears responsibility for facilitating correspondent dialogue with the General Meeting of Shareholders. The Chairman ensures that the point of view of the General Meeting of Shareholders reached the Board of Directors on a whole.

108. All directors shall act in a good faith and with proper prudence in Company's and its shareholders interests on the basis of all necessary information and take decisions objectively in the interests of the Company.

109. Each Director shall participate in all meetings of the Board of Directors and committee, he is a member of.

2. ORGANIZATION OF ACTIVITIES OF THE BOARD OF DIRECTORS

110. Activity of the Board of Directors bases upon principles of reasonableness, effectiveness, activity, faithfulness, honesty, responsibility and accuracy. Board of Directors members act in accordance with provisions of legislation, Charter and Company's internal documents on the basis of awareness, transparency, in the interests of the Company and shareholders.

111. The meetings of the Board of Directors shall be held in accordance with schedule, annually compiled from the beginning of its terms of powers, based upon the principles of reasonableness, effectiveness and regularity.

112. The Board of Directors shall develop and follow the internal procedures for preparation for and holding of its meetings. These procedures shall govern all necessary parameters of the Board of Directors meetings

113. The Board of Directors shall keep the minutes of its meetings, wherein discussion of all issues is fixed properly. The peculiarities of holding absentee voting of directors are set by legislation, Charter and Terms of reference of the Board of Directors.

114. The meetings of the Board of Directors may be held in presentia and in absentia, with justification of choice of concrete voting manner, the number of absentee meetings shall be minimized.

115. Meetings in presentia shall be normally conducted for consideration of issues and making decisions on specially important, key, strategic issues related to the Company's activities

116. Information about sizes of remuneration of directors for reporting period is subject to compulsory disclosure in the annual report, prepared for the General Meeting of shareholders.

117. The annual report of the Board of Directors, included in the annual report of the Company and presented to the General Meeting of Shareholders in the procedure and terms established by it, the following information is indicated, but not limited to:

1) Composition of the Board of Directors and the Management Board including indication of Chair of the Board of Directors, independent directors, criteria of selection of Independent Directors, CEO, and committee members;

2) Number of meetings of the Board of Directors and its committees, and attendance by each director of meetings of the Board of Directors and committee he is a member of;

3) Report about work of committees on implementation of their functions, including with indication of reasons of Board of Directors' divergence from certain proposals and/or committees recommendations;

4) Report about work of the Board of Directors and the Management Board, including full information about the issues, the decisions on which are made by the Board of Directors or the Management Board, and the issues decisions on which are delegated to CEO;

5) Assessment of Company's position and development perspectives;

6) Evaluation of activity of the Board of Directors, committees, separate directors;

7) The measures taken on taking into account by the Board of Directors of opinions of the General Meeting of Shareholders with regard to the Company (through direct communications, briefings).

3. FORMATION OF THE BOARD OF DIRECTORS

118. Quantitative composition of the Board of Directors shall be defined by the General Meeting of Shareholders.

119. The procedure for the election of new members of the Board of Directors shall be formal, transparent and clear for all shareholders.

120. It is recommended to elect directors for the period not exceeding three years. Election of any person in membership of the Board of Directors for the term more than 6 years in a row is subject to special consideration with account of qualitative renewal of composition of the Board of Directors. The same individual cannot be elected in the Board of Directors for more than nine years in a row. In the exceptional cases it is permitted to elect for the term of nine years in row, but election of such person to the Board of Directors shall be considered on the annual basis.

121. The following person cannot be elected for the post of the member of the Board of Directors:

- 1) a person without higher education;
- 2) a person possessing outstanding (unspent) conviction or conviction non-expunged in the procedure established by the law;
- 3) a person who was Chair of Board of Directors, Chief Executive Officer (Chair of Management Board), Deputy of the Chief Executive Officer, Chief Accountant of another legal entity not more than one year before resolution on forced liquidation or forced redemption of shares or shutdown of another legal entity, recognized as bankrupt in the established procedure. The indicated requirement applies during five years from the date of the resolution on forced liquidation or forced redemption of shares or shutdown of another legal entity, recognized as bankrupt in the established procedure

122. Upon necessity the Board of Directors organizes relevant training for elected directors for full accession, and regular directors' knowledge and skills improvement, required for their work in composition of the Board of Directors.

123. Procedure of election and termination of powers of director, director's familiarization with cases and activity processes during accession, procedure of voluntary resignation, procedure of convocation and holding the meetings of the Board of Directors and other issues connected with activity of the Board of Directors are specified in Terms of Reference of the Board of Directors.

124. The Board of Directors in the annual report about its activity, provided to the General Meeting of Shareholders within the Annual report of the Company, shall indicate each director, considered independent. The Board of Directors shall define, whether the director was independent when taking decisions; indicate the reasons of acknowledging director as independent, by reflecting compliance of director with independence criteria in line with legislation, and existence of relations or circumstances, which might affect the acknowledgement of director as independent, including if director:

- 1) Was Company's employee or employee of subsidiary entity during the last five years;
- 2) Received or has been receiving additional remuneration from the Company except for remuneration of director;
- 3) Holding similar position in other entities or bodies has significant

connections with other directors through such participation in other entities or bodies;

- 4) Represents a shareholder or state authority;
- 5) Was a director for more than nine years in a row.

4. BOARD OF DIRECTORS COMMITTEES

125. For consideration of most important issues and preparation of recommendations to the Board of Directors the following committees of the Board of Directors in the Company are established:

- 1) strategic planning;
- 2) nominations and remunerations;
- 3) internal audit;
- 4) social issues.

Internal documents of the Company can provide for establishment of committees of the Board of Directors on other issues.

126. The committees are established to promote effective performance of the Board of Directors.

127. The activity of all committees is regulated by internal documents, approved by the Board of Directors, which contain regulations on composition, terms of reference, election procedure of committee member, procedure of committees work, and rights and responsibilities of their members. The shareholders are entitled to get familiarized with regulations on committees.

128. The Committees of the Board of Directors shall consist of members of the Board of Directors and experts possessing necessary professional knowledge for performance in a specific committee. Chairs of committees of the Board of Directors, indicated in part one of para.125 of the Code, are Independent Directors..

129. General Director (Chairman of the Management Board) cannot chair the Board of Directors committee.

130. No one, apart from committee Chair and its members shall present on the meetings of committees. Presence of other persons on the committees' meetings is allowed only upon invitation of relevant committee.

131. The Board of Directors and committees annually compile work plan, their meetings shall be held regularly. The minutes of committee meeting is submitted to the Board of Directors. A separate section of the Annual report of the Board of directors is devoted to committees' work.

132. The Board of Directors is entitled at any time throughout the year to request the committees to provide report on current activity. The terms of preparation and presentation of such report are set by the Board of Directors.

5. EVALUATION OF PERFORMANCE OF THE BOARD OF DIRECTORS

133. The Board of Directors shall annually give a formal and comprehensive evaluation of its work, committees' work, each of directors, and its results are to be discussed on the meeting of the Board of Directors. Neither director shall be involved in the process of evaluation of his performance.

134. Directors hold the annual meetings chaired by one of the Independent Directors to evaluate performance of the Chair.

135. Chair of the Board of Directors, Nomination and remuneration committee shall get familiarized with and act with due account of findings of evaluation of performance of the Board of Directors, recognizing strengths and weaknesses of the Board of Directors and upon necessity proposing the General

Meeting of Shareholders election of new directors and/or suspensions of directors.

6. INFORMATION AND PROFESSIONAL DEVELOPMENT

136. The Board of Directors shall be supplied in a timely manner with information in a form and of a quality appropriate to enable them to discharge their duties. All Directors shall receive formal induction and shall regularly update their skills and knowledge.

137. Chair of the Board of Directors shall be responsible for ensuring that the Directors receive accurate, timely and clear information. The Management Board shall provide such information but Directors shall seek for clarifications or explanations when necessary

138. Chair of the Board of Directors shall ensure provision of the newly elected directors with induction program.

139. The Board of Directors and its committees in the established procedure are entitled to use the services of external experts and consultants within the funds, envisaged in Company's budget for the relevant year.

140. The Board of Directors shall be provided with the necessary resources for full discharging of its duties.

7. REMUNERATION

141. The decisions on the issues involving remuneration of the directors are to be taken by the General Meeting of Shareholders.

142. Levels of remuneration shall be sufficient to attract, retain and motivate the Directors and their performance.

143. There must be a transparent policy of directors' remuneration in the Company. Levels of remuneration of directors shall be adequate to the time devoted by them to work, quality of discharging their duties.

144. Terms of remuneration of directors are to be reflected in the contracts concluded with them and upon necessity in Company's internal document.

145. CEO, in case of his election in composition of the Board of Directors, shall not receive remuneration for work in the Board of Directors.

SECTION 5. MANAGEMENT BOARD

146. The Management Board shall undertake to execute decisions of the General Meeting and the Board of Directors.

147. The Management Board is entitled to take decisions on any issues of Company's business not attributed by law and Charter to the terms of reference of other bodies and Company's officials.

148. The Management Board is liable for information disclosure and informational coverage of Company's business in accordance with law provisions and shall ensure security and protection of internal (office) information.

149. The Management Board is liable for allocation of financial and human resources to implement the goals set by the General Meeting of Shareholders and the Board of Directors.

150. The Management Board shall create an atmosphere of involvement of Company's employees in Company's performance; tend to make every employee to appreciate his job in the Company and realize that his material standing depends on Company's performance on a whole.

1. FORMATION OF THE MANAGEMENT BOARD

151. Selection and appointment of members of the Management Board is performed on the basis of maximal transparent and clear procedures, established by the Board of Directors.

152. When electing the members of the Management Board the Board of Directors shall follow the internal regulations which establish qualifying requirements to nominee candidates for those positions and election procedure.

153. The nominee members of the Management Board shall have experience, knowledge and qualification, necessary for proper discharge of duties imposed on them, have a positive reputation and satisfy majority of the members of the Board of Directors.

154. The proposals on nominee members of the Management Board are to be submitted for consideration of the Board of Directors by CEO.

155. CEO is entitled to submit proposals on candidate recommended for election on the same vacant position in the Management Board for consideration of the Board of Directors not more than twice.

In case of refusing of the Board of Directors of the candidate, proposed by CEO on the same vacant position in the management Board for the second time, the right to propose candidate on given vacant position passes to the Chairman of the Board of Directors.

156. The Board of Directors can terminate the powers of members of the Management Board in the established procedure.

157. The relations between the Company and management Board members are registered in the contracts.

The contracts shall contain rights, obligations, responsibilities and other substantial conditions, as well as liability of members of the Management Board to follow provisions of the Code.

2. WORK PROCEDURE OF THE MANAGEMENT BOARD

158. The Management Board meets regularly. Members of the management Board receive information on agenda items in advance. The management Board meets in presentia. Absentee voting is permitted only in exceptional cases, stipulated in Regulation on the management Board.

159. Work procedure of the Management Board is defined by Regulation on the Management Board.

SECTION 6. INTERNAL AUDIT SERVICE

160. At least once a year Internal Audit Service jointly with the Board of Directors and Internal Audit Committee shall evaluate performance of Company's internal control system and report to the General Meeting of Shareholders about such evaluation. Such evaluation shall cover full substantial control, including financial and operating control, control over observance and performance of risk management system.

161. Internal Audit Service jointly with Internal Audit Committee shall examine the system of measures, by which Company's employees can confidentially raise the matters related to possible discrepancies in the issues of financial reporting or other matters.

SECTION 7. INTERACTIONS BETWEEN THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD. CORPORATE SECRETARY

162. Effective corporate governance requires for open dialogue between the Board of Directors and the Management Board. A key role in organization of this process belongs to the Corporate Secretary.

163. Corporate Secretary discharges his duties on a constant basis in a mode of full work day. Corporate Secretary possesses qualification, allowing to ensure execution by the bodies of requirements, established in legislation of the Republic of Kazakhstan on joint stock companies and Company's internal documents; facilitates clear interaction between Company's bodies in line with Charter provisions and other Company's internal documents, and informs Company's officials about new trends in corporate governance development.

164. A special role of the Corporate Secretary lies in observance of the procedure of preparation and conducting of General Meetings and meetings of the Board of Directors, disclosure and submission of information about the Company, since non-observance of those very procedures most often results in violation of the rights and interests of shareholders

165. The Corporate Secretary shall ensure proper review of shareholders' requests by the appropriate Company's bodies and resolution of conflicts, involving violation of shareholders' interests. Control over timely consideration of such addresses by Company's bodies shall be attached to the Corporate Secretary.

166. The responsibilities of the Corporate Secretary include ensuring a normal flow of information within the Board of Directors, its committees, between the Management Board and the Board of Directors, and assisting in the process of induction of directors.

167. The Corporate Secretary is responsible for organization of consultations for all directors on all issues of corporate governance.

168. The status, functions and responsibilities of the Corporate Secretary shall be governed by the appropriate internal regulations of the Company.

169. Both the appointment and early removal of the Corporate Secretary shall be matter for the Board of Directors.

SECTION 8. CORPORATE EVENTS

170. List of Company's corporate events is defined by legislation, Charter and Company's Prospectus.

171. The Management Board develops and after confirmation by the Board of Directors follows the coordinated policy in the area of corporate events of the Company, where the special attention is paid to the following:

- 1) Determination of tools and procedures of implementation of corporate events;
- 2) Preliminary approval and evaluation of implemented corporate events;
- 3) Deep analyses and discussion of corporate events.

SECTION 9. DISCLOSURE

172. Information disclosure is very important for the General Meeting of Shareholders and interested parties to evaluate Company's activities and support confidence to the Company.

173. The goal of information disclosure is bringing of this information to the notice of all interested parties within a volume necessary for appropriate decision making. The Company regularly publishes information in mass media naad

Company's web site.

174. The informational openness if the Company is governed by Company's' internal documents.

175. The Company discloses information in proper time about all substantial facts of its business, in particular, on its financial standing, plans and performance, information about corporate governance, publishes calendar of corporate events and other significant information.

The Company prepares in time other important documents such as prospectuses of issuance of securities, quarterly reports, messages about substantial facts.

176. The Company publishes detailed annual report , which includes, but is not limited by the following:

- 1) Goals of the Company and results of their implementation;
- 2) Results of financial and operating performance;
- 3) Structure of property of the Company and its subsidiary and jointly controlled entities with due account of legislation requirements;
- 4) Section about the corporate governance;
- 5) Information about directors and members of the Management Board, including their qualification, selection process, including independent directors with indication of independence criteria;
- 6) Substantial issues, involving interested parties;
- 7) Any financial support, including guarantees, received from the government, and any liabilities to the state and the society undertaken by the Company;
- 8) Any corporate events of the Company.

177. When disclosing the information the Company takes into account that commercial, office or other secret information protected by the law must be protected. Conditions of access to such information, as well as an opportunity of its receiving are defined by the Company with account of necessity to observe balance between Company's openness and effort not to harm its interests.

178. The Company takes measures to protect confidential information in accordance with law and Company's internal documents.

179. The Company shall develop and implement effective control system over implementation of inside information. The Company shall establish adequate procedures, systems and means of control for determination, control over and distribution of inside information and shall take all measures to ensure that the disclosed information is not false or misleading.

180. The Company shall inform the Company's employees both inside and outside about introduction of control means in relation to the Company's ability to disclose the information about the Company. The Company shall ensure that its Directors and employees receive adequate training in respect of application of the disclosure policy.

181. The Company' employees shall undertake not to divulge the confidential and inside information during the time of their employment. The Company shall establish time limitation for non-disclosure of such information after termination of employment in the Company.

SECTION 10. FINANCIAL STATEMENTS AND AUDIT

1. FINANCIAL STATEMENT

182. The Company compiles financial statement of the Company and consolidated financial statements in accordance with International Financial

Reporting Standards.

183. Accounting and financial statements compilation in the Company is based upon the principles of accrual and continuity. Key qualitative characteristics of financial reporting are perspicuity, appropriateness, reliability and comparability.

184. Company's financial statements and consolidated financial statements include reports about financial position, comprehensive income, cash flows and changes in equity and detailed notes, allowing to financial statements user to interpret correctly information about financial position, Company's financial performance. Company's senior management is responsible for preparation of Company's financial reporting. Credibility of financial statements is approved by audit report. Company's annual financial statements and consolidated annual financial statements are proposed for consideration of the Management Board of the Company, Internal Audit Committee, for preliminary confirmation by the Board of Directors of the Company and are confirmed by the General Meeting of Shareholders.

185. Company's financial statements and consolidated financial statements are published on Company's corporate web-site.

186. In line with law Company publishes annual financial statements and consolidated annual financial statements and audit report in mass media .

2. EXTERNAL AUDIT

187. To receive independent opinion on credibility and objectivity of financial statement compilation, the Company conducts audit of annual financial statements of the Company and consolidated annual financial statements with engagement of independent auditor(audit organization).

188. The Management Board is liable for fullness and credibility of provided financial information.

SECTION 11. PRINCIPLES AND PRACTICE OF INTERACTIONS WITH SUBSIDIARY AND JOINTLY-CONTROLLED ENTITIES

189. The Company puts efforts to balanced development of subsidiary and jointly controlled entities, based on effective tools of corporate governance.

190. To execute its rights as a shareholder/participant the Company interacts with SJCO in line with provisions of legislation, Charter and other Company's internal documents, charters of SJCO.

191. The main goals of interaction of the Company with SJCO are:

1) Ensuring stable financial development, profitability of functioning, improvement of investment attractiveness of the Company and SJCO;

2) Ensuring protection of rights and interests of shareholders of the Company and shareholders/participants of SJCO;

3) Harmonization of relations between all shareholders, officials and employees of the Company and SJCO, taking systematic steps on prevention of conflict of interests between them ad inside indicated groups;

4) Development and implementation of coordinated and effective strategy and investment policy of the Company and SJCO.

192. Key principles of the corporate governance and procedure of interaction of the Company with SJCO are performed given taking appropriate decisions by the bodies of SJCO.

193. The process of corporate governance of SJCO is governed by the following documents:

1) Charter;

- 2) Code;
- 3) Charters of SJCO;
- 4) Other documents related to procedures of the corporate governance.

As the practice of corporate governance develops the Company shall make efforts to develop principles of corporate governance relatively to SJCO.

SECTION 12. FINAL PROVISIONS

194. The Code enters into force from the day of confirmation.

195. The Company shall develop and adopt additional internal documents, introduce amendments and addenda in the existing appropriate documents of the Company, aimed at implementation of provisions hereof.