



**KAZYNA
CAPITAL
MANAGEMENT**

2019
ANNUAL REPORT

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STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Sir/Madam,

Kazyna Capital Management JSC (hereinafter-KCM, the Company) is the main driver of private equity market in the Republic of Kazakhstan, its investment priority is development of non-resource sector of the economy and private equity market infrastructure.

KCM invests in promising and strategically important private equity funds. At the end of 2019, the total capitalization of 15 private equity funds with the participation of KCM amounted to more than 1 trillion KZT.

Existing KCM funds actively finance projects in priority sectors of Kazakhstan's economy. During 2019, funds with the participation of KCM financed 17 projects for the amount of 29.9 billion KZT in the field of energy, petrochemicals, food production, construction materials, etc. In addition to the fact that the investment of KCM funds allowed to create new production facilities, expand range of products and carry out technical modernization of equipment, an important factor is that it was possible

to create and support more than 4,500 jobs.

One of the key socially-oriented infrastructure projects in Kazakhstan - Saryarka Main Gas Pipeline, funded by KCM Portfolio Fund of Baiterek Venture Fund JSC, was commissioned at the end of 2019. Construction of gas pipeline was carried out as a part of the order of the First President of the Republic of Kazakhstan to implement five social initiatives. The implementation of this project will allow stage-by-stage provision of natural gas to 171 localities (about 2.7 million people), give an impetus to the development of infrastructure along the route of main gas pipeline and new production facilities using natural gas. It is projected, that the volume of pollutants emission will be reduced by 6 times, ensuring positive impact on the environmental conditions of Nur-Sultan city and other settlements along the route of gas pipeline. In addition, when the project reaches its rated capacity, it is expected to receive at least 1.9 billion KZT of tax revenues to the national budget annually.

In 2019, a number of strategic projects were financed, including support for the largest poultry producer in



Kazakhstan. The result of this project was an increase in capacity of poultry meat production by 25 thousand tons, a decrease in its import, ensuring food security of the country and creating more than 900 jobs.

In April 2019, in order to simplify access to investments for businesses and expand coverage of using private equity tool, KCM, together with its subsidiaries, launched a program of preferential capital financing for amounts up to 50 billion KZT. By the end of 2019, 11 projects worth more than 19 billion KZT were financed in the fields of food industry, construction materials and petrochemicals.

Next year, KCM faces no less ambitious goals of developing private equity market in Kazakhstan and successful implementation of the State program for industrial and innovative development of the Republic of Kazakhstan for 2020-2025 (SPIID). As one of SPIID operators, KCM plans to continue financing small and medium-sized businesses (SMEs) of the Republic of Kazakhstan in order to diversify economy and increase country's export potential.

I am confident that KCM will successfully cope with these tasks. I wish KCM team and its partners effective implementation of all their initiatives and successful achievement of their strategic goals.

Aidar Arifkhanov

*Chairman of the Board of Directors
KAZYNA CAPITAL MANAGEMENT JSC*

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear partners and investors!

I am happy to present you results of Kazyna Capital Management team for 2019 and briefly outline prospects for further development of the Company.

Consistently implementing the Company's mission to develop the private equity market in Kazakhstan, KCM and its partners-participants of private equity portfolio funds, including the EBRD, Wolfensohn Capital, Mubadala Capital, CITIC Capital, RUSNANO – over 13 years of activity have supported businesses in the country and abroad for a total amount of over 285 billion KZT, with share of KCM amounting to 157 billion KZT. At the same time, 90 percent of KCM's portfolio investments were made in Kazakhstan.

In 2019, the Company's investment portfolio increased by 20 percent compared to the previous year, reaching 133.6 billion KZT. Last year, KCM has allocated 30 billion KZT for development of priority sectors of the economy, financing 17 projects and creating more than 4.5 thousand jobs.

In order to expand use of direct capital financing and simplify access of businesses to investments, last year the Company had launched a program of preferential financing for 50 billion KZT, enabling SMBs to receive long-term investments up to 5 billion KZT at the rate of 8 percent per annum. The program operators were captive teams of KCM – Baiterek Venture Fund JSC (hereinafter – BVF) and BV Management LLP (hereinafter – BVM). A separate area of the Program is cooperation between BVF and second-tier banks on SMB projects that require financing up to 1 billion KZT.

The program has generated high demand from the Kazakh business community, as evidenced by the fact that almost all the resources allocated to the Program have been used up to date. By the end of 2019, 11 companies, including meat-breeding enterprises, producers of deficit «Arctic» diesel

fuel, construction materials, etc., received funding under the Program.

In addition, in 2019, private equity funds with the participation of KCM financed a number of projects in the field of alternative energy. Funds were allocated for the construction of 50 MW solar power plant near the Baikonur Cosmodrome in the Kyzylorda region, which will reduce annual carbon dioxide emissions by 75 thousand tons, according to forecasts.

KCM also financed construction of second start-up complex of the wind power plant in Akmola region, with a capacity of 48 MW. As a result, operation of two wind farm start-up complexes with total capacity of 100 MW will help reduce greenhouse gas emissions by 230 thousand tons per annum, contributing to fulfillment of obligations of the Republic of Kazakhstan under The Paris agreement.

We would also like to note successful exits in 2019 of our portfolio funds DBK Equity Fund C.V., CITIC Kazyna Investment Fund I L. P. and the Russian-Kazakhstan Nanotechnology Fund from three investment projects with an average yield of 40 percent.

In addition, in 2019, KCM, in collaboration with the international consulting company KPMG, prepared the country's first «Report on the private equity market for 10 years». The study, which was based on the opinion of a wide range of independent experts and representatives of the business community, identified five key problems in private equity market of Kazakhstan. These are – structure of economy and political risks, level of capital markets development, human capital quality, ecosystem of private equity market, including imperfect legislation, as well as transparency and investor confidence in the market.

Based on the results of the study and taking into account current changes in economic and market conditions at international and local markets caused by the COVID-19 pandemic, the team came to a decision to update the KCM Development Strategy



for 2014-2023. We are exploring the possibility of expanding KCM's investment mandate through participation in distressed assets market, venture financing and investing in infrastructure projects with public-private partnership (hereinafter – PPP).

We will look for opportunities to provide financial support to SMBs that find themselves in a difficult financial situation due to crisis, through creation of special situation funds with participation of international and regional institutional investors. We also plan to create venture funds with our institutional partners to finance companies in technology sector at an early stage, but not at the seed stage. We are interested in PPP projects in terms of attracting foreign investors to major socially significant projects for construction and modernization of transport, water, energy, housing and municipal infrastructure and healthcare facilities.

We intend to ramp up our work with the Kazakhstan stock exchange to find successful mechanisms for

our portfolio funds to withdraw from projects through IPO/SPO and other tools. We also plan to create new funds within AIFC jurisdiction to promote this legal platform among our foreign partners.

The KCM team is extremely grateful to the shareholder- Baiterek National Management Holding JSC (hereinafter-Baiterek NMH JSC, the Holding) and other subsidiaries for their invaluable support.

In conclusion, I would like to express hope that all our partners and stakeholders will successfully survive and come out of the current state of turbulence even stronger and more stable.

*Ardak Kassymbek,
Chairman of the Management Board
KAZYNA CAPITAL MANAGEMENT JSC*



KAZYNA
CAPITAL
MANAGEMENT



ABOUT THE COMPANY

1. ABOUT THE COMPANY

1.1. Information about the Company

KCM is a Fund of private capital funds (private equity), established in 2007 to promote sustainable development of the national economy, form the private equity infrastructure in Kazakhstan, attract foreign investment in priority sectors of the economy, use leading international experience, transfer of innovative knowledge and technologies to private equity. KCM along with international institutional investors effectively manages private equity funds. Funds with participation of KCM provide capital to companies in various sectors of the economy for further growth and competitiveness.

KCM is part of Baiterek NMH JSC structure.

The mission of KCM is to develop the private equity infrastructure in Kazakhstan in order to promote sustainable economic development of the country.

The vision - KCM is a unique development institution in the form of private equity fund in Kazakhstan operating in accordance with the best international practices.

The key tasks that KCM solves in the framework of its mission to promote sustainable development of the economy of Kazakhstan are:

1. Support and creation of competitive and export-oriented industries by equity participation through private equity funds;

2. Attracting international institutional investors to Kazakhstan, as well as stimulating domestic investors to co-finance priority non-resource sectors of the economy through private equity funds;

3. Involvement of leading international organizations and management companies with long-term experience and stable profitability indicators as strategic partners for implementation of the best global private equity practice in Kazakhstan;

4. Creation of private equity infrastructure in Kazakhstan through the development of necessary financial instruments and mechanisms;

5. Formation of an independent cluster of management companies and funds for the effective development of private equity in Kazakhstan.

Sole shareholder

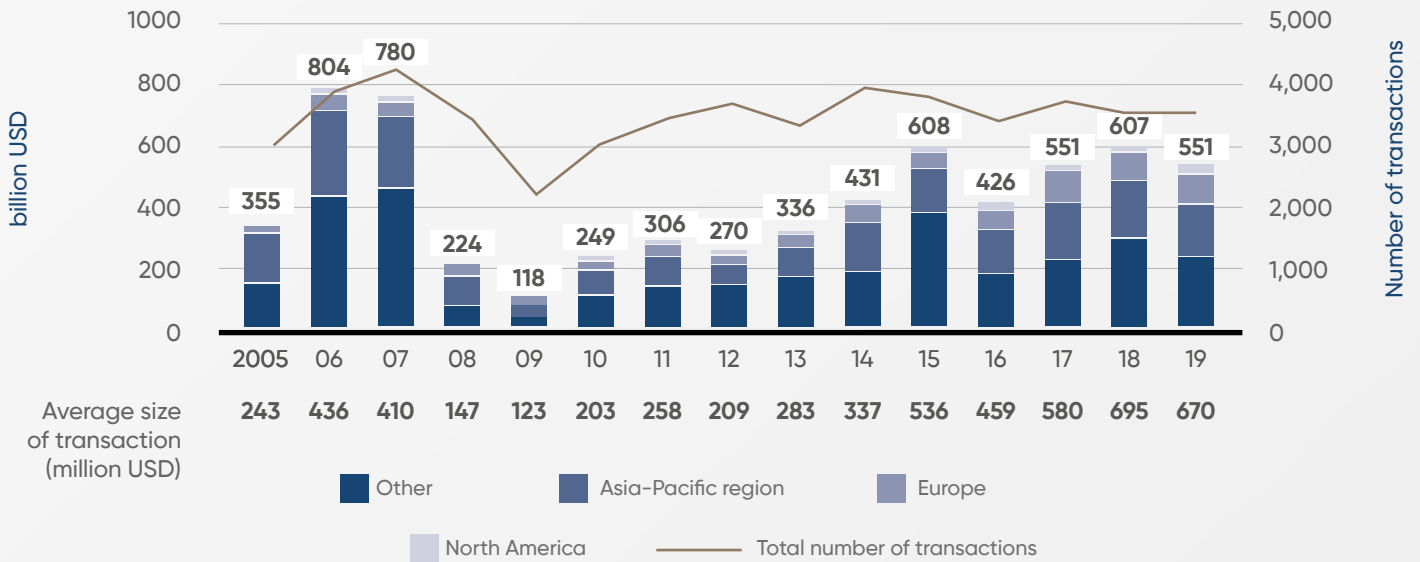
In accordance with the Order of the President of the Republic of Kazakhstan dated May 22, 2013 «On some measures to optimize the management system of development institutions, financial institutions and the development of the national economy», 100% stake in KCM transferred to Baiterek NMH JSC. Baiterek NMH JSC was created to promote development and diversification of the economy, attract investment, provide financial and investment support to non-resource sectors of the economy of Kazakhstan.

1.2. Private equity market overview

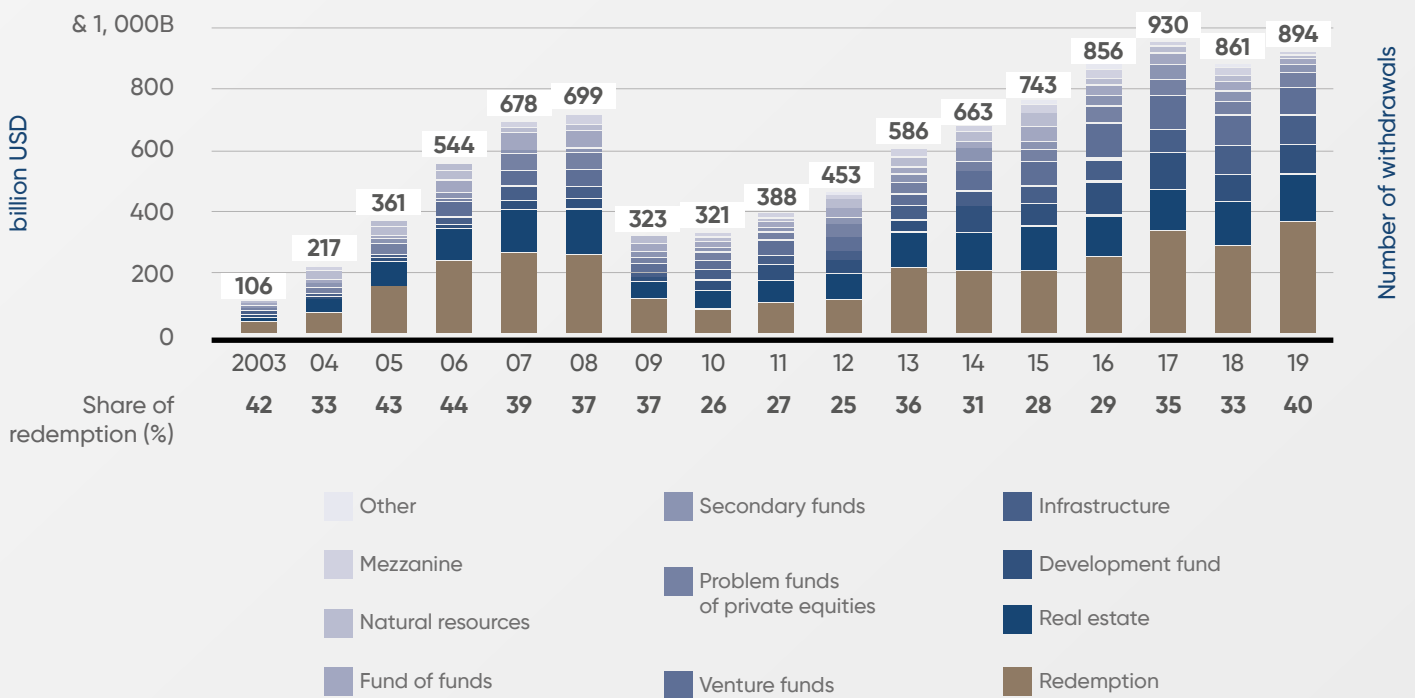
Global private equity market

According to analysis of global private equity market, provided by Bain & Company, in 2019 the number of transactions was at the same level, amounting to 3,6 thousand, but their cost has been reduced from 607 billion USD to 551 billion USD. Such factors as volatility in geopolitical space and threat of economic slowdown lead to a sense of uncertainty, which is not pleasant to participants of transactions. It was determined that 40% of private equity funds (hereinafter referred to as PEF) that participated in the Preqin survey have already made changes to their investment strategies.

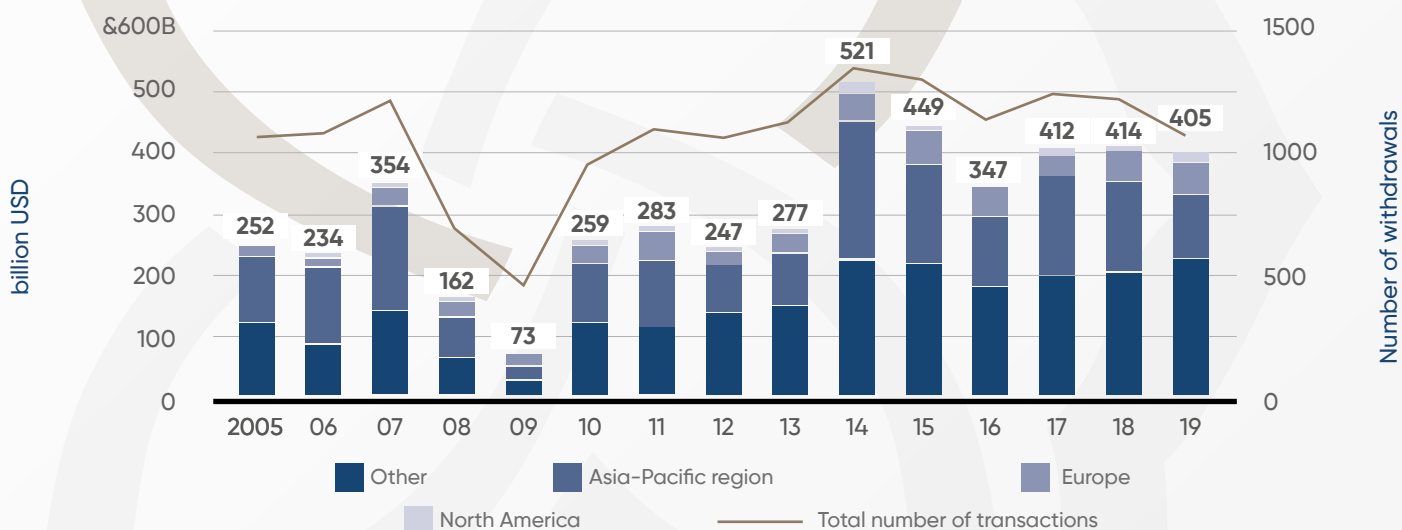
Figure 1 Overview of private equity market in 2019
Global buyout deal value



Global private capital raised by fund type



Global buyout-backed exit value



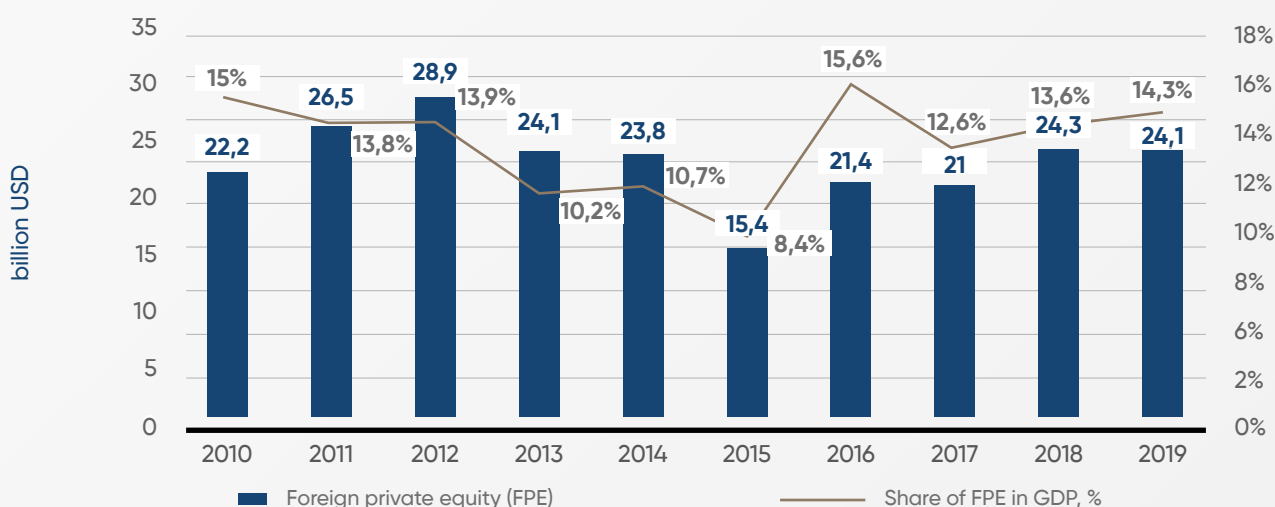
Source: Bain & Company Global private equity report 2020

Private equity market in Kazakhstan

Foreign investment plays a special role in the economy of Kazakhstan, being a source of capitalization and new technologies, as well as development of the country's infrastructure. Attracting foreign investment to the economy of the Republic of Kazakhstan, as well as their effective use, creates new jobs and new innovative enterprises with high added value.

At the end of 2019, the net inflow of direct investments amounted to \$ 4.9 billion USD. The gross inflow of foreign direct investments (FDI) to Kazakhstan amounted to \$ 24.1 billion. (24.3 billion USD in 2018). Private equity investments in Kazakhstan were carried out mainly in the oil and gas sector and the metallurgical industry. The main countries, directly investing in Kazakhstan in 2019 were the Netherlands (30.2% of gross foreign private equity receipts), the United States of America (23%), Switzerland (9.3%), China (7%) and the Russian Federation (5.8%).

Figure 2 Foreign direct investments in the Republic of Kazakhstan, 2010 – 2019



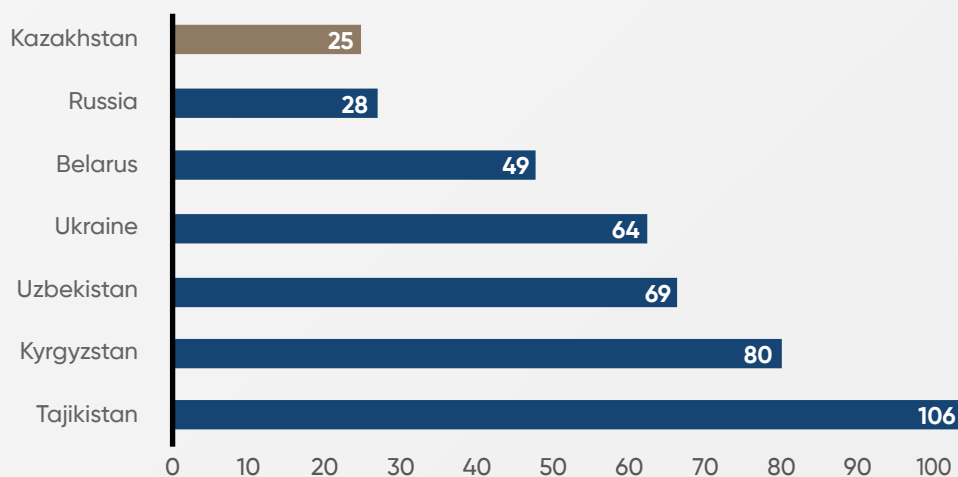
Source: National Bank of the Republic of Kazakhstan

Formation of country's investment attractiveness is influenced by a variety of internal and external factors, which, in particular, are affected by international rating assigned by rating agencies. On September 6, 2019, the international rating agency Fitch Ratings confirmed the long-term and short-term credit ratings of Kazakhstan on foreign and national currency liabilities at the level of «BBB», confirming the «stable» forecast.

According to Doing Business 2020 report, Kazakhstan ranked 25th in the world, rising by 3 positions compared

to the result of 2019. Among the countries of the Eurasian Economic Union Kazakhstan occupies a leading position compared to other CIS countries: Russia, Uzbekistan and Kyrgyzstan occupy 28, 69 and 80 places, respectively. The legislation of the Republic of Kazakhstan supports foreign investors through reimbursement of investments, provision of state subsidies, partial or full exemption from taxes. All of the above creates a favorable environment for the private equity market of the country.

Figure 3 Doing Business Ranking of Business Countries



1.3. Company's activities in private equity market

The activities of KCM, as a Fund of private equity funds, are aimed at promoting sustainable development of the national economy by providing equity financing to companies at various stages of growth through public and private equity funds. PEF provide «long-term investments» unencumbered by interest and principal payments. Development of PEF contributes to transparency of economy, introduction of corporate governance standards, and has an impact on improving experience of local personnel. Investing in capital, PEF accepts all risks of portfolio company, as well as its shareholders.

Over the years, KCM has attracted various major partners to Kazakhstan through PEF, such as institutional investors, sovereign funds of international development institutions and large private investors with extensive experience. Partners include European Bank for Reconstruction and Development (EBRD),

International Finance Corporation (IFC), CITIC Group, Asian Development Bank (ADB), Eurasian Development Bank (EDB), Development Bank of Japan (DBJ), Development Bank of Kazakhstan, Cimbank, Macquarie Group, international investment company Mubadala, Dutch development Fund (FMO Entrepreneurial Development Bank), RUSNANO OJSC and other investors.

In 2019, private equity funds with the participation of KCM financed 17 projects on the territory of the Republic of Kazakhstan. The share of KCM in projects amounted to 78 million USD or approximately 30 billion KZT. By the end of 2019, share of projects implemented in Kazakhstan was 90% of KCM's investment portfolio. KCM has been investing in the following industries: transport and logistics (38%), energy (22%), food production (15%), construction materials (5%), paper and paper products (5%), chemicals and petrochemicals (5%) and other industries (10%). The actual coefficient of attracting investments to the Republic of Kazakhstan was 3.12. This indicator determines the country's investment attractiveness for the global private equity market.

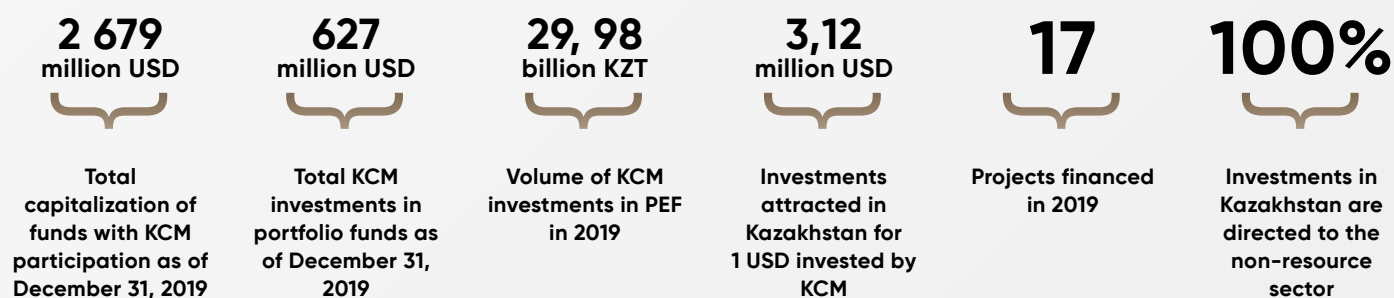


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**RESULTS OF
THE COMPANY IN 2019**

2. RESULTS OF THE COMPANY IN 2019

2.1 Results of the Company's investment activities



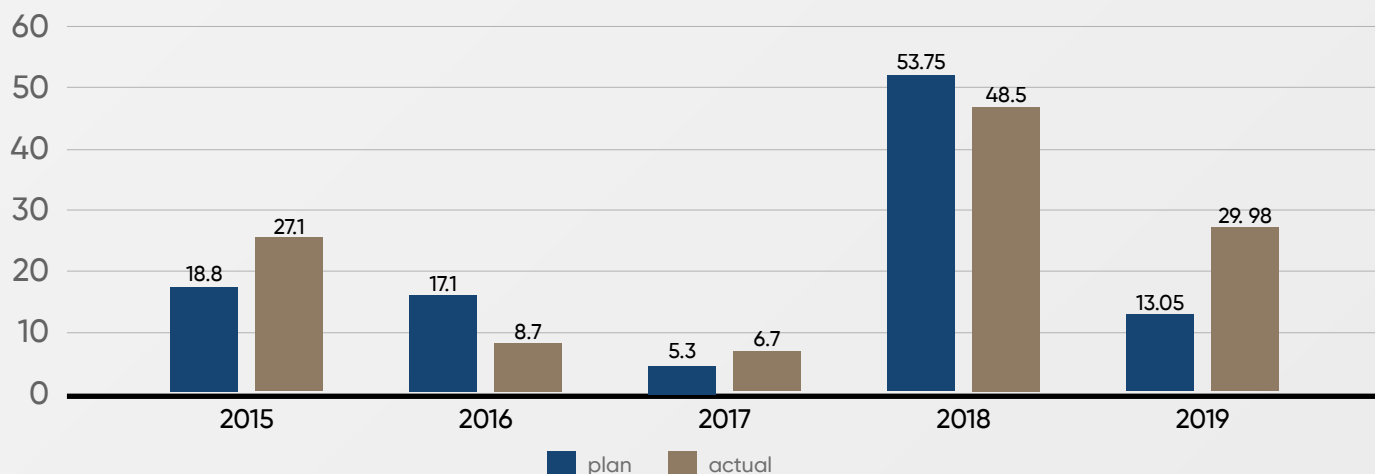
2.1.1 Evaluation of the company's performance in 2017, including comparison of the results achieved with the planned ones, as well as in the dynamics over the past three years.

For 2019, the total investment of KCM in PEF amounted to 29.9 billion KZT, including total investment in 17 projects for the amount of 28.7 billion KZT. Investments were mainly directed to energy and food production sectors. In 2019, the total number of jobs created and supported in the framework of funded projects as of the end of the year was about 4.5 thousand.

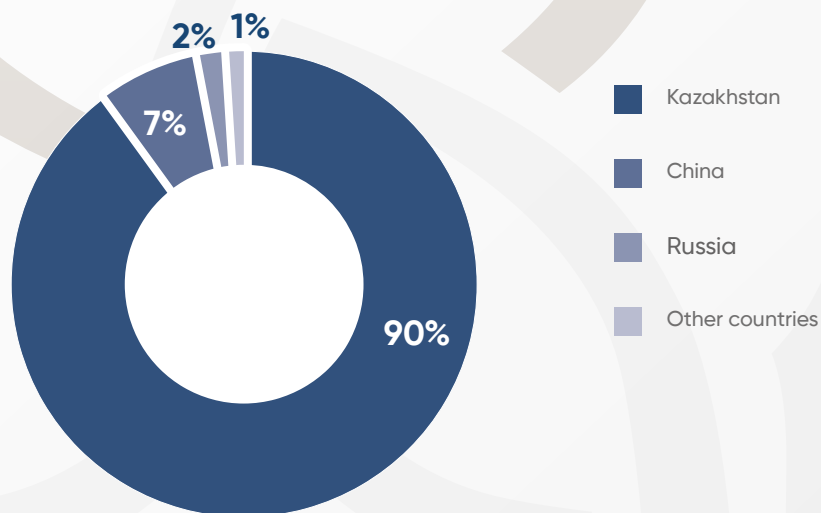


In 2019, the total number of jobs created and supported in the framework of funded projects as of the end of the year was about 4.5 thousand.

Investments of KCM into PEF, billion KZT

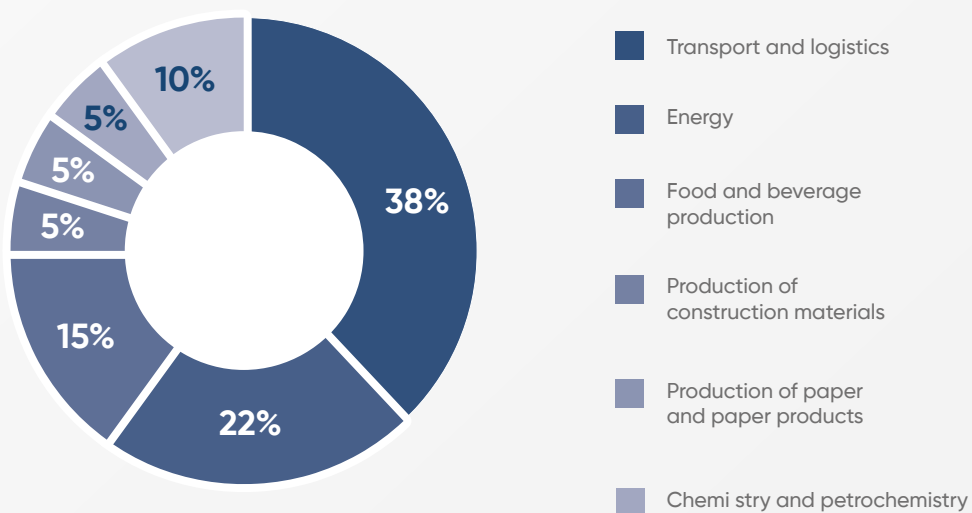


Investment portfolio by countries as of the end of 2019



The share of Kazakhstani projects in the investment portfolio was 90% at the end of 2019.

Investment portfolio by industry as of the end of 2019



The largest share in the KCM portfolio corresponds to transport, logistics and energy sectors – 38% and 22% of total investment volume, respectively.

2.1.2. Activities of the funds in 2019

At the end of 2019, KCM portfolio consisted of 15 PEF with total capitalization of 2,679 million USD.

No.	Funds	Year of creation	Size, million USD	Amount of KCM's obligations in the fund, million USD
1	Aureos Central Asia Fund L.L.C. (ACAF)	2007	37	5
2	Wolfensohn Capital Partners L.P. (WCP)	2008	250	25
3	Kazakhstan Growth Fund L.P. (KGF)	2009	81	40
4	Macquarie Russia and CIS Infrastructure Fund C.V. (MRIF)	2009	630	30
5	Kazakhstan Capital Restructuring Fund C.V. (KCRF)	2010	100	50
6	CITIC Kazyna Investment Fund I L.P. (CKIF)	2010	200	100
7	Russian-Kazakhstan Nanotechnology Fund (RKNF)	2011	51	25
8	Falah Growth Fund L.P. (FGF)	2008	500	50
9	Islamic Infrastructure Fund L.P. (IIF)	2009	227	3
10	AO «Baiterek Venture Fund» (BVF)	2014	215	102
11	Kazakhstan Infrastructure Fund C.V. (KIF)	2014	105	100
12	TOO «Almex-Baiterek Fund» (ABF)	2015	1	0.1
13	DBK Equity Fund C.V. (DBKEF)	2017	88	3
14	KCM Sustainable Development Fund I C.V. (KCM SDF)	2019	65	65
15	Eurasian Nurdy (Bright) Investment Fund L.P. (ENIF)	2019	242	30
Total by 15 PEF			2 679	627

KCM invests in promising and strategically important PEF. The funds are focused on projects in various industries and investment geographies, which contributes to the diversification of the KCM portfolio and reduce potential risks. The share of KCM varies from minority to a controlling stake.

The strategic portfolio of KCM can be divided into several categories:

1) Funds with completed investment periods – PEF, which have completed the investment process and

focused on the management of portfolio companies and the search for opportunities for successful exit:

IIF, KGF, MRIF, CKIF, WCP, FGF, RKFN

2) Funds engaged in active investment activities: BVF, DBK EF, KCM SDF I, KIF, ABF, ENIF.

3) Funds with expired lifetime: ACAF, KCRF

Funds with completed investment period:

Islamic Infrastructure Fund L.P. / Managing company – Capital Advisors Partners Asia Pte Ltd

Lifetime (invest. period)	Total size, US dollars	Investments, US dollars	Share of KCM	Industry	Geography	Investors
2009-2019 (2014)	226,5 million	130,44 million	1,32%	Electricity, Transport, communications, water supply, etc.	Malaysia, Kazakhstan, Indonesia, Pakistan (60%), Afghanistan, Azerbaijan, Bangladesh, Kyrgyzstan, Uzbekistan, etc. (40%)	KKM, IDB, ADB, CIMB Bank (L) Ltd., OPEC Fund for International Development, Bangkok Bank Ltd.

The Fund is at the stage of exits from portfolio companies. The life of the fund ends in July 2021.

Investment portfolio:

1) Foundation Wind Energy - I Ltd – - energy (Pakistan);

2) Foundation Wind Energy - II (Pvt) Limited – energy (Pakistan)

Withdrawal from the following companies:

1) Central Asian Electric Power Corporation JSC - energy (Republic of Kazakhstan)

2) PT Margautama Nusantara - energy (Indonesia)

3) PT TransIndonesia Network – telecommunication services (Indonesia)

Kazakhstan Growth Fund L.P / Management company – CEECAT capital

Lifetime (invest. period)	Total size, US dollars	Investments, US dollars	Share of KCM	Industry	Geography	Investors
2009-2020 (2015)	80,8 million	94.3* million	49,5%	Food industry, production of equipment for mining industry, metallurgy, woodworking and textile production	Kazakhstan (70% of the total capitalization of the Fund), Russian Federation, Central Asia	KCM, EBRD

*In 2017, there was a migration of portfolio companies: Charlie Investments-Chaplin – 12.99 million US dollars, Universal Logistics-12.4 million US dollars; VDP Holding - 9.0 million US dollars.

In 2018, ADM Capital management company was transformed into CEECAT Capital. The management company is actively working exits from the projects.

In 2020, a 1-year extension of the fund's life was initiated according to the Limited Partners Agreement.

Investment portfolio:

- 1) Labnet LLP-network of medical laboratories of the company (Republic of Kazakhstan, Russian Federation);
- 2) KARO Film CJSC - network of multi-screen cinemas (Russian Federation);

3) Best Cinemas LLP – network of multiplex cinemas Chaplin (Republic of Kazakhstan)

4) Universal Logistics LLP - provider of services in the field of freight transportation (Republic of Kazakhstan)

5) KazGrain LLP - vertically integrated agricultural company (Republic of Kazakhstan)

6) Sunpaper LLP – manufacture of paper and hygienic products (Republic of Kazakhstan)

7) Invivo VDP LLP - network of modern medical functional diagnostic centers (Republic of Kazakhstan)

CITIC Kazyna Investment Fund I L.P / Captive team – CITIC Kazyna Manager Ltd.

Lifetime (invest. period)	Total size, US dollars	Investments, US dollars	Share of KCM	Industry	Geography	Investors
2010-2020 (2015)	200,4 million	97 million	49,9%	Infrastructure, raw materials sector (except for oil and gas sector of the Republic of Kazakhstan), real estate	Kazakhstan (50% of the total capitalization of the Fund), China (50% of the total capitalization of the Fund)	KCM, CITIC Group, Sun Success International Ltd.

The Fund is at the stage of monitoring the portfolio companies. In March 2019, the Fund received a return of capital in the amount of 4.3 million US dollars after the exit from the portfolio company Shandong Xinjufeng Technology Packaging Co., Ltd.

Investment portfolio:

- 1) Olzha JSC - transport and logistics company (Republic of Kazakhstan)
- 2) Central Asian Electric Power Corporation JSC - energy industry (Republic of Kazakhstan)
- 3) LongmenGroup PLC - methane production and exploration (People's Republic of China)

- 4) Arctic Green Energy China (ex. ORKA Energy) - geothermal energy (People's Republic of China)

Withdrawal from the following companies:

- 1) Shandong Xinjufeng Technical Packaging Co., Ltd – production of packaging materials (People's Republic of China)
- 2) Central Asian Electric Power Corporation JSC – electric energy (Republic of Kazakhstan) (withdrawal completed in 2020).

**Macquarie Russia and CIS Infrastructure Fund/Management company –
Macquarie Infrastructure and Real Assets (Europe) Ltd.**

Lifetime (invest. period)	Total size, US dollars	Investments, US dollars	Share of KCM	Industry	Geography	Investors
2009-2019 (2015)	630 million	423,8 million	4,8%	Transport infrastructure, electric energy industry	Russian Federation, Kazakhstan (at least 20% of the total capitalization of the Fund), CIS countries	KCM, IFC, EBRD, Vnesheconombank, Macquarie Group, EDB

The Fund is at the stage of implementation of portfolio companies. As of December 31, 2019, the Fund has implemented 4 projects out of 5. During the reporting period, the Fund fully exited from Russian Towers and GSR Energy projects for a total amount of 15.7 million USD.

Investment portfolio:

- 1) Enel Russia-electricity production and distribution (Russian Federation).

Withdrawal from the following companies:

- 1) Brunswick Rail (2 projects) – operational leasing of railway freight cars (Russian Federation);
- 2) Russian Towers - telecommunication infrastructure (Russian Federation);
- 3) GSR Energy - production and sale of heat and electricity (Russian Federation).

**Wolfensohn Capital Partners L. P. /
Management company-JDW Partners, L. P.**

Lifetime (invest. period)	Total size, US dollars	Investments, US dollars	Share of KCM	Industry	Geography	Investors
2008-2019 (2014)	250 million	202,5 million	9,9%	Alternative energy, finance and insurance, retail	BRIC, Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam and other developing countries	KCM, National Industries Group Holding Company, CGI Private Equity, Governing Council of the University of Toronto, etc.

The Fund is at the stage of implementation of the portfolio companies. As of December 31, 2019, the Fund has implemented 10 projects out of 13. During the reporting period, the Fund partially exited from the Moscow Exchange and Alior Bank projects for a total of 7.3 million. USD

Investment portfolio:

- 1) Alior Bank-financial services (Poland);
- 2) Moscow Exchange-financial services (Russian Federation);
- 3) National Stock Exchange of India-financial services (India).

Withdrawal from the following companies:

- 1) Fabindia Overseas Private Ltd – - clothing and home goods retailer (India);

- 2) BTG Pactual Group - investment Bank (Brazil);
- 3) Repco Home Finance-mortgage company (India);
- 4) Kalpan Hydro Company - construction of hydroelectric power stations (India);
- 5) Odebrecht Agroindustrial-ethanol production (Brazil);
- 6) OPX Biotechnologies - manufacturer of biofuels (USA);
- 7) Banco Daycoval-commercial bank (Brazil);
- 8) Ujivan Financial Services-microfinance organization (India);
- 9) Development Credit Bank-financial services (India);
- 10) GE Joint Venture →- wind energy (Central and Eastern Europe).

Russian-Kazakhstan Nanotechnology Fund / Management company - VTB Capital I2BF Innovation Partners

Lifetime (invest. period)	Total size, US dollars	Investments, US dollars	Share of KCM	Industry	Geography	Investors
2012-2021 (2017)	51 million	35,9 million	49%	Projects in the field of nanotechnology	Kazakhstan (50% of the total capitalization of the Fund), Russian Federation (50% of the total capitalization of the Fund)	KKM, RUSNANO, VTB Capital and I2BF

The Fund is at the stage of monitoring and partial sale of portfolio companies. In the reporting period, 2 tranches (out of 3) were received as part of VIST Group sale for amount of \$ 2.4 million USD

Investment portfolio:

1) Optical Security Systems - systems of continuous monitoring and control of large-scale infrastructure facilities (Russian Federation);

2) Selecta Biosciences-biopharmaceutics (Russian Federation);
3) RoboCV-robotic systems (Russian Federation);
4) Primus Power-energy storage systems (Republic of Kazakhstan);
5) VIST Group-automation of the mining industry (Republic of Kazakhstan).

Falah Growth Fund L. P. / Management company-AI Falah Capital Partners

Lifetime (invest. period)	Total size, US dollars	Investments, US dollars	Share of KCM	Industry	Geography	Investors
2008/2012-2022 (2019)	500 million	74,75 million	10%	Oil and gas, mining, energy, infrastructure, etc.	Kazakhstan, CIS countries	KKM, Aztech Investment Ltd., Ordabasy Corporation

The investment period of the fund ended on January 1, 2019.

Investment portfolio:

1) Alsad Kazakhstan LLP - egg farm (Republic of Kazakhstan);

2) Karagandy Kus LLP - egg farm (Republic of Kazakhstan).

Withdrawal from the following companies:

1) Karaganda EnergoCenter LLP - energy (Republic of Kazakhstan)

Funds engaged in active investment activities:

Baiterek Venture Fund/ Management company – Captive

Lifetime (invest. period)	The total size, KZT	Investments, KZT	Share of KCM	Industry	Geography	Investors
2014-2024 (2019)	38 880 million	30 020 million*	100%	SPIID priority sectors	Kazakhstan	KCM

*The amount financed by the Fund in all portfolio companies (excluding AstanaGas JSC).

The Fund is in an active investment phase. During the reporting period, the Fund invested in 10 projects totaling 19.16 billion.

Investment portfolio:

- 1) Central Asian Electric Power Corporation JSC - energy industry (Republic of Kazakhstan)
- 2) Allur» Group JSC - motor-car construction (Republic of Kazakhstan);
- 3) Mining Chemical Company LLP - production of emulsion explosives (Republic of Kazakhstan);
- 4) Aitas KZ JSC-agriculture (poultry farming) (Republic of Kazakhstan);
- 5) CAPEC Green Energy LLP - alternative energy (Republic of Kazakhstan);
- 6) AstanaGas JSC - transport and logistics (gas pipeline) (Republic of Kazakhstan);
- 7) Baikonur Solar LLP-alternative energy (Republic of Kazakhstan);
- 8) Alex Astana LLP-production of road signs (Republic of Kazakhstan);
- 9) Kazmyaso LLP - agriculture (Republic of Kazakhstan);
- 10) Politerm LLP-production of mineral wool slabs and mats from basalt rocks;

11) Burunday mineral water LLP - tourism (Republic of Kazakhstan);

12) KazGreenEnergy LLP-alternative energy (Republic of Kazakhstan);

13) EMC Agro LLP - agriculture (animal husbandry) (Republic of Kazakhstan);

14) Kazpoligraf LLP - production of packaging (Republic of Kazakhstan);

15) BRBARK LLP - agriculture (crop production) (Republic of Kazakhstan);

Withdrawal from the following companies:

1) Sachiko-Olza Products LLP - production of diapers (Republic of Kazakhstan);

2) ARP Company LLP - production of construction materials (Republic of Kazakhstan);

3) Oxy Textile LLP - manufacturing industry (Republic of Kazakhstan)

**DBK Equity Fund C. V. /
Managing company-BV Management LLP (hereinafter-BVM)**

Lifetime (invest. period)	The total size, KZT	Investments, KZT	Share of KCM	Industry	Geography	Investors
2017- 2027 (2022)	33 515 million	19 884 million	2,99%	Projects of "Development Bank of Kazakhstan" JSC, "DBK-Leasing" JSC	Kazakhstan	KKM, DBK, BVM

The Fund is in active investment phase. During the reporting period, the fund had invested in 3 projects for the total amount of 9.9 billion KZT.

Investment portfolio:
1) CAPEC Green Energy LLP - alternative energy (Republic of Kazakhstan);
2) Turgusun-1 LLP - alternative energy (Republic

of Kazakhstan);
3) Aitas KZ JSC-agriculture (poultry farming) (Republic of Kazakhstan).

Withdrawal from the following companies:
TengizTransGas LLP - transport and logistics sector (Republic of Kazakhstan).

**KCM Sustainable Development Fund I C. V. /
Managing company-BV Management LLP»**

Lifetime (invest. period)	The total size, KZT	Investments, KZT	Share of KCM	Industry	Geography	Investors
2019- 2029 (2028)	25 000 million	9 321 million	99,99%	Agriculture, manufacturing, technical services and service provision, healthcare, information and communication, energy, etc.	Kazakhstan	KCM, BVM

The fund was created for implementing preferential financing program and is the operator of the Program for amount of 25 billion KZT.

Investment portfolio:
1) Oil House "Astana Oil" LLP - modernization of mini-refineries (Republic of Kazakhstan);

2) Temirbeton-1 LLP - production of construction materials (Republic of Kazakhstan);
3) Agrimer LLP - processing, storage and sale of grain (Republic of Kazakhstan);
4) Karagandy Kus LLP - agriculture (poultry farming) (Republic of Kazakhstan).

Kazakhstan Infrastructure Fund C. V. / Management company-Verno PE Ltd.

Lifetime (invest. period)	Total size, US dollars	Investments, US dollars	Share of KCM	Industry	Geography	Investors
2014-2026 (2020)	105 million	38,1 million	95,2%	Infra-structure	Kazakhstan, member countries of Shanghai cooperation organization	KCM, Verno Group Ltd.

The Fund is in active investment phase.

energy industry (Republic of Kazakhstan)

2) KIF Warehouses LLP-transport and logistics

(Republic of Kazakhstan).

Investment portfolio:

1) Central Asian Electric Power Corporation JSC -

Almex-Baiterek Fund LLP

Lifetime (invest. period)	The total size, KZT	Share of KCM	Industry	Geography	Investors
2015-2025 (2020)	468 million	7%	Agro-industrial complex, food industry (at least 70% of the fund size), other priority sectors of the SPIID	Kazakhstan	KCM, Almex Project

As of the end of reporting period, the fund is in active investment phase.

Eurasian Nurly (Bright) Investment Fund L. P. / Managing company-Nurly Fund Manager L. P.

Lifetime (invest. period)	Total size, US dollars	Share of KCM	Industry	Geography	Investors
2019-2027 (2023)	up to \$500 million.	12,4%	Infrastructure, processing of natural resources, logistics, information technology, manufacturing, agro-industrial complex, etc.	Kazakhstan, member countries of the Shanghai cooperation organization	KCM, Sovereign Welfare Fund Samruk-Kazyna JSC, CITIC Group

On April 25, 2019, documents for the first closing of fund were signed at the Kazakh-Chinese round table on investment cooperation in Beijing.

On September 11, 2019, at the 6th meeting of the China-Kazakhstan Business Council in Beijing, Sovereign Welfare Fund Samruk-Kazyna JSC joined the Fund.

Funds with expired lifetime:

Aureos Central Asia Fund L. L. C. / Management company – The Abraaj Group

Lifetime (invest. period)	Total size, US dollars	Investments, US dollars	Share of KCM	Industry	Geography	Investors
2007-2018 (2011)	37 million	25,5 million	14,2%	financial activities, retail trade, telecommunications, chemical industry	Kazakhstan (at least 50% of the total capitalization of the Fund), Central Asia	KCM, IFC, CDC Group, FMO, EBRD, DBJ

The life of the Fund ended in November 2018. The Fund is being liquidated.

Withdrawal from the following companies:

1) Leasing Group LLP – leasing financing (Republic of Kazakhstan)

2) Asia-Electrik JSC - electric cable production plant (Republic of Kazakhstan)

3) Ala-TV LLC – communications (Kyrgyzstan)

4) Derzhava LLP – chemical and petrochemical products (Republic of Kazakhstan)

Kazakhstan Capital Restructuring Fund C. V. / Management company – CEECAT Capital

Lifetime (invest. period)	Total size, US dollars	Investments, US dollars	Share of KCM	Industry	Geography	Investors
2011-2017 (2014)	100 million	47,3 million	49,5%	SME (non-oil sector)	Kazakhstan	KCM, EBRD

The Fund is at the stage of implementation of the portfolio companies. In 2018, ADM Capital management company was transformed into CEECAT Capital. The management company is actively working to exit from the projects.

Investment portfolio:

1) JV with Chagala Group (Republic of Kazakhstan) – real estate (Republic of Kazakhstan).;

2) Caspian Development Company Services LLP – transport and logistics (Republic of Kazakhstan)

3) «Zhambyl Gypsum» JSC - manufacturer of gypsum construction products (Republic of Kazakhstan).

2.2 Results of financial and economic activity

Analysis of the financial condition and performance of KCM for the period 2017-2019 was conducted based on the KCM's audited financial statements.

Income from the treasury portfolio in the form of remuneration on deposits, securities and derivatives, and portfolio strategy obtained from the PEF portfolio companies associated with the payment of dividends, interest and gains from the sale of shares in PEF portfolio companies. Revenue of KCM for 2019 amounted to 6 214 million KZT.

	million KZT		
Income	2017	2018	2019
Income of strategic portfolio	1 613	3 682	1 148
Income from treasury portfolio	3 155	3 698	2 981
Unrealized gains on revaluation of investments and accrued gains on investments	951	4 033	1 056
Foreign exchange gain		10 124	
Income from recovery of reserves			920
Other income	83	9	109
Total:	5 802	21 546	6 214

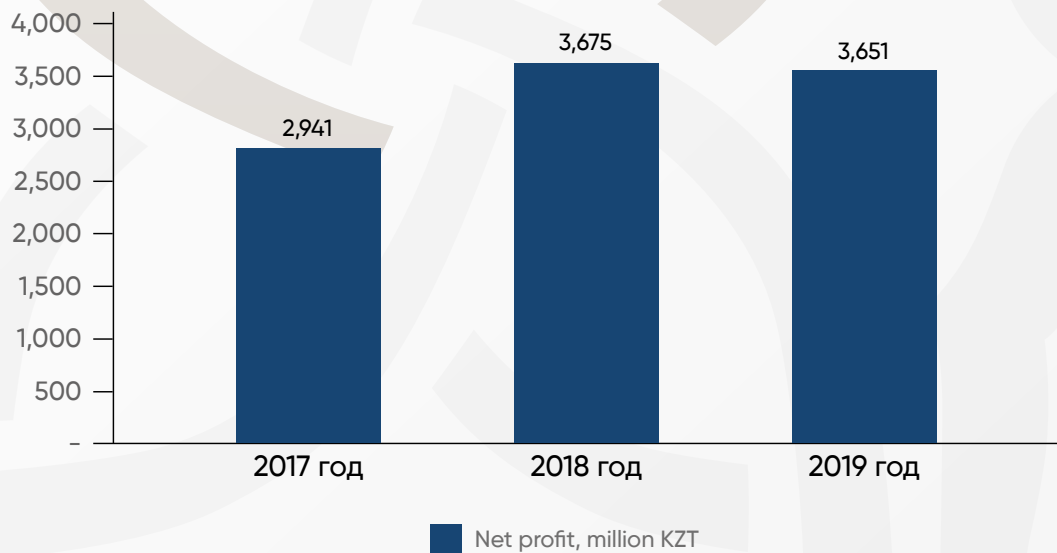
During the reporting period, dividends and income from increase in the value of investments were received for projects of the Kazakhstan Growth Fund, Islamic Infrastructure Fund, Macquarie Russia & CIS Infrastructure Fund, Russian-Kazakhstan Nanotechnology Fund, CITIC Kazyna Investment Fund I.

Decrease in revenue from Treasury portfolio for 2019 compared to 2018 is due to investment of temporarily available funds and decrease in the weighted average yield.

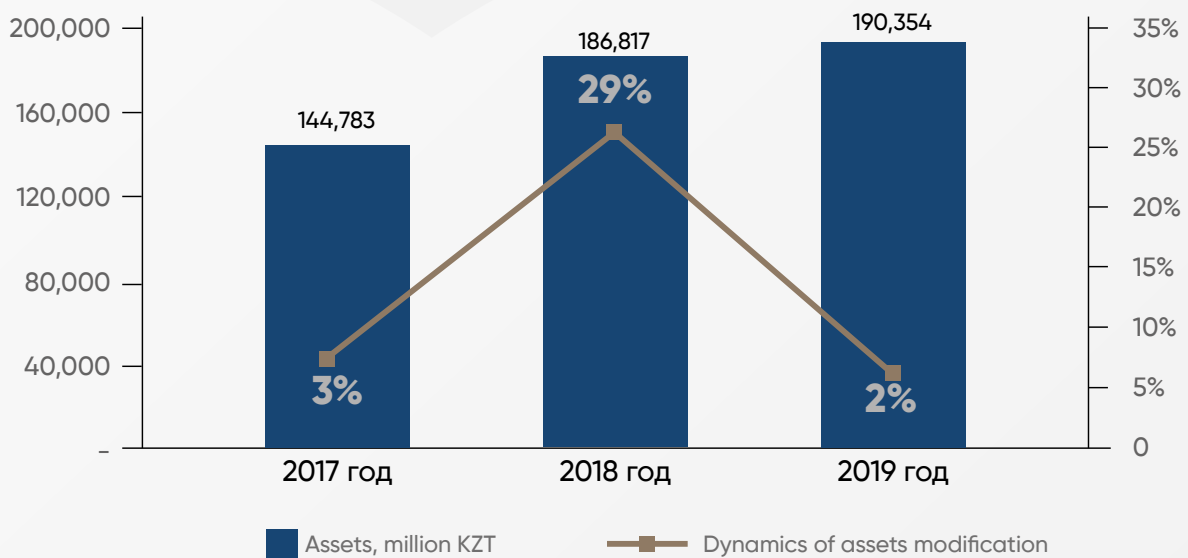
In comparison with 2018, there is a decrease in total expenses, and there are no expenses from revaluation of fair value of derivatives and provisions in accordance with IFRS for the reviewed period. It is also necessary to take into account that administrative expenses tend to increase due to internal and external factors of the economy, including inflation, changes in socio-economic indicators and exchange rates in relation to KZT. The expenditure part is presented in the following table:

	million KZT		
Expenses	2017	2018	2019
General and administrative expenses	1 024	1 031	1 497
Depreciation reserve	175	13 817	
Expenses on derivatives	495	1 026	
Foreign exchange expenses	141		329
Total:	1 835	15 874	1 826

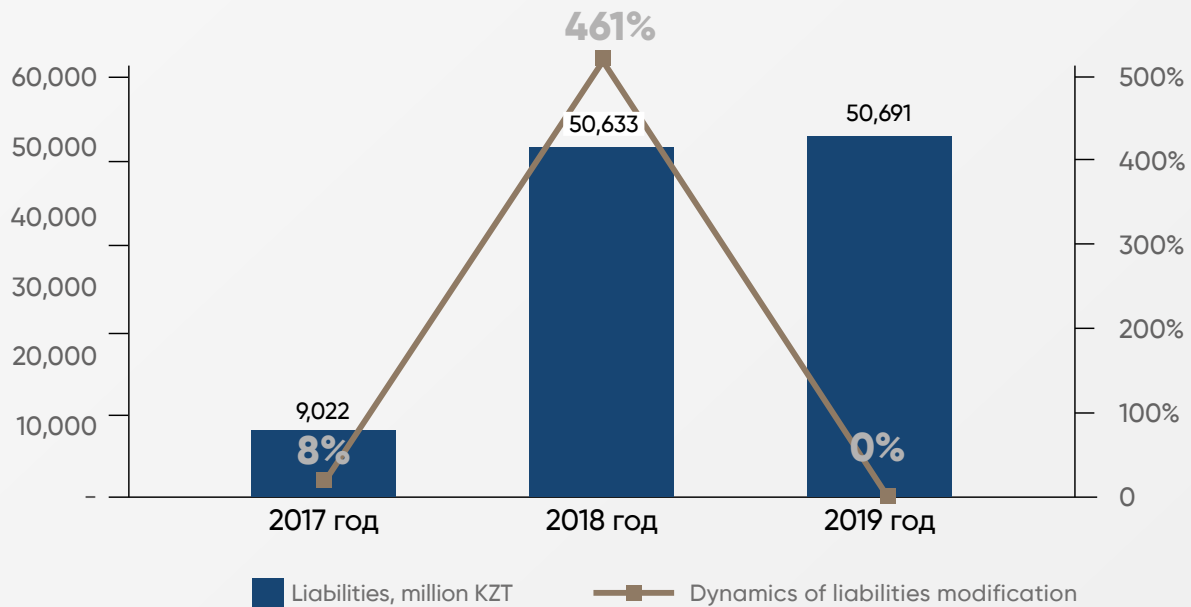
According to the audited financial statements for 2019, a positive financial result was received in the amount of 3,651 million KZT. Earnings before interest, taxes and depreciation (EBITDA) was 4,396 million KZT, and corporate income tax expense was 737 million KZT.



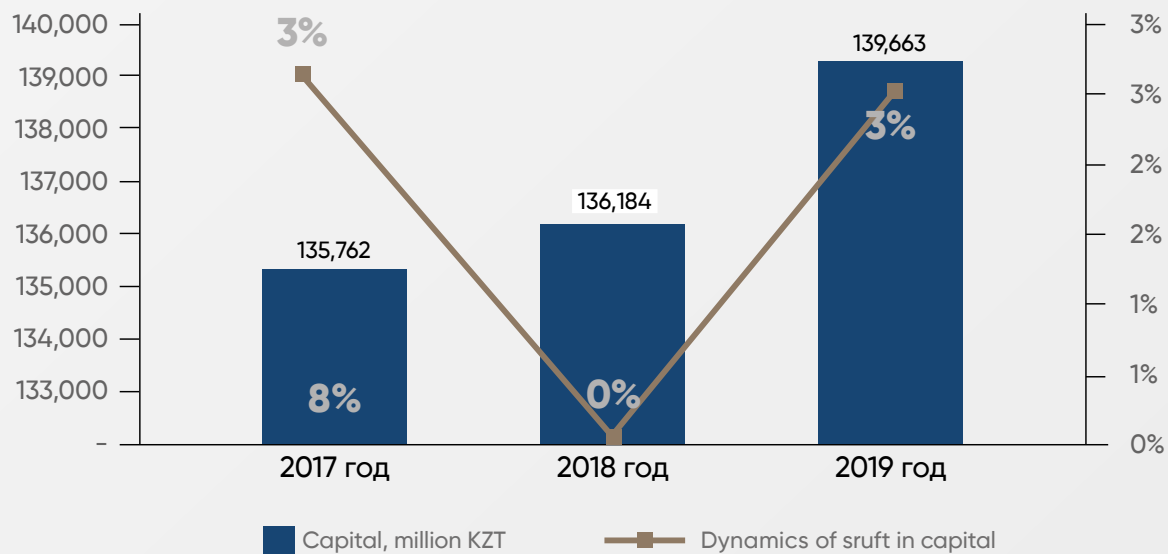
As of December 31, 2019, the total assets amount to 190,354 million KZT, which is 2% higher than in 2018 or 3,537 million KZT. The increase in assets is primarily due to cash flows from operating activities and the treasury portfolio.



Total liabilities for the same period amounted to 50,691 million KZT due to debt securities issued and fair value revaluation of derivative financial instruments.



Total equity amounted to 139,663 million KZT due to net income and fair value revaluation of the treasury portfolio.



The authorized equity of the Company is 55 million ordinary shares. As of December 31, 2019, the value of fully placed (paid-for) shares was:

- 1) 55 000 ordinary shares at par value of 1000 KZT per common share;
- 2) 39 985 000 ordinary shares at par value of 1000 KZT per common share;
- 3) 12 000 000 ordinary shares at par value of 1000 KZT per common share;
- 4) 1 000 000 ordinary shares at par value of 15 000 KZT per common share;

5) 10 000 ordinary shares at par value of 40 000 KZT per common share;

6) 500,000 common shares at the placement price - 40,000 KZT per common share;

Baiterek NMH JSC owns 53 550 000 ordinary shares of the Company. Description of the rights granted by shares: shareholder has the right under the law of the Republic of Kazakhstan «On Joint Stock Companies» (hereinafter – the Law on JSC) and (or) the Company's Charter.

2.3. Information about significant corporate events in 2019

Investment projects financing by DBKEF, KIF, BVF and KCM SDF

In 2019, KCM SDF financed a project for production and sale of fuels and lubricants (Oil House «Astana Oil» LLP) in the amount of 4.84 billion KZT, project for production of reinforced concrete materials (Temirbeton-1 LLP) in the amount of 1.5 billion KZT, project for acquisition of a grain elevator as part of the expansion of the AGROMEAN group's business for the export of grain products in the amount of 1.4 billion KZT, and an egg farm project (Karagandy-Kus LLP) in the amount of 1.5 billion KZT.

In 2019 DBKEF financed «CAPEC Green Energy» LLP investment project of building of second start-up complex of 48 MW wind power plant in Akmola region for the amount of 1.12 billion KZT, project for construction of Turgusun HPP in the East-Kazakhstan region for the amount of 1 billion KZT, as well as the project for production of broiler poultry of Aitas KZ LLP for the amount of 7.7 billion KZT. In December 2019, complete withdrawal from Tengiztransgaz LLP project in amount of 9.26 billion KZT, with an initial investment of 8.28 billion KZT, the yield was 12%.

In 2019, BVF financed 10 projects worth 19.2 billion KZT in manufacturing industry, green energy, and agro-industrial complex. During 2019, the construction of 50 MW solar power plant in the Kyzylorda region and 10 MW SPP in the Karaganda region was financed for a total amount of 6.8 billion KZT, construction of the above-mentioned plants has been completed.

Investments in the agricultural sector amounted to about 8 billion KZT. The share of participation in Aitas

KZ LLP, the largest producer of broiler poultry meat in Kazakhstan, was increased by 2.89 billion KZT. Also, beef production projects, expanding capacity of a pig farm from 50 to 100 thousand heads of commercial stock per annum, and increasing production capacity of a greenhouse in the Almaty region were financed. In the manufacturing industry, investments were made in such companies as Politerm LLP (1.5 billion KZT), Kazpoligraf LLP (2 billion KZT), Alex-Astana LLP (0.8 billion KZT). The Fund's investment portfolio in 2019 amounted to 70.17 billion KZT.

In April 2019, KCM's program of preferential financing was launched, approved by decision of the Company's Board of Directors on April 19, 2019. Also, in April 2019, the KCM SDF Foundation was launched to implement this program. The total amount of the program is up to 50 billion KZT, including:

- Preferential financing program BVF – 10 billion KZT;
- Program involving second – tier banks (STB) - 30 billion KZT;
- KCM SDF financing program – 10 billion KZT.

For this purpose, in April 2019, the authorized capital of BVF was increased by 20 billion KZT, and KCM SDF by 10 billion KZT.

Due to the high demand for funds from direct financing programs by the BVF and KCM SDF funds, as well as the low rate of disbursement of funds through the STB, changes were made to the program in autumn 2019. The total amount of the program was 48.7 billion KZT, including:

- BVF preferential financing program – 11,3 billion KZT;
- Program with involvement of second tier banks – 11.5 billion KZT;
- KCM SDF financing program – 25 billion KZT.

Framework agreements were signed with 4 second-tier banks: «Bank CenterCredit» JSC (2 billion KZT), SB «VTB Bank (Kazakhstan)» JSC (2 billion KZT), SB «Sberbank» JSC (6 billion KZT), «ForteBank» JSC (1.5 billion KZT).

The program is highly demanded among entrepreneurs, especially in terms of direct financing from BVF and KCM SDF. By the end of 2019, 11 projects worth 19.47 billion KZT were financed.

2.4. Risk management system

KCM has a structure approved by the Board of Directors that clearly defines the participants of the corporate risk management system. The structure provides for a Risk Management Service that reports directly to the Chairman of the Management Board.

The approved Risk Management Policy is a constitutional document of KCM and defines the organizational structure of risk management, the roles and responsibilities of bodies, committees and structural divisions: Sole Shareholder, Board of Directors, Audit and Risk Committee, Management Board, Investment Committee, Risk Management Department, Internal Audit Service and other structural subdivisions.

The main objectives of the risk management system are:

- building an effective integrated system and creating an integrated risk management process as an element of the Company, as well as continuous improvement of activities on the basis of a unified standardized approach to risk management methods and procedures;
 - improving the efficiency and sustainability of the Company, reducing losses, increasing profitability and the most efficient use of capital;
 - ensuring that the Company accepts acceptable risks adequate to the scope of its activities;
 - ensuring the normal functioning of the Company in crisis situations.

The basic principles of KCM risk management:

- integrity - consideration of elements of the Company's total risk in the context of the corporate risk management system;
 - openness-prohibition to consider corporate risk management system as autonomous or separate;
 - structurality - comprehensive risk management system has a clear structure;
 - awareness - risk management is accompanied

by objective, reliable and up-to-date information;

- continuity - risk management process is carried out continuously;
- relevance - continuous improvement of risk management procedures and mechanisms;
- timely and immediate transmission of information by all structural divisions based on the «bottom-up» principle, including the Management Board and the Board of Directors of the Company, about changes, state and size of the relevant risks, about all non-standard operations and situations;
 - engagement - involvement of the Company's top management, i.e. the Management Board and the Board of Directors, into the process of risk management and creating a control environment;
 - separation of powers - clear division of employees' powers and exclusion of situations in which employee's sphere of responsibility allows for a conflict of interests;
 - independence-risk management in all areas of the Company's activities should be performed by the relevant structural divisions of the Company that are independent of operating activities;
 - cyclicity - risk management process is a constantly recurring built-up cycle of its main components.

The risk management system includes the following main elements:

- defining goals - KCM is exposed to risks from external and internal sources, and main condition for effective identification, assessment and development of risk management methods is setting goals. KCM objectives and aims are aligned with risk appetite;
 - risk identification - identification of internal and external risks to which KCM is or may be exposed, occurrence of which may negatively affect the ability to achieve planned goals and implement the tasks set;
 - risk measurement - development and use of system and tools that allow objectively determining the size and probability of risks for KCM;
 - risk minimization - involves the implementation of a set of measures aimed at reducing the likelihood of events or circumstances leading to losses, and (or)

to reduce (limit) the amount of potential losses;

- risk control – functioning of internal control system and establishment of maximum permissible limits (restrictions) on risks;
- risk monitoring – continuous assessment of the level of the main risks of KCM and compliance with the maximum permissible limits.

The Risk Management Department quarterly monitors key KCM risks and submits for consideration by the KCM Management Board and KCM Board of Directors. Taking into account unstable financial condition of second-tier banks, a quarterly analysis of financial condition of STBs and issuers of securities is conducted. Risk Management Department includes information on changes in their ratings, banks' compliance with prudential standards of the National Bank of the Republic of Kazakhstan, etc., on the basis of which a report is submitted to the Investment Committee and appropriate measures are taken to reduce the credit risks of the Treasury portfolio.

As part of the work to improve the risk management system in 2019, a comprehensive work on implementing or updating of following internal regulations was carried out:

- Methodology for determining business processes, their inherent risks and key risk indicators in Kazyna Capital Management JSC, approved by the decision of the Management Board of KCM on April 10, 2019;
- Methodology for determining fair value of financial assets and financial liabilities of Kazyna Capital Management JSC, approved by the decision of the Management Board of KCM on July 12, 2019;
- Rules for intra-group financing of Kazyna Capital Management JSC, approved by the decision of the Management Board of KCM on July 12, 2019;
- Methods of stress testing and reserve determination in Kazyna Capital Management JSC approved by the decision of the Management Board of KCM on October 9, 2019;
- Methodology of business risk assessment in Kazyna Capital Management JSC approved by the decision of the Management Board of KCM on October 9, 2019;
- The plan of risk auditing business processes of Kazyna Capital Management JSC for 2020, approved by the decision of the Management Board of KCM on October 31, 2019 (updated and approved by the decision of the Management Board of KCM on March 27, 2020 in a new version);
- Plan for recovering activities of Kazyna Capital Management JSC, approved by decision of the Management Board of KCM on November 13, 2019 (updated and approved by the decision of the Board of Directors of KCM on March 16, 2020 in new version);

- Regulations on the Risk Management Service of Kazyna Capital Management JSC, approved by the decision of the Management Board of KCM on December 26, 2019

2.5. Internal Audit Service

The Internal Audit Service ensures the organization and implementation of internal audit in the Company, is directly subordinate and accountable to the Board of Directors of the Company.

The mission of the Internal Audit Service is to maintain and increase the value of the organization through objective internal audits based on a risk-based approach, providing advice and knowledge sharing.

The Internal Audit Service operates on the basis of honesty, objectivity, confidentiality and professional competence principles.

The main tasks of the Internal Audit Service are to conduct analysis and evaluation within the framework of audits and consultations:

- eliability and efficiency of internal control system;
- adequacy and effectiveness of the risk management system;
- efficiency of the corporate governance system and the process of its improvement, compliance with the principles of corporate governance, relevant ethical standards and values.
- compliance with the requirements of the legislation of the Republic of Kazakhstan, internal policies and other documents of the Company, as well as the effectiveness of systems and procedures created and applied to ensure compliance with these requirements (compliance control);
- execution of decisions of bodies of Companies and orders (proposals) of the authorized (supervisory) state bodies;
- sufficiency and/or efficiency of business processes carried out by structural divisions of the Company, measures to achieve their objectives within the Company's strategic goals;
- rationality and efficiency of resources and methods use (methods) applied to ensure the safety of property (assets);
- economic viability and efficiency of operations and transactions;
- Reliability, completeness, objectivity of accounting system and reliability of financial statements and other information of the Company.

The Board of Directors of the Company annually approves the Annual audit plan of the Internal Audit Service based on the risk-oriented approach. The results of each audit are reviewed and discussed at meetings

of the Management Board of the Company.

In order to develop the competence and potential of employees in the field of internal audit, the Board of Directors of the Company annually approves the plan of professional training of employees of the internal audit service of the Company.

The Internal Audit Service provides a quarterly report to the Audit and Risk Committee and the Board of Directors of the Company. The Head of the Internal Audit Service meets quarterly with the Audit and Risk Committee of the Board of Directors without the participation of members of the Management Board of the Company.

In 2019, based on the methodology and criteria approved by the Company's Board of Directors, the risk management system was audited and the company's corporate governance system was diagnosed.

In order to improve the activities of the internal audit Service, the documents regulating the activities of the internal audit Service were updated in 2018. Also, in 2018, an internal assessment of the quality of the internal audit Service was carried out, the results of which were reviewed by the audit and risk Committee and the Board of Directors of the Company.

2.6. Activities of subsidiaries in 2019

The Company's structure includes BVF and BVM subsidiaries.

2.6.1. Results of BVF activities for 2019

In May 2014, KCM's Board of Directors has taken a decision to create BVF.

The Fund finances and searches for projects at the stage of development of business plans and feasibility studies. The Fund's target sectors for investment are the most priority sectors of the State program for industrial and innovative development (SPIID). The geographical focus of investment is the Republic of Kazakhstan, and it is also allowed to invest in Kazakh companies that implement projects abroad.

During 2019, BVF financed 10 projects worth 19.2 billion KZT in manufacturing industry, green energy, and agro-industrial complex. Thus, construction of two solar power plants with a capacity of 50 MW in the Kyzylorda region and 10 MW in the Karaganda region was financed for the total amount of 6.8 billion KZT. BVF investments in agribusiness (expansion of greenhouse complex (BRBAPK LLP), production of broiler poultry meat (Aitas KZ LLP), production of beef (Kazmyaso LLP), pork (EMC Agro LLP) amounted to about 8 billion KZT. In the manufacturing industry, investments totaling 4.3 billion KZT were made into production of construction materials (Politerm LLP), packaging products (Kazpoligraf LLP) and production of road signs (Alex-Astana LLP). Also, the project of «Burunday mineral water» LLP on modernization of the recreation area for the amount of 0.1 billion KZT was financed.

List of projects invested by BVF in 2019

No.	Name of company	Date of investment	Brief description	Region/city
1	"Baikonur Solar" LLP	March 2019	Project for construction and operation of the 50 MW Baikonur solar power plant	Kyzylorda region
2	Alex Astana LLP	April 2019	Project for modernization of road signs production	Nur-Sultan and Almaty
3	Kazmyaso LLP	April 2019	Project to create a cluster for production of high-quality beef	Almaty region
4	Makinsky plant of thermal insulation LLP	June 2019	Project to launch and operate a plant for production of mineral wool slabs from basalt raw materials with capacity of 34 thousand tons per annum	Akmola region
5	"Burunday mineral water LLP	August 2019	Project for construction of recreation complex	Almaty region
6	KazGreen Energy LLP	September 2019	10 MW solar power plant construction project	Karaganda region
7	Kazpoligraf LLP	October 2019	Project for expansion and modernization of packaging production plant	Semey
8	EMC Agro LLP	October 2019	pig farm capacity expansion project	North Kazakhstan region
9	Aitas KZ JSC	December 2019	The largest company in Kazakhstan for production, processing and sale of broiler poultry meat with total capacity of more than 50 thousand tons per annum	Ust-Kamenogorsk
10	BRBAPK LLP	December 2019	Project for development of greenhouse complex	Almaty region

Statement of BVF financial position as of December 31, 2019;

No.	Name	Units	December 31 2018	December 31 2019
1	Total assets	thousand KZT	59 939 397	82 614 347
2	Cumulative commitments	thousand KZT	40 287 247	40 291 726
3	Total equity	thousand KZT	19 652 150	42 322 621
4	Net profit	thousand KZT	1 004 995	4 026 159
5	ROA, return on assets	%	2,77%	5,65%
6	ROE, return on equity	%	6,26%	12,99%

2.6.2. Results of BVM activities for 2019

BVM was created on December 23, 2014.

Currently, BVM is the General Partner (managing company) for managing private equity funds: DBKEF and KCM SDF.

DBKEF invests in projects supported by Development Bank of Kazakhstan JSC and DBK-Leasing JSC. In 2019 DBKEF provided financing to:

- TSATEK Green Energy LLP, investment project for construction of the second start-up complex of 48 MW wind power plant in Akmola region, for the amount of 1.12 billion KZT;
- Turgusun-1 LLP, project for construction of a 24.9 MW HPP in the East Kazakhstan region, for the amount of 1 billion KZT;
- Aitas KZ LLP - project for production of broiler poultry meat, for amount of 7.7 billion KZT.

In December 2019, the company exited from

Tengiztransgaz LLP project in amount of 9.26 billion KZT, with an initial investment of 8.28 billion KZT.

KCM SDF invests in projects in the Republic of Kazakhstan. In 2019, KCM SDF provided financing to:

- Oil House Astana Oil LLP, a project for production and sale of fuel and lubricants, for the amount of 4.84 billion KZT;
- Temirbeton-1 LLP, project for production of reinforced concrete construction materials, for the amount of 1.5 billion KZT;
- Agromean group, project to acquire grain processing plant, in the framework of expanding business of exporting grain products, for the amount of 1.4 billion KZT;
- Karagandy-Kus LLP, project of an egg farm, for the amount of 1.5 billion KZT.

List of projects invested by funds managed by BVM in 2019

No.	Name of company	Date of investment	Brief description	Region/city
DBKEF				
1	CAPEC Green Energy LLP	October 2019	Project for construction of 2nd start-up complex of wind power plant	Akmola region
2	Turgusun-1 LLP	November 2019	24.9 MW Turgusun hydroelectric power plant construction project	East Kazakhstan region
3	Aitas Group	December 2019	10 MW solar power plant construction project	Akmola region
KCM SDF				
4	Oil House "Astana-Oil" LLP	September 2019	Project for modernization of mini oil refinery	Akmola region
5	Temirbeton-1 LLP	October 2019	Project for modernization of reinforced concrete production plant	Almaty region
6	Agromin group	December 2019	Purchase of grain storage plant	North Kazakhstan region
7	Karagandy-Kus LLP	December 2019	Egg farming	Karaganda region

BVM statement of financial position as of December 31, 2019

No.	Name	Measurement unit	December 31 2018	December 31 2019
1	Total assets	thousand KZT	141 038	190 960
2	Cumulative commitments	thousand KZT	37 060	48 613
3	Total equity	thousand KZT	103 978	142 347
4	Net profit	thousand KZT	19 242	48 105
5	ROA, return on assets	%	17	28,98
6	ROE, return on equity	%	20	39,06



3

**DEVELOPMENT
PERSPECTIVES**

3. DEVELOPMENT PERSPECTIVES

3.1. Development prospects for the period 2020-2023

In 2017, Development Strategy of Kazyna Capital Management Joint Stock Company for 2014-2023 (hereinafter – the Strategy) was approved in a new version in accordance with the development Strategy of Baiterek NMH JSC. This Strategy is developed taking into account the socio-economic and industrial-innovative state policy of the Republic of Kazakhstan and defines the mission, vision, strategic directions and objectives of KCM for 2014-2023.

Currently, KCM is working to analyze possibility of expanding investment mandate by introducing new financial instruments due to recent changes in economic and market situation in international economy and in the economy of Kazakhstan.

KCM will support projects in non-resource sectors of the economy through participation in the segments of distressed assets, investment in infrastructure projects of public-private partnership and venture financing:

1. KCM will participate in the distressed asset segment through the creation of special purpose funds with participation of international/regional institutional investors. This tool will support low liquidity businesses, which are in need of capital for restructuring by investing in their stressful assets – debt obligations that these businesses are not able to serve.

2. KCM will invest in infrastructure projects of public-private partnership, which in times of crisis can act as large employers and buyers of goods and services of SMBs, through creation of a new Fund and/or a new subsidiary of KCM/Holding with the involvement of funds from institutional investors.

3. To finance companies in technology sector, KCM will participate in the venture-financing segment through co-financing with institutional partners in the short term and creation of new venture funds in long term.

STRATEGIC DIRECTIONS FOR DEVELOPMENT OF KCM

1. Support of entrepreneurship, increase of export potential in the segment of large and medium-sized businesses through private equity instruments

- KCM will continue to specialize in investing in the growth points of the non-resource sector of the economy of Kazakhstan with the potential for export orientation and innovation;
- KCM will continue to integrate into the global infrastructure of private equity and attract foreign investors;
- In order to achieve the goal defined in the Holding's Development Strategy to increase non-state sources of financing, KCM will expand its funding sources taking into account its financial and economic indicators, balanced financial risk management and capital market opportunities.

2. Private equity infrastructure development in Kazakhstan

- Organization of a specialized private equity trading platform on the stock exchange;
- Human development in the private equity market;
- Constant coverage of information on the results of the KCM and new instruments of private equity.

3. Improving the efficiency of KCM

- Continuous improvement of the corporate governance system, financial risk management system, personnel policy to achieve investment and treasury performance;
- Changes in the management mechanisms of private equity funds with non-controlling participation;
- Implementation of project management and flexible organization principles;
- Creating the necessary competencies for new sectors and products based on private equity funds.

3.2. Strategic key performance indicators

In 2019, all the key strategic performance indicators of the Company were fulfilled in comparison with the

target values of the Development Plan of Kazyna Capital Management Joint Stock Company for 2017-2021, approved by the decision of the Board of Directors on June 5, 2019 (Minutes No. 7/19) (hereinafter - Development Plan):

Name of indicators	Units	2018 Fact	2019 Plan	2019 Fact	Off.,%	2020 Plan	2021 Plan
The total size of the strategic portfolio	billion KZT	182,4	166,9	236,1	142%	140,7	125,9
Investment portfolio as a share of total KCM assets (excluding treasury operations)	%	57,1	66,04%	70,16%	106%	72,79	70,17
Number of new projects and projects for the modernization and expansion of existing production, taking into account the increase in productivity and the expansion of marketing markets	units (Qom.)	3	3	6	200%	4	5
The volume of products produced by businesses that have received support	billion (Qom.)	11,6	15	17,5	117%	25	40
Attracting foreign investment	Rel.	2,83	at least 2	3,12	156%	at least 2	at least 2
ROA, return on assets	%	2,20	1,01%	1,94%	192%	0,73	0,91
Labor productivity (income from main activity/average number of employees)	million KZT / person	271,5	104,1	139	134%	92,5	111



4

**CORPORATE
GOVERNANCE**

4. CORPORATE GOVERNANCE

4.1. Report on compliance/ non-compliance with the principles and provisions of the Corporate Governance Code of the Company for 2019.

Company's Corporate Governance Code was approved by the decision of the Sole shareholder of the Company on January 12, 2018 (minutes of the meeting of the Management Board of Baiterek NMH JSC No.01/18) (hereinafter - the Corporate Governance Code). The Corporate Governance Code is a set of rules and recommendations that the Company follows in the course of its activities to ensure a high level of corporate governance in relations within the Company and with other market participants.

The Company considers corporate governance as means of improving the Company's performance, ensuring transparency and accountability, strengthening its reputation and reducing the cost of raising capital. The Company considers a proper corporate governance system as its contribution to ensuring the rule of law in the Republic of Kazakhstan and a factor determining the Company's place in modern economy and society as a whole. The corporate governance system provides for a clear division of powers and responsibilities between the Company's bodies, officials and employees.

The Company's corporate governance is based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence. Effective corporate governance structure respects the rights and interests of all those interested in Company's activities and contributes to the Company's success.

The main principles of the Corporate Governance Code are:

- principle of separation of powers;
- principles of protecting the rights and interests of the Sole shareholder;
- principle of effective management of the Company by the Board of Directors and the Management Board;
- sustainable development principle;
- principle of risk management, internal control and internal audit;
- principle of regulation of corporate conflicts and conflicts of interest
- principles of transparency and objectivity of disclosure of information on the activities of the Company.

The principles of corporate governance set out in the Corporate Governance Code are aimed at creating trust in relations arising in connection with the management of the Company and are the basis of all the rules and recommendations contained in the Corporate Governance Code.

No.	Principles and provisions of corporate governance in accordance with the Corporate Governance Code	Information on compliance/ incomplete compliance/ non-compliance	Measures of implementation and compliance with the corporate governance principles
1. Principle of separation of powers			
1.1	The Sole Shareholder of the Company delimits its powers in order to prevent a conflict of interests that does not contribute to the interests of the Company and the interests of the Sole Shareholder. The functions of the Sole shareholder of the Company are performed in order to ensure profitability of the Company and its subsidiaries and the implementation of state and government programs in which the Company and its subsidiaries participate.	In compliance	<p>The Company operates as an independent legal entity in accordance with the distribution of competencies between the Company's bodies. Decisions on issues referred to the competence of the General meeting of shareholders by the legislation of the Republic of Kazakhstan and the Company's Charter are made by the Sole shareholder in accordance with the legislation of the Republic of Kazakhstan, the Company's Charter and the Charter of the Sole shareholder.</p> <p>The sole shareholder participates in the management of the Company solely through exercise of Sole shareholder's powers provided for in the legislative acts of the Republic of Kazakhstan, the Company's Charter and representation in the Board of Directors of the Company.</p>
1.2	The sole shareholder of the Company provides the Company with full operational independence and does not interfere in the company's operating (current) and investment activities, except in cases stipulated by the legislation of the Republic of Kazakhstan, acts and instructions of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan	In compliance	<p>The Company is a commercial organization, fully independent, self-governing, has an independent balance sheet, has property separate from the property of the Sole shareholder, has the right to open its own, including correspondent, Bank accounts, can acquire and exercise property and personal non-property rights on its own behalf, bear obligations, and be a plaintiff and defendant in court.</p> <p>The main activity of the Company is investment activity, in accordance with the Charter, internal documents of the Company and current legislation of the Republic of Kazakhstan.</p> <p>The purpose of the Company is to promote overall investment and innovation activity, developing private equity market of Kazakhstan by investing in investment funds.</p> <p>In carrying out its activities, the Company is guided by the decisions of the Sole shareholder and the Board of Directors of the Company.</p> <p>Transactions and relations between the Company and the Sole shareholder are carried out within the framework of the legislation of the Republic of Kazakhstan.</p>
1.3	The relationship (interaction) between the Sole shareholder and the Company is carried out through the Board of Directors and/or the Management Board of the Company in accordance with the principles of good corporate governance. Role and functions of the Chairman of the Board of Directors and the Chairman of Company's Management Board are clearly delineated and fixed in the Company's documents.	In compliance	<p>The company ensures compliance with hierarchy of the procedure for considering issues and decision-making, clear division of powers and responsibilities between bodies, officials and employees, timely and high-quality decision-making by the Company's bodies, effectiveness of processes in the Company's activities, compliance with legislation, Corporate Governance Code and internal documents of the Company.</p> <p>The Company has approved regulations on the Board of Directors, the Management Board, the Internal Audit Service and structural divisions, as well as job descriptions for relevant positions. Compliance with the provisions of these documents ensures consistency and consistency of corporate governance processes.</p>

<p>1.4</p>	<p>The Company's corporate governance system provides for the relationship between:</p> <ol style="list-style-type: none"> 1) Sole shareholder; 2) Board of Directors; 3) Management Board; 4) stakeholders; 5) other bodies determined in accordance with the Charter. <p>The Corporate Governance System provides, among other things:</p> <ol style="list-style-type: none"> 1) compliance with hierarchy of issue consideration and decision making; 2) clear division of powers and responsibilities between bodies, officials and employees; 3) timely and high-quality decision-making by the Company's bodies and its subsidiaries; 4) efficiency of processes in the activities of the Company and its subsidiaries; 5) compliance with legislation, this Code and internal documents of the Company and its subsidiaries. <p>the Company and its subsidiaries approve the regulations on the bodies (if such provisions are not provided by the Charter of the Company) and structural units, as well as job descriptions for the relevant positions. Compliance with the provisions of these documents ensures consistency and consistency of corporate governance processes.</p>	<p>In compliance</p>	<p>The Company's corporate governance structure complies with the legislation of the Republic of Kazakhstan and clearly defines division of powers between the Company's bodies.</p> <p>The Charter, Regulation on the Board of Directors and the Management Board regulations of the Company, List of documents regulating internal activity of the Company, subject to approval by the Board of Directors of the Company approved by decision of the Board of Directors (Minutes dated 19.10.2017, No. 121), provide for separation of powers of the Board of Directors and of the Management Board of the Company.</p>
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2. The principle of protection of the rights and interests of the Sole shareholder

<p>2.1</p>	<p>Compliance with the rights of the Sole shareholder is a key condition for attracting investments in the Company and its subsidiaries. In this regard, corporate governance in the Company and its subsidiaries is based on ensuring the protection, respect for the rights and legitimate interests of the Sole shareholder and is aimed at contributing to the effective operation of the Company and achieving profitability.</p>	<p>In compliance</p>	<p>The Company is a Fund of private capital funds (private equity), established in 2007 to promote sustainable development of the national economy, the formation of private equity infrastructure in Kazakhstan, attracting foreign investment in priority sectors of the economy, the use of leading international experience, transfer of innovative knowledge and technologies to private equity. KCM together with international institutional investors effectively manages private equity funds. Private equity funds with the participation of KCM provides capital to companies in various sectors of the economy to further growth and competitiveness.</p> <p>The Sole shareholder of the Company is Baiterek NMH JSC.</p> <p>The Holding was established in accordance with the decree of the President of the Republic of Kazakhstan dated May 22, 2013 № 571 "On some measures on optimization of system of management of development institutions, financial organizations and national economy development" and decree of the Government of the Republic of Kazakhstan dd. May 25, 2013 № 516 "On measures for implementation of the Decree of the President of the Republic of Kazakhstan dated 22 May 2013 No. 571".</p> <p>Two out of five members of the Company's Board of Directors are representatives of the Sole shareholder. The Company ensures realization of the rights of the Sole shareholder and protection of its interests in the framework of corporate governance principles, through participation in management of the Company, in accordance with the Law on Joint-Stock Companies and the Charter approved by decision of the Sole shareholder of the Company (minutes of the Management Board of the Holding dated August 16, 2017 No. 32/17), making key decisions on approval of Charter, Corporate Governance Code, composition and term of office of the Board of Directors, election of Chairman of the Management Board, approval of the external auditor, annual financial statements etc.</p> <p>Information about the Company's activities is provided to the Sole shareholder in full and allows making balanced and fair decisions.</p> <p>The exclusive competence of the Sole shareholder provided for by the Law on Joint-Stock Companies and the Company's Charter, is observed.</p> <p>Each year, the Company sends its annual financial statement, net income distribution procedure, and annual report to the Sole shareholder for approval.</p> <p>Materials on issues submitted for consideration to the Sole shareholder of the Company are prepared and sent within the terms established by the Company's Charter and contain information to the extent necessary for making informed decisions on issues.</p> <p>There were no facts of Sole shareholder's appeals to state and judicial authorities for protecting its rights and legitimate interests, or to challenge decisions made by the Company's bodies, during 2019.</p>
<p>2.2</p>	<p>The Company provides the Sole shareholder with reliable information about its financial and economic activities and results thereto, in accordance with the requirements of the legislation of the Republic of Kazakhstan. If the state policy implementation objectives are combined with the main commercial activity of the Company, these goals are disclosed and brought to the attention of stakeholders.</p>	<p>In compliance</p>	<p>The company ensures timely disclosure of information to the Sole shareholder:</p> <ul style="list-style-type: none"> - on corporate events in accordance with the Law on Joint-Stock Companies, the Charter and internal documents of the Company; - on the decisions taken by the Board of Directors on the list of issues stipulated by the Information policy of Kazyna Capital Management Joint-Stock Company, approved by the decision of the Board of Directors of the Company (minutes No. 06/18 dated 31.07.2018). <p>At the request of the Sole Shareholder, the Company provides documents and information in accordance with the Law on Joint-Stock Companies and internal regulations of the Company.</p> <p>During 2019, management and financial statements were provided to the Sole shareholder on a periodic basis.</p> <p>Information exchange between the Company and the Sole shareholder is carried out through the electronic document management system in accordance with the procedure provided for in the Company's internal documents.</p>
<p>2.3</p>	<p>The number of dividends is calculated based on the amount of the company's net income reflected in the Company's annual audited financial statements prepared in accordance with the requirements of the legislation of the Republic of Kazakhstan on accounting and financial reporting and international financial reporting standards. With that, the amount of dividend payment is determined taking into account the legislation of the Republic of Kazakhstan.</p>	<p>In compliance</p>	<p>The company is guided by the procedure for determining the amount of dividends paid by subsidiaries of Baiterek National Management Holding Joint Stock Company, approved by the decision of the Holding's Management Board (Minutes No. 14/14, dated May 11, 2014), which establishes common approaches and principles for determining the amount of dividends paid by the Holding's subsidiaries.</p> <p>Conditions and procedure for paying dividends to the Sole shareholder of the Company are regulated by the legislation of the Republic of Kazakhstan, the Company's Charter, as well as the relevant decision of the Company's Sole shareholder.</p> <p>In accordance with the decision of the Sole shareholder of the Company (Minutes of the Management Board of the Holding dated May 29, 2019 No. 29/19), a decision to pay dividends in the amount of 1102490100 KZT was taken.</p> <p>The number of dividends paid does not contradict the principles of an effective dividend policy.</p>

3. Principle of effective management of the Company by the Board of Directors and the Management Board;			
3.1	<p>The Board of Directors is a management body that provides strategic guidance to the Company and controls the activities of the Management Board.</p> <p>The Board of Directors ensures full transparency of its activities to the Sole shareholder, as well as the implementation of all provisions of the Code.</p> <p>The Board of Directors performs its functions in accordance with the legislation of the Republic of Kazakhstan, the Charter of the Company, the Code, the Regulations on the Board of Directors and other internal documents of the Company.</p> <p>No person (or group of persons) should have advantages that are not stipulated by law in decision-making process of the Board of Directors.</p>	In compliance	<p>The activities of the Company's Board of Directors are regulated by the Regulations on the Company's Board of Directors approved by the decision of Company's Sole shareholder (Minutes of the Holding's Management Board dated 28.11.2018 No. 53/18).</p> <p>The activities of the Board of Directors are based on the principles of efficiency and responsibility, maximum compliance with and observing interests of the Sole shareholder and the Company, as well as protecting the rights of the Sole shareholder. This principle is observed in practice by the Company's Board of Directors.</p> <p>The Board of Directors provides general management of the Company's activities, with the exception of issues that fall within the exclusive competence of the Sole shareholder and the Management Board.</p> <p>The Board of Directors ensures full transparency of its activities to the Sole shareholder.</p> <p>All members of the Board of Directors must comply with their obligations under the Regulation on the Board of Directors of the Company, including the obligation to act in accordance with the requirements of the legislation of the Republic of Kazakhstan, Charter and internal documents of the Company on the basis of awareness, transparency, in the interests of the company and the Sole shareholder reasonably and in good faith, on the basis of full awareness, honestly, actively, prudently and professionally.</p> <p>Members of the Board of Directors of the Company are officials of the Company and bear responsibility provided for by the legislation of the Republic of Kazakhstan.</p>
3.2	<p>The Board of Directors of the Company is composed of representatives of the Sole shareholder, Chairman of the Company's Management Board, Independent Directors and other persons.</p> <p>The Sole Shareholder elects members of the Board of Directors on the basis of clear and transparent procedures, taking into account the candidates' competencies, skills, achievements, business reputation and professional experience. AT re-electing individual members of the Board of Directors or its full composition for a new term, their contribution to the effectiveness of the Company's Board of Directors is taken into account.</p>	In compliance	<p>During 2019, the Company's Board of Directors consisted of 5 members of the Board of Directors, of which 2 members of the Board of Directors are representatives of the Sole shareholder, 2 members are independent Directors and 1 member of the Board of Directors is the Chairman of the Company's Management Board. Independent Directors are Chairmen of committees of the Board of Directors of the Company.</p> <p>Independence criteria are defined by the legislation of the Republic of Kazakhstan, the Regulations on the Board of Directors of the Company, as well as best international practices in the field of corporate governance.</p> <p>In order to facilitate the effective performance of the functions of the Company's Board of Directors, 3 (three) committees have been established and operate under the Board of Directors to consider the most important issues and prepare recommendations:</p> <ol style="list-style-type: none"> 1) Audit and Risk Committee; 2) Human and Social Affairs Committee; 3) Strategic Planning Committee.
3.3	<p>The Chairman of the Board of Directors is responsible for overall management of the Board of Directors, ensuring full and effective implementation of its main functions and building a constructive dialogue between the members of the Board of Directors, the Sole shareholder and the Company's Management Board.</p>	In compliance	<p>In accordance with the Law on Joint-Stock Companies, the Charter, and the Regulations on the Board of Directors of the Company the Chairman of the Board of Directors of the Company is elected from among its members by a majority vote of the total number of members of the Board of Directors by open voting.</p> <p>The Chairman of the Company's Board of Directors organizes the work of the Board of Directors as follows:</p> <ol style="list-style-type: none"> 1) convenes and conducts meetings of the Board of Directors; 2) approves the agenda of appointed meeting of the Board of Directors; 3) organizes record keeping at meetings of the Board of Directors in accordance with the procedure established by the legislation of the Republic of Kazakhstan. <p>The Chairman of the Board of Directors adheres to the principle of freedom of expressing point of view by the members of the Board of Directors on issues under discussion, contributes to searching for agreed solution, reaching consensus by members of the Board of Directors, and making decisions in the interests of the Sole shareholder and the Company. The Chairman of the Board of Directors also promotes effective leadership in order to create conditions for teamwork of the members of the Board of Directors.</p>

<p>3.4</p>	<p>Meetings of the Board of Directors are held in accordance with the work plan approved by the Board of Directors before the beginning of the calendar year, which includes a list of issues under consideration and a schedule of meetings with dates. Meetings of the Board of Directors and its committees are held in person or by absentee voting, the number of meetings with absentee voting should be minimized. Consideration and decision-making on issues of an important and strategic nature is carried out only at meetings of the Board of Directors with "in-person" voting.</p>	<p>In compliance</p>	<p>Board of Directors holds regular meetings to perform its functions effectively. Meetings of the Board of Directors are held in accordance with the work plan approved by the decision of the Board of Directors of the Company, dated November 25, 2019 (Minutes No. 11/19), including a list of issues under consideration and a schedule of meetings with dates. Meetings of the Board of Directors and its committees shall be held by means of in-person or absentee voting.</p> <p>In 2019, there were 5 in-person and 7 absentee meetings of the Board of Directors and 94 issues were considered.</p> <p>5 meetings of the Audit Committee were held and 20 issues were considered, 5 meetings of the Committee on personnel and social issues and 13 issues were considered, 5 meetings of the Strategic Planning Committee, 30 issues were considered.</p>
<p>3.5</p>	<p>The Board of Directors, committees and members of the Company's Board of Directors are evaluated on an annual basis in accordance with the company's internal regulations. At the same time, at least once every three years, the assessment is carried out with involvement of an independent professional organization.</p> <p>The assessment allows determining the contribution of the Board of Directors and each of its members to achieving the company's strategic development goals, as well as identifying areas and recommending measures for improvement. The results of the evaluation are taken into account at re-election or early termination of the powers of members of the Board of Directors.</p>	<p>In compliance</p>	<p>In accordance with the best international corporate governance practices, the Company conducts an annual assessment of the Board of Directors' performance, which determines further effective development of the Board of Directors.</p> <p>In accordance with the Regulations on the Company's Board of Directors, an annual assessment of the Board of Directors' activities has been conducted since 2015 in order to obtain a comprehensive analysis of main activities of the Company's Board of Directors, The annual work Plan of the Company's Board of Directors also provides for an annual assessment of the Board of Directors' activities.</p> <p>In accordance with the Corporate Governance Code and the Regulations on the Company's Board of Directors, the Board of Directors, committees and members of the Board of Directors are evaluated on an annual basis until June 1 of the year following the reporting year.</p> <p>The Board of Directors makes a decision to evaluate performance of the Board of Directors (hereinafter referred to as the BoD evaluation).</p> <p>The BoD evaluation allows determining the contribution of the Board of Directors and each of its members to achieving the company's strategic development goals, as well as identifying areas and recommending measures for improvement. The results of the BoD evaluation are taken into account at re-election or early termination of the powers of members of the Board of Directors.</p> <p>The BoD evaluation assessment is carried out in order to obtain a comprehensive analysis of the main activities of the Board of Directors and allows the Company's Board of Directors to:</p> <ul style="list-style-type: none"> • analyze and identify strengths and weaknesses (advantages and disadvantages) of the Company's Board of Directors' work; • correct the work and adjust the target areas of the Company's Board of Directors; • determine how the structure and composition of the Company's Board of Directors contribute to achieving Company's strategic objectives; • determine performance of the Chairman of the Board of Directors and each member of the Board of Directors; • determine effectiveness of the remuneration system for members of the Board of Directors; • determine the training needs of the members of the Board of Directors. <p>Methods for evaluating the BoD are self-assessment or involvement of an independent consultant to improve quality of the evaluation. With that, at least once every three years, the assessment is carried out with involvement of an independent professional organization.</p> <p>Resolution of the Board of Directors dated May 28, 2020 (Minutes No. 6/20), approves the results and report on evaluation of the Board of Directors of Kazyňa Capital Management for 2019, conducted by the Corporate Secretary of the Company.</p>

3.6	Company's current activities are managed by the Management Board. The Chairman and members of the Management Board have high professional and personal characteristics, good business reputation and adhere to ethical standards. The Chairman of the Management Board has high organizational skills, works in active interaction with the Sole shareholder and constructively builds a dialogue with the Board of Directors, employees and other stakeholders.	In compliance	<p>The current activities of the Company are managed by a collegial body in the form of a Management Board headed by the Chairman of the Management Board.</p> <p>The work of the Management Board is aimed at achieving Company's objectives and implementing Company's development strategy.</p> <p>The activities of the Management Board are governed by regulations on Management Board of the Company, which provide for the order and timing of Management Board meetings, responsibilities of the members of the Management Board and also regulates basic functions of Secretary of the Board.</p> <p>The quantitative composition of the Company's Management Board is 3 (three) members, including 1 Chairman of the Management Board and 2 (two) Vice-Chairmen of the Management Board.</p> <p>Members of the Management Board of the Company are officials of the Company and bear responsibility provided for by the legislation of the Republic of Kazakhstan.</p>
3.7	The Management Board is accountable to the Board of Directors and manages the Company's day-to-day operations, is responsible for implementing development strategy and/or development plan and decisions made by the Board of Directors and the Sole shareholder.	In compliance	<p>In accordance with the Company's Charter, the Management Board manages Company's current activities. The Management Board ensures introduction and implementation of the strategy, risk management and internal control policies approved by the Board of Directors, including decisions of the Board of Directors on organization of the risk management and internal control system, operations with financial instruments, evaluates policies, plans and other internal documents of the Company for compliance with the strategy, current market and economic situation, Company's risk profile and requirements of the legislation of the Republic of Kazakhstan.</p> <p>The main principles of the Management Board's work are: legality, honesty; integrity; reasonableness; regularity, professionalism, objectivity.</p> <p>The activities of the Management Board are fully accountable to the Company's Board of Directors.</p> <p>In accordance with the regulations on the Management Board of the Company, the Management Board shall execute decisions of the Sole shareholder and the Board of Directors of the Company and faithfully carry out their functions in interest of the Company.</p> <p>On annual and semi-annual basis, in accordance with the Work Plan of the Board of Directors, the Management Board provides the Board of Directors with a report on the work done by the Management Board of the Company.</p>
3.8	In order to effectively organize the activities of the Board of Directors and the interaction of the Management Board with the Sole shareholder, the Board of Directors appoints a Corporate Secretary.	In compliance	Decision of the Company's Board of Directors dated March 28, 2018 (minutes No. 2/18), approves the Regulations on the Company's Corporate Secretary (hereinafter referred to as the Regulations). The regulation defines the status of Corporate Secretary in the Company's organizational structure and corporate governance system, procedure for appointment and early dismissal of the Corporate Secretary, its tasks, functions, rights and duties, powers and responsibilities, organizational and technical support of activities.
3.9	In order to comply with the principles of business ethics, optimal regulation of social and labor disputes arising in the Company, the Company may appoint an Ombudsman from among the employees of the Company, Sole shareholder or its subsidiaries.	In compliance	Resolution of the Board of Directors of the Company dated March 1, 2019 (Minutes No. 3/19), appoints the head of Compliance service of Baiterek NMH JSC - R. I. Arystanbekov as an Ombudsman of the Company with a term of office of 2 years.

4. Sustainable development principle			
4.1	<p>The company and its subsidiaries are aware of the importance of their influence on economy, environment and society to ensure long-term sustainable development, while maintaining a balance of interests of stakeholders. The approach of responsible, thoughtful and rational interaction with stakeholders will contribute to sustainable development of the Company and its subsidiaries.</p>	In compliance	<p>In order to determine fundamental norms, principles, rules and approaches that the Company should adhere to during building a management system for sustainable development in the Company, Policy of sustainable development of Kazyna Capital Management Joint-Stock Company was developed and approved by the Board of Directors on March 9, 2019 (Minutes No. 4/19).</p> <p>Solving problems in the field of sustainable development, the Company relies on its mission and Development Strategy of the Holding/Company, as well as uses international norms of behavior and principles enshrined in international standards of sustainable development. The use of international standards in the field of sustainable development is considered by the Society as a necessary condition for ensuring compliance of its activities with the best international practices and achieving the goals and objectives in the field of sustainable development.</p> <p>The Company's Management Board ensures formation of an appropriate sustainable development management system and its implementation.</p> <p>The Company is aware of the importance of its influence on economy, environment and society to ensure long-term sustainable development, while maintaining a balance of interests of stakeholders. The approach of responsible, thoughtful and rational interaction with stakeholders contributes to the sustainable development of the Company. The principles of sustainable development are openness, accountability, transparency, ethical conduct, respect for the interests of stakeholders, the rule of law, respect for human rights, intolerance of corruption, inadmissibility of conflicts of interest. In general, these principles are applied and observed by the Company.</p> <p>In order to ensure the Company's sustainable development, the Sole shareholder forms and approves uniform policies, guidelines and corporate standards for its subsidiaries.</p> <p>The Company's principle of sustainable development is constantly disclosed in the Company's Annual Report, which is subject to approval by the Company's Sole shareholder.</p>
4.2	<p>The Company and its subsidiaries ensure consistency of its economic, environmental and social goals for sustainable development in the long term. Sustainable development in the Company and its subsidiaries consists of three components: economic, environmental and social.</p>	In compliance	<p>The company ensures consistency of its economic, environmental and social goals for sustainable development in the long term. The Company's activities are guided by the principles of sustainable development set out in the Company's Corporate Governance Code. The Company also declares its commitment to the principles of the UN Global Compact in the field of human rights, labor relations, environmental protection and the anti-corruption.</p> <p>In its activities, the Company follows the principles of maximum care and rational attitude to the environment in accordance with the requirements of the legislation of the Republic of Kazakhstan and generally recognized environmental protection standards.</p> <p>The company is aware of its responsibility for the impact on economy, environment and society, and strives to minimize negative impact of its activities on environment and society by taking care of resources (including energy, raw materials, and water).</p> <p>In 2019, there were no cases related to fines imposed for non-compliance with the environmental legislation of the Republic of Kazakhstan in the course of the Company's activities.</p>
4.3	<p>The company and its subsidiaries strive for profitability, ensure sustainable development, and balance the stakeholders' interests.</p> <p>The company and its subsidiaries exercise influence or are influenced by stakeholders in their activities. Activities in the field of sustainable development meet the best international standards.</p> <p>Stakeholders can have both positive and negative impact on the Company and its subsidiaries, namely, on achieving profitability, sustainable development, reputation and image, and create or reduce risks. The company and its subsidiaries attach great importance to proper interaction with stakeholders</p>	In compliance	<p>The company recognizes the rights of all stakeholders and seeks to cooperate with them in order to develop its activities and ensure sustainable development.</p> <p>In case of violation of the rights of the Company's employees, partners and third parties, the Company acts within the current legislation of the Republic of Kazakhstan.</p> <p>In 2019, violations of the rights of the Company's employees, partners and third parties were not recorded. The work on informing interested parties about the Company's activities is carried out in accordance with a Special media plan and network schedule Baiterek NMH JSC subsidiary. Information for stakeholders (news about the Company's activities, tools for state support of exporters, success stories, and others) is constantly updated on the Company's official website www.kcm-kazyna.kz.</p> <p>The company, as a socially responsible company, strives to build a transparent society, intolerant to manifestations of corruption.</p> <p>The company adheres to high ethical standards and principles of open and honest business conduct, as well as strives to improve the corporate culture, follow the best practices of corporate governance and maintain business reputation at the proper level. The company adheres to the principle of rejecting corruption in any form and manifestations.</p> <p>The company proclaims the inevitability of punishment for employees, regardless of their position, if they commit corruption offenses in connection with the performance of labor duties.</p>

5. Principle of risk management, internal control and internal audit			
5.1	<p>The Company has an effectively functioning risk management and internal control system aimed at providing reasonable confidence in the Company's achievement of strategic and operational goals, which is a set of organizational policies, procedures, standards of conduct and actions, methods and management mechanisms established by the Board of Directors and the Management Board of the Company.</p>	In compliance	<p>The Company has a structure approved by the Board of Directors that clearly defines the participants of the corporate risk management system. The structure provides for a risk analysis and Management service reporting directly to the Chairman of the Management Board.</p> <p>The approved Risk Management Policy defines the organizational structure of risk management, the roles and responsibilities of bodies, committees and structural divisions: Sole Shareholder, Board of Directors, Audit and Risk Committee, Management Board, Investment Committee, Risk Analysis and Management Service, Internal Audit Service and structural subdivisions.</p> <p>The main objectives of the risk management system are:</p> <ul style="list-style-type: none"> • building an effective integrated system <p>and creating an integrated risk management process as an element of the Company, as well as continuous improvement of activities on the basis of a unified standardized approach to risk management methods and procedures;</p> <ul style="list-style-type: none"> • improving the efficiency and sustainability of the Company, reducing losses, increasing profitability and the most efficient use of capital; • ensuring that the Company accepts acceptable risks adequate to the scope of its activities; • ensuring the normal functioning of the Company in crisis situations. <p>The Risk Analysis and Management Service quarterly monitors Company's key risks and submits reports for consideration by the Company's Management Board and Board of Directors. Taking into account the unstable financial condition of commercial banks, a quarterly analysis of the financial system of Kazakhstan and each bank separately is carried out, on the basis of which a report is submitted to the Investment Committee and appropriate measures are taken to reduce the credit risks of the Treasury portfolio.</p> <p>Principles of internal audit.</p> <p>An internal audit Service has been set up at the Company to provide the Board of Directors with independent reasonable guarantees and advice aimed at improving Company's operations. Internal audit helps the Company to achieve its goals using a systematic and consistent approach to assessing and improving the effectiveness of risk management, internal control and corporate governance processes.</p> <p>The Board of Directors of the Company annually approves the Annual audit plan of the internal audit Service based on the risk-oriented approach. The results of each audit are reviewed and discussed at a meeting of the Management Board of the Company. Quarterly results of audit assignments, key findings, relevant recommendations and corrective action plans adopted by the Management Board of the Company are submitted for consideration by the Board of Directors.</p> <p>In its activities, the Internal Audit Service is guided by:</p> <ol style="list-style-type: none"> 1) legislation of the Republic of Kazakhstan, Company's Charter, decisions of the Company's bodies, this Regulation and other internal documents of the Company; 2) IPPFIA, the main components of which are the definition, mission, core principles for professional practice of internal audit, code of ethics of internal auditors (Code of Ethics), an international professional internal audit standard (hereinafter the Standards), as well as practical instructions and guidance to them. <p>The main tasks of the internal audit Service are analysis and evaluation:</p> <ul style="list-style-type: none"> • reliability and efficiency of internal control system; • Adequacy and effectiveness of the risk management system; • reliability of the system for internal control over use of automated information systems, including monitoring integrity of databases and their protection from unauthorized access and (or) use, taking into account measures taken in case of non-standard and emergency situations in accordance with the action plan aimed at ensuring business continuity and (or) restoring the Company's activities in the event of non-standard and emergency situations; <p>reliability, completeness, objectivity of the accounting system and reliability of the Company's financial statements and other information, as well as evaluation of the rules (principles, methods) used to identify, measure, classify and present such information (plans and reports) to internal and external users;</p> <ul style="list-style-type: none"> • rational and efficient use of resources, assets and methods, applied to ensure their registration, preservation (restoration) and / or security (protection); • economic viability and efficiency of operations and transactions; • compliance with the requirements of the legislation of the Republic of Kazakhstan, internal policies and other documents of the Company, as well as the effectiveness of systems and procedures created and applied to ensure compliance with these requirements (compliance control); • execution of decisions of bodies of Companies and orders (proposals) of the authorized (supervisory) state bodies; • sufficiency and/or efficiency of business processes carried out by structural divisions of the Company, measures to achieve their objectives within the Company's strategic goals; • effectiveness of the corporate governance system and the process of its improvement, compliance with adopted corporate governance principles, relevant ethical standards and values; • In order to develop competences and potential of employees in the field of internal audit, the Board of Directors of the Company annually approves professional training plan of Company's internal audit service employees. • In order to improve the activities of the internal audit Service, the documents regulating the activities of the internal audit Service were updated in 2019.

<p>5.2</p>	<p>The Company has established an Internal audit Service for systematic independent assessment of the reliability and effectiveness of the risk management and internal control systems and corporate governance practices.</p>	<p>In compliance</p>	<p>The Internal Audit Service ensures the organization and implementation of internal audit in the Company, is directly subordinate and accountable to the Board of Directors of the Company.</p> <p>The mission of the Internal Audit Service is to maintain and increase the value of the organization through objective internal audits based on a risk-based approach, providing advice and knowledge sharing.</p> <p>The Internal Audit Service operates based on the principles of honesty, objectivity, confidentiality and professional competence.</p> <p>The main tasks of the Internal Audit Service are to conduct analysis and evaluation within the framework of audits and consultations:</p> <ul style="list-style-type: none"> • reliability and efficiency of internal control system; • Adequacy and effectiveness of the risk management system; • efficiency of the corporate governance system and the process of its improvement, compliance with the principles of corporate governance, relevant ethical standards and values. • compliance with the requirements of the legislation of the Republic of Kazakhstan, internal policies and other documents of the Company, as well as the effectiveness of systems and procedures created and applied to ensure compliance with these requirements (compliance control); • execution of decisions of bodies of Companies and orders (proposals) of the authorized (supervisory) state bodies; • sufficiency and/or efficiency of business processes carried out by structural divisions of the Company, measures to achieve their objectives within the Company's strategic goals; • rationality and efficiency of resources and methods use (methods) applied to ensure the safety of property (assets); • economic viability and efficiency of operations and transactions; • reliability, completeness, objectivity of accounting system and reliability of financial statements and other information of the Company. <p>The Board of Directors of the Company annually approves the Annual audit plan of the internal audit Service based on the risk-oriented approach. The results of each audit are reviewed and discussed at a meeting of the Management Board of the Company.</p> <p>In order to develop competences and potential of employees in the field of internal audit, the Board of Directors of the Company annually approves professional training plan of Company's internal audit service employees.</p> <p>The Internal Audit Service provides a quarterly report to the Audit and Risk Committee and the Board of Directors of the Company. The Head of the Internal Audit Service meets quarterly with the Audit and Risk Committee of the Board of Directors without the participation of members of the Management Board of the Company.</p> <p>In 2019, based on the methodology and criteria approved by the Company's Board of Directors, the risk management system was audited and the company's corporate governance system was diagnosed.</p> <p>In order to improve the activities of the Internal Audit Service, the documents regulating the activities of the Internal Audit Service were updated in 2018. Also, in 2018, an internal assessment of the quality of the internal audit Service was carried out, the results of which were reviewed by the audit and Risk Committee and the Board of Directors of the Company.</p>
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6. The principle of regulating corporate conflicts and conflicts of interest			
6.1	<p>Members of the Board of Directors and Management Board of the Company, employees of the Company, perform their professional functions in good faith and reasonably in the interests of shareholders and the Company, avoiding conflicts. In the event of corporate conflicts, participants seek ways to resolve them through negotiations in order to ensure effective protection of Company's and stakeholders' interests. At the same time, the company's officials promptly inform the Corporate Secretary and/or the Ombudsman about the presence (occurrence) of a conflict. Effective work on prevention and resolution of corporate conflicts requires full and early identification of such conflicts and coordinating actions of all Company's bodies</p>	In compliance	<p>The Company operates in strict accordance with the legislation of the Republic of Kazakhstan, common principles of business ethics and internal documents of the Company.</p> <p>The relationship between the Sole shareholder, the members of the Board of Directors and the Management Board of the Company is based on mutual trust, respect, accountability and control.</p> <p>The Company operates by recognizing the supremacy of the Constitution, laws and other regulatory legal acts of the Republic of Kazakhstan in relation to internal documents of the Company and not allowing decision-making at the personal discretion of officials and other employees of the Company.</p> <p>The Company adheres to the Code of business ethics, approved by the decision of the Board of Directors of the Company (Minutes, dated 23.10.2018 No. 09/18). The goals of the Code of business ethics are to improve, systematize and regulate Company's relations aimed at improving effectiveness of corporate governance and promoting successful interaction with employees, customers, suppliers, business partners, stakeholders and authorized government bodies through the uses of commonly accepted standards and norms of business conduct. In accordance with the Code of Business Ethics, Company's employees assume an obligation to comply with the Code.</p> <p>Compliance with the principles of business ethics and optimal regulation of disputes on violation of the provisions of the Company's Code of business ethics are the responsibility of the Company's Ombudsman. The Ombudsman institution was introduced in the Company to implement the requirements of the legislation of the Republic of Kazakhstan and internal regulatory anti-corruption documents of the Company, to settle corporate conflicts and conflicts of interests.</p> <p>The tasks of the Ombudsman include gathering information, complaints and other appeals of individuals and legal persons on actions (inaction) of officials and employees of the Company, ensuring their consideration, as well as organizing settlement of disputes arising in connection with business ethics, resolving conflicts of interest.</p> <p>All employees of the Company, clients, partners and other interested persons are entitled to apply to the Ombudsman.</p> <p>If corporate conflicts in the Company cannot be resolved through negotiations or other alternative ways of resolving corporate conflicts, they shall be settled in accordance with the laws of the Republic of Kazakhstan. Within 2019, there were no complaints or appeals to the Ombudsman regarding violations of business ethics and labor legislation regulation in the Company in 2019.</p>
6.2	<p>The Board of Directors approves and periodically reviews the policy and rules for settlement of corporate conflicts, which promote resolution of disputes for the best interests of the Company and the Sole shareholder. The Board of Directors settles corporate conflicts on issues within its competence. In this case, the Corporate Secretary and / or the Ombudsman shall be responsible to provide the Board of Directors with maximum possible information on the nature of corporate conflict and the role of an intermediary in resolving the corporate conflict. The Board of Directors considers individual corporate conflicts that fall within the competence of the Management Board (for example, if the subject of the conflict is actions (inaction) of this body).</p>	In compliance	<p>Policy for resolving corporate conflicts and conflicts of interest dated December 12, 2015 (Minutes No. 89) was approved by Decision of the Company's Board of Directors to prevent and settle corporate conflicts and conflicts of interest in the Company, as well as coordinate actions of all bodies and officials. The Policy regulates the order and procedures for pre-trial settlement of conflicts, as well as the actions of bodies, officials and employees of the Company in the framework of these issues.</p> <p>Members of the Board of Directors and the Management Board, as well as employees of the Company, shall perform their job duties in good faith and reasonably with due care and diligence in the interests of the Company and the Sole shareholder, avoiding conflicts of interest. They ensure full compliance of their activities not only with the requirements of the legislation of the Republic of Kazakhstan, but also with ethical standards and generally accepted norms of business ethics.</p> <p>In 2019, there were no cases of violations of Corporate conflicts and conflicts of interest settlement policy</p> <p>List of affiliated persons is maintained to ensure regulation of conflicts of interest in the Company. To trace potential conflicts of interest in the Company, members of the Board of Directors and the Management Board regularly provide information on their affiliates. Ombudsman was appointed in the Company. Duties of the Ombudsman cover gathering information on non-compliance with the provisions of the Company's Code of business ethics, consulting employees and officials of the Company on the Code provisions, initiating consideration of disputes over violations of the Code and participating in it.</p> <p>Members of the Board of Directors and the Management Board, employees of the Company, perform their professional functions in good faith and reasonably in the interests of the Company and the Sole shareholder, avoiding conflicts of interest and corporate conflicts.</p> <p>A civil contract, reflecting the conditions for compliance with the requirements stipulated by the Company's internal regulatory documents, including on corporate conflicts and conflict of interests, is concluded with a member of the Board of Directors- Independent Director of the Company.</p> <p>In 2019, the Company's Corporate Secretary did not record any cases of corporate conflicts or conflicts of interest.</p> <p>The Company's Ombudsman initiates consideration of disputes on violation of the provisions of the Company's Code of Business Ethics, including corporate conflicts and conflicts of interest, and participates in their settlement.</p> <p>There were no complaints about violations to the Ombudsman within 2019.</p>

7. Principles of transparency and objectivity of disclosure of information on the activities of the Company.

<p align="center">7.1</p>	<p>With the view to comply with interests of stakeholders, the Company timely and reliably discloses information provided by the legislation of the Republic of Kazakhstan and internal documents of the Company, as well as information on all important aspects of its activities, including financial condition, results of operations, ownership and management structure.</p>	<p align="center">In compliance</p>	<p>In order to improve the corporate governance system, the Company ensures timely disclosure of reliable information about all material facts related to its activities, including its financial position, results of operations, ownership and management structure of the Company, corporate events and other information, in accordance with best practices of corporate governance and the current legislation of the Republic of Kazakhstan. This information is published on the official Internet resource of the Company: www.kcm-kazyna.kz.</p> <p>All events and significant corporate events of the Company are accompanied by press releases and information messages.</p> <p>The principles, forms and methods, as well as the procedure for disclosure of information about the Company are regulated by the Information policy of Kazyna Capital Management, approved by the decision of the Board of Directors of the Company dated July 31, 2018 (Minutes No. 6/18).</p> <p>In the course of disclosure of information, the Company takes into account that the information constituting commercial, service and other protected by the legislation of the Republic of Kazakhstan must be protected. Conditions of access to such information are determined by the Company taking into account the need to maintain a balance between openness and transparency of the company's activities and the focus on avoiding damage to its interests. All employees of the Company undertake written obligations on non-disclosure of information containing trade secrets and other confidential information.</p> <p>In accordance with the Law on Joint-Stock Companies, the Company informs the Sole shareholder of information about corporate events of the Company</p>
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4.2. Information about the corporate governance system



KCM has introduced a stable diversified corporate governance structure, which is regulated by the norms of KCM Corporate Governance Code and other internal documents. The company puts the following values at the top of its activities:

- 1) responsibility: for intentions and actions;
- 2) professionalism: high readiness to perform the tasks of professional activity;
- 3) team: collaboration to achieve better results from teamwork;
- 4) honesty: honesty within the Company and with partners;
- 5) social responsibility: responsibility for the impact of the Company's activities on stakeholders from the

public sphere.

Effective corporate governance structure presupposes respect for the rights and interests of all KCM stakeholders, transparency in the disclosure of information about the activities of KCM, real-time communication between agencies and officials and contribute to the successful activities, including growth, value, maintaining financial stability and profitability of KCM.

4.3. Information about the Company's Supreme Body

Information on the Sole shareholder

The sole shareholder of KCM is Baiterek National Management Holding JSC, established in accordance with the decree of the President of the Republic of Kazakhstan dated May 22, 2013 № 571 «On some measures on optimization of system of management of development institutions, financial organizations and national economy development» and decree of the Government of the Republic of Kazakhstan dd. May 25, 2013 № 516 «On measures for implementation of the Decree of the President of the Republic of Kazakhstan dated 22 May 2013 No. 571».

Mission of the Sole shareholder

The mission - Baiterek National Management Holding is to promote sustainable economic development of the Republic of Kazakhstan in order to implement the state policy and achieve the goals set by «Strategy – 2050».

The vision - Baiterek NMH JSC is a key institution of the Government of the Republic of Kazakhstan, which meets the advanced standards of corporate governance and ensures the implementation of tasks for the sustainable development of the economy of Kazakhstan through its diversification, support for innovation, export development, and increase in labor productivity.

The key tasks that Baiterek NMH JSC solves as part of its mission to promote sustainable development of Kazakhstan's economy are:

- 1) development of non-resource sectors of the economy;
- 2) development of entrepreneurship (private sector of economy);
- 3) support for economic urbanization;
- 4) support for export of non-raw materials;
- 5) innovation development.

Baiterek NMH JSC is actively involved in solving strategic and social problems of the state through development institutions through the implementation of such State programs as:

- Plan of the Nation - "100 concrete steps";
- State and governmental programs «Nurly Zhol» and «Nurly zher»;
- State and government programs – the State program of industrial and innovative development of the Republic of Kazakhstan for 2015-2019, the unified program of business support and development «Business Roadmap 2020»;
- Comprehensive privatization plan for 2016-2020.

Strategic development directions of the Sole shareholder

The strategic directions of activities are:

- Support of entrepreneurship in the large business segment
- Support of entrepreneurship in small and medium business segment
- Provision of financially affordable housing;
- Increase export potential;
- Transfer and implementation of innovations.

Strategic goals and objectives within the five development areas:

- Increase in the share of non-state sources of financing;
- Portfolio review functions of subsidiaries (criteria);
- Decentralization of management functions from the corporate center to the boards of Directors and boards of subsidiaries;
- Building new competencies and methods of work organization.

The sole shareholder of Baiterek NMH JSC is the Government of the Republic of Kazakhstan.

4.4. Information on the Board of Directors

The Board of Directors is a collegial management body of KCM, carrying out General management of its activities, except for the resolution of issues referred by the Law «On joint stock companies» and/or the Charter to the exclusive competence of the Sole shareholder.

The Board of Directors consists of 5 members with significant experience in the industry, allowing to apply best practices and maintain control over the effectiveness and performance of funds. The activities of the Board of Directors are based on the principles of efficiency,

responsibility, maximum compliance with and observing interests of the Sole shareholder and the Company, as well as protecting the rights of the Sole shareholder. The Board of Directors performs its functions in accordance with the current legislation of the Republic of Kazakhstan, the Charter and other internal documents of KCM and defines strategic goals, priority directions of development, sets the main guidelines for the medium and long term, and exercises control over the activities of the Board.

4.5. Reports on the activities of the Board of Directors and Committees of the Board of Directors

In 2019, 12 meetings of the Board of Directors were held (5 in-person and 7 in absentia). During the reporting period, 96 issues were considered and decided, among the most important decisions taken:

- On preliminary approval of the annual separate and consolidated financial statements of Kazyna Capital Management JSC for the year ended December 31, 2018 and consideration of payment of dividends on common shares based on the results of 2018;

- On approval of the main terms of Kazyna Capital Management JSC's participation in «KCM Sustainable Development Fund I» private equity fund and approval of a transaction in which Kazyna Capital Management JSC has an interest;

- On amendments to the resolution of the Board of Directors of Kazyna Capital Management JSC on the main terms of participation of Kazyna Capital Management JSC in «Eurasian Nurdy (Bright) Investment Fund PEF»;

- On approval of the main terms of participation of Kazyna Capital Management JSC in the «Kazakhstan Infrastructure Fund C. V.» private equity fund in the new version;

- About approval of the program of preferential financing of Kazyna Capital Management JSC and/or its subsidiaries, including private equity funds;

- On preliminary review of the annual report of Kazyna Capital Management JSC for 2018;

- On the modification and the approval of the internal regulatory documents of the Company;

- Approval of work plans of the Board of Directors, internal audit Service for 2019;

- Changes in the composition of the Board of Directors and Committees of Kazyna Capital Management JSC.

Attendance of in person meetings by members of the Company's Board of Directors in 2019 is as follows*:

Members of the Board of Directors	Meeting of the Board of Directors No. 3/19, 01.02.2019	Meeting of the Board of Directors No. 6/19, 30.04.2019	Meeting of the Board of Directors No. 7/19, 05.06.2019	Meeting of the Board of Directors No. 9/19, 26.09.2019	Meeting of the Board of Directors No. 11/19, 25.11.2019
Arifkhanov A. A.	+	+	+	+	+
Birtanov E. A.	+				
Abramov I.	+	+	+	+	+
Brzezinski J.	+	+	+	+	+
Kasymbek A. M.	+	+	+	+	+
Omarov M. T.				+	+

* «+» - participated in person; «empty cell» - was not a member of the Company's Board of Directors

Composition of the Board of Directors of KCM as of December 31, 2019

Aidar Abdrazakhovich Arifhanov	Chairman of the Board of Directors, Chairman of the Management Board of Baiterek NMH JSC
Marat Talgatovich Omarov	Member of the Board of Directors of the Company, Managing Director of Baiterek NMH JSC
Ardak Makhmuduly Kasymbek *	Member of the Board of Directors, Chairman of the Board of KCM
Igor Abramov	Independent Director
Brzezinski Jacek	Independent Director

*On December 27, 2019, in accordance with the decision of the Management Board of Baiterek NMH JSC (Minutes No. 61/19 dated 25.12.2019), the powers of the Chairman of the Company's Management Board, Kassymbek A.M., were terminated prematurely.

Composition of the Board of Directors acting for the reporting period

Aidar Abdrazakhovich Arifhanov Chairman of the Board of Directors



Education:
1991-1995- Kazakh State Academy of Management, Finance and credit department, economist

1998-2000 - Student of Diplomatic Academy of the Ministry of foreign Affairs of the Republic of Kazakhstan, diploma with honors

2007-2008 - Scholar of Presidential program Bolashak, Columbia University, Master of Public Administration (MPA)

2015-2016-London business school, Master of Business Administration (MBA)

Work experience:

At various times, he held the positions of Deputy Chairman of the Management Board of NAC KazAtomProm JSC for economics and finance, Managing Director of Kazakhtelecom JSC, Vice Minister of Finance of the Republic of

Kazakhstan, Deputy Head of the Office of the Prime Minister of the Republic of Kazakhstan, Vice Minister of Labor and Social Protection of the Republic of Kazakhstan, Adviser to the Prime Minister of the Republic of Kazakhstan, Deputy Chairman of the Agency of the Republic of Kazakhstan for Informatization and Communications, Vice Minister of National Economy of the Republic of Kazakhstan

At the moment, he is the Chairman of the Management Board of Baiterek NMH JSC.

Since April 05, 2017, he has been elected as a member of the Company's Board of Directors.

Marat Talgatovich Omarov Member of the Board of Directors



Born on September 20, 1988, citizen of the Republic of Kazakhstan.

In 2010, he graduated with honors from the University of York and received a Bachelor's Degree in social science (philosophy, political science and economics). He is a scholar of «Bolashak» program. In 2010-2012, he studied at the London School of Economics and Political Science (LSE), was awarded Master's degree in Economics. He was trained at «Innovation and entrepreneurship» program at Stanford Business School in 2017.

2012-2014 - served as Adviser to the Minister of economic development and trade (later-Ministry of economy and budget planning, Ministry of national economy) of the Republic of Kazakhstan.

2014-2016 - worked as Deputy Director of Department for forming tariff and institutional policy of the Ministry of national economy of the Republic of Kazakhstan.

2016-2017 - held the position of Managing Director of Kazakhtelecom JSC.

2017-2019 - served as a Chairman of the Board of QazTechVentures JSC (previously – «National Agency for technological development»).

In May 2019, he was appointed the Managing Director and a member of the Management Board of Baiterek NMH JSC.

Since June 10, 2019, he has been elected as a member of the Company's Board of Directors.

Ardak Makhmuduly Kassymbek

Member of the Board of Directors



Born in 1977, in Almaty. Citizen of the Republic of Kazakhstan.

Kazakh State national University named after Al-Farabi, Almaty, bachelor's degree (1998) and Master's Degree (2000) in International Economic Relations (IER).

The graduate of Business School of City University, London, MSc in Banking and International Finance, Master's Diploma (2000-2001).

PhD in economics. Passed the Institute of Directors leadership development program in Moscow (2017, Russia).

Ardak Kassymbek has 20 years of experience, including more than 14 years – in leading and managerial positions in National Company KazMunayGas JSC.

The last position held was senior Vice President-financial Director of National Company KazMunayGas JSC. He is a member of the Board of Directors of National Mining Company Tau-Ken Samruk JSC.

Since June 1, 2018, he has held the position of Chairman of the Company's Management Board and was elected as a member of the Company's Board of Directors.

On December 27, 2019, in accordance with the decision of the management Board of Baiterek NMH JSC (Minutes No. 61/19 of 25.12.2019), the powers of the Chairman of the Management Board of KCM were terminated prematurely.

Igor Abramov

Independent Director



Graduated from Law department of Georgetown University (Washington) and Columbia University (B.A., New York). Doctor of Law.

Advises on international trade and investment, international business operations, corporate governance, ethics and compliance, and U.S. export control regulations. He worked as a court clerk in the Supreme court of Israel and associate counsel in Jackson, Tufts, Cole & Black (San Francisco, California). From 1990 to 1994, he served as Vice President and General Counsel at MRA Overseas Resources, Intl. (San Francisco, California). From 1997 to 2008, he worked

in the Department of International Trade of the US Department of Commerce (Washington, DC) as a Senior Advisor for Russia, Ukraine and Eurasia and as Director of the Effective Management Program. From 2008 to 2014, he was a Partner and Vice President for international development at Heenan Blaikie LLP and Heenan Blaikie Management, Ltd. (Toronto, Canada). From February 2014 to November 2015, he served as a Partner at Dorsey and Whitney LLP. He is currently a Managing Partner at Abramov & Associates LLP.

In 2013, he was elected an Independent Director-Member of the Company's Board of Directors.

On December 27, 2019, in accordance with the decision of the Management Board of Baiterek NMH JSC (Minutes No. 61/19 of 25.12.2019), the powers of the Chairman of the Management Board of KCM Kassymbek A.M. were prematurely terminated.

Brzezinski Jacek Independent Director



He graduated from the University of Economics in Poznan (Poland), faculty - «International economic relations». He received his master's degree in 1979, Ph.D. in Economics in 1987. In 1987, he received a diploma from Vienna Diplomatic Academy after completing two-year postgraduate program with specialization in international business and Finance. Mr. Brzezinski has 25 years of professional (operational and managerial) experience in international finance and banking, including investment banking, corporate finance, project finance and international business development. Thus, from 1994 to 1996 – the first permanent representative of the EBRD in Kazakhstan, head of the local office.

In different years, he worked at BA-CA Futures AG in Vienna (a subsidiary of the Austrian Bank Creditanstalt-Bankverein), at BPIC – a consulting/investment banking company founded by six banks: ÖVAG (Austria), Natexis Banque Populaire (France), DZ-Bank (Germany), Istituto Centrale delle Banche

Popolari Italiane (Italy), Caisse Centrale Desjardins (Canada), Banque Centrale Populaire du Maroc (Morocco).

He also chaired the Supervisory Board of Central Profit Banka, Sarajevo; Travnicka Banka, Travnik; and Privredna Banka, Sarajevo, Bosnia and Herzegovina, during their restructuring and sale (2000–2005). Was a member of the Board of Directors in: Tsesna Bank JSC, Astana (2007–2013), Development Bank of Kazakhstan JSC, Astana (2007–2015), NBD Bank, Nizhny Novgorod, Russia, (2011–2012), BTA Bank, Almaty, Kazakhstan.

Jacek Brzezinski is currently an Independent Director and a member of the Board of Directors in: Sberbank Serbia, Belgrade; JSC Kazakhstan mortgage Company (Almaty), Tsesna Capital (Astana), Tsesna Garant (Almaty), and on April 22, 2016 was re-elected as an Independent Director of Tsesna Bank JSC (Astana).

In April 2016, he was elected an Independent Director-member of the Company's Board of Directors.

Formation of the Board of Directors, selection process of the Board members

The personal and quantitative composition of the Board of Directors is determined by the decision of the Sole shareholder. The formation of the Board of Directors and the process of selection of members of the Board of Directors, including independent Directors, is carried out in accordance with the Law «On joint stock companies», the Charter of Baiterek NMH JSC, Corporate Governance Code of KCM, and the Regulations on the Board of Directors of KCM.

The Board of Directors as of December 31, 2019 consists of 5 members - Chairman of the Board of Directors, representative of the Sole shareholder, a representative of KCM and 2 Independent Directors.

Independent members of the Board of Directors should be free from any material interests or relations with the Company, its management or its property that could jeopardize objective judgment.

Committees of KCM Board of Directors

To consider the most important issues and prepare recommendations to the Board of Directors, the following committees have been established and operate in KCM:

- Audit and Risk Committee;
- Human and Social Affairs Committee;
- Strategic Planning Committee.

In accordance with generally accepted principles of corporate governance, the committees of the Board of Directors are headed by members of the Board of Directors from among Independent Directors.

Audit and Risk Committee

The main purpose of the Audit and Risk Committee, in accordance with the Regulation on the Committee is to establish a system of measures for organizing internal control of functioning of all KCM's subdivisions and develop appropriate recommendations for the Board of Directors of KCM, assisting the Board of Directors in carrying out its regulatory and supervisory functions in the sphere of controlling availability and functioning of an adequate risk management system, improvement and strengthening the risk management and analysis system, considering issues of corporate governance.

The activities of the audit and risk Committee are aimed at assisting the Board of Directors on external and internal audit, financial reporting, internal control and risk management, compliance with the legislation, as well as other issues on behalf of the Board of Directors.

According to the regulation on the audit and risk Committee, the quantitative composition of the Committee is determined in the number of at least 3 people. Members of the Committee may be members of the Board of Directors, as well as experts with the necessary professional knowledge to work in the Committee.

The Chairman of the audit Committee is elected from among its members. The Chairman of the Board may not act as Chairman of the audit Committee.

A Director who is not independent may be elected to the Committee if the Board of Directors exceptionally decides that the person's membership in the audit

Committee is necessary in the interests of the Sole shareholder and/or the Company.

As a member of the audit Committee, at least one of its members should have in-depth knowledge of accounting and reporting and/or Finance and/or auditing.

The Secretary of the Committee is the Corporate Secretary of KCM.

Composition of the Audit and Risk Committee as of December 31, 2019:

Chairman of the Audit and Risk Committee - Jacek Bzhezinski

Member of the Committee - Igor Abramov

Member of the Committee - Marat Omarov

In 2019, the Committee held 5 meetings, considered and developed relevant recommendations to the Board of Directors of KCM on 20 issues, including:

- preliminary review of the Company's risk reports;
- preliminary review of the Company's annual consolidated and separate financial statements for 2016;
- consideration of regular reports on the activities of the internal audit Service of the Company;
- consideration of draft documents regulating the activities of the Internal Audit Service of the Company;
- consideration of the Annual Audit Plan of the Internal Audit Service for 2018.

Participation in meetings of members of the Audit and Risk Committee in 2019*:

Members of the Board of Directors	Meeting No 1/19, 27.02.2019	Meeting No 2/19, 29.04.2019	Meeting No 3/19, 04.06.2019	Meeting No 4/19, 25.09.2019	Meeting No 5/19, 25.11.2019
Birtanov E. A.	+				
Abramov I.	+	+	+	+	+
Brzezinski J	+	+	+	+	+
Omarov M. T.				+	+

* «+»- participated in person; «empty cell» - was not a member of the Company's Board of Directors

Human and social Affairs Committee;

The main objective of the Committee for Personnel and Social Affairs is to develop objective recommendations for the Board of Directors on the criteria for selecting and matching persons included in the Board of Directors and the Management Board of KCM, evaluating the performance and remuneration of persons included in the Board of Directors and the Management Board of KCM, the Corporate Secretary, and also according to the basic principles of KCM policy in the field of personnel, motivation, remuneration and social issues.

According to the regulations on the Human Resources and Social Affairs Committee, the quantitative composition of the Committee is determined by the decision of the Board of Directors from among the members of the Board of Directors and experts (if necessary) which have professional knowledge sufficient for working in the Committee. The number of members of the Committee should be at least 3 people. The Chairman of the Human Resources and Social Affairs Committee shall be elected from among its members. The Chairman of the Board may not act as Chairman of the Committee.

The Secretary of the Committee is the Corporate Secretary of KCM.

Composition of the Human Resources and Social Affairs Committee as of December 31, 2019:

Chairman of the Human Resources and Social Affairs Committee - Igor Abramov

Member of the Committee - Jacek Bzhezinski

Member of the Committee - Marat Omarov

In 2019, the Committee held 5 meetings, considered and developed relevant recommendations to the Board of Directors of KCM on 15 issues, including:

- preliminary review of maps of key performance indicators of Management Board members of Kazyna Capital Management JSC for 2019 in the new version;
- On preliminary consideration of the issue of electing independent member of the Board of Directors of Baiterek Venture Fund JSC, determination of the size and terms of payment of remuneration;
- review of regular reports on the performance of the Company's Corporate Secretary's efficiency;
- - discussing results of Board of Directors evaluation for 2019.

Participation of members of the Human Resources and Social Affairs Committee in meetings in 2019*:

Members of the Board of Directors	Meeting No 1/19, 27.02.2019	Meeting No 2/19, 29.04.2019	Meeting No 3/19, 04.06.2019	Meeting No 4/19, 25.09.2019	Meeting No 5/19, 25.11.2019
Birtanov Ye. A.	+				
Abramov I.	+	+	+	+	+
Brzezinski J.	+	+	+	+	+
Jamalbekov A.M.	-	+	+		
Omarov M. T.				+	+

* «+»- participated in person; « - »- did not participate (work leave); «empty cell» - was not a member of the Company's Board of Directors

Strategic Planning Committee

The Committee is an Advisory body of the Board of Directors, the main purpose of which is to prepare recommendations to the Board of Directors on the development of strategic goals (development strategy) of KCM, including the development of measures to improve the efficiency of the Company in the medium and long term.

According to the Strategic Planning Committee Regulation, the Committee must consist of at least three members, including at least two Independent Directors. The Committee may include non-voting experts with the necessary professional knowledge to serve on the Committee.

Composition of the Strategic Planning Committee as of December 31, 2019:

Chairman of the Strategic Planning Committee - Igor Abramov

Member of the Committee - Jacek Brzezinski

Member of the Committee - Marat Omarov

In 2019, the Strategic Planning Committee held 5 meetings, considered and developed relevant recommendations to the Board of Directors of the Company on 27 issues, including:

- consideration of regular reports on the Company's strategic portfolio;
- consideration of execution and making

amendments to the Company's development Plan;

- consideration of the Company's participation in the Private Equity Fund;

- on preliminary consideration of the Report on realization of development Strategy of Kazyna Capital Management Joint-Stock Company for 2014-2023 according to the results of 2018, 2018 Report on implementation of Action Plan for the period from 2017 to 2020 for the implementation of the development strategy of Kazyna Capital Management Joint-Stock Company for 2014-2023 and the Action Plan for 2019 to 2021 on implementation of the development strategy of Kazyna Capital Management Joint-Stock Company « for 2014-2023.

Participation in meetings of members of the Strategic Planning Committee in 2019*:

Members of the Board of Directors	Meeting No 1/19, 27.02.2019	Meeting No 2/19, 29.04.2019	Meeting No 3/19, 04.06.2019	Meeting No 4/19, 25.09.2019	Meeting No 5/19, 25.11.2019
Birtanov E. A.	+				
Abramov I.	+	+	+	+	+
Brzezinski J.	+	+	+	+	+
Jamalbekov M. A.	+	+	+		
Omarov M. T.				+	+

* «+»- participated in person; «empty cell» - was not a member of the Company's Board of Directors

4.6. Information on the evaluation of the Board of Directors for 2019

The decision to evaluate activities of the Board of Directors for 2019 was made by the Board of Directors on February 28, 2020.

The evaluation was carried out by means of a survey of the Company's Board of Directors members in accordance with the Regulation on evaluation of the Board of Directors' activities. The Corporate Secretary was identified as the person, responsible for sending out and collecting questionnaires, summarizing results of survey provided by members of the Board of Directors and preparing a report.

Igor Abramov, Chairman of Human Resources and Social Affairs Committee and Independent Director, was responsible for overseeing the evaluation process.

The evaluation results were reviewed and approved

at a meeting of the HR and Social Affairs Committee on May 27, 2020, and then at a meeting of the Company's Board of Directors on May 28, 2020.

The evaluation carried out under four-point rating system identified the strengths of the Board of Directors and areas for improvement in this year.

Strengths of the Board of Directors:

- The Board of Directors pays enough attention and focuses on achieving the set of goals and protecting the interests of the Company and its Sole shareholder in decision-making process;

- The Board of Directors has all the necessary tools for proper control over Company's financial and economic activities;

- Members of the Board of Directors receive properly prepared materials on the agenda issues for Board of Directors meeting;

- Effective leadership of the Chairman of the Board of Directors at the level of the Board of Directors itself;

- The composition of the Board of Directors (in terms of the knowledge and experience of its members) allows the latter to monitor and develop Company's strategy;

- Effective teamwork of members of the Board of Directors: Board of Directors is effective as a collegial body and expression of special opinions by Directors is encouraged;

- Meetings of the Board of Directors are held in accordance with the Work Plan of the Board of Directors;

- At meetings of the Board of Directors, enough time is allocated to discuss each question;

- Members of the Board of Directors disclose information about their interest in transactions and abstain from voting in such cases;

Areas for improving the performance of the Board of Directors in the current year:

- Regular monitoring and evaluation by the Board of Directors of the company's strategic objectives, execution and approval of plans, budget and performance of the Company's activities;

- The Board of Directors and the Management Board should pay more attention to the main risks that may have a significant impact on the Company's operations;

- Compliance of the number of members of the Board of Directors with Company's needs;

- Holding a meeting of the Board of Directors in such a way as to ensure an open exchange of views, active participation of members of the Board of Directors and timely resolution of issues;

- Members of the Board of Directors should devote sufficient time for studying the Company's activities and its specifics in order to effectively perform control functions;

- Providing any form of protection to the members of the Board of Directors by the Company in case of liability of the members of the Board of Directors;

- Participation of the Chairman of the Board of Directors in the process of taking office and adaptation of newly elected members of the Board of Directors.

Information on the results of the evaluation is annually sent to the Sole shareholder of KCM.

4.7. Basic principles of remuneration of the members of the Board of Directors

In accordance with the procedure established by the legislation of the Republic of Kazakhstan, the Charter, internal documents of the Company, members of the Board of Directors of the Company may be paid remuneration and (or) compensated for expenses related to the performance of their functions as members of the Board of Directors of the Company.

The following types of remuneration may be established for a member of the Board of Directors:

- 1) fixed annual remuneration for membership in the board of directors;

- 2) fixed annual remuneration for participation in the Committee of the Board of Directors as a Chairman of the Committee of the Board of Directors;

- 3) fixed annual remuneration for participation in the Committee of the Board of Directors as a member of the Committee of the Board of Directors.

The terms and amount of remuneration and compensation of expenses are reflected in the relevant agreement with the independent Director, which is signed by the Chairman of the Board of Directors, unless otherwise established by the decision of the sole shareholder or provided by the legislation of the Republic of Kazakhstan.

4.8. Information about the Management Board

Management of current activities is carried out by a collegial executive body - the Management Board headed by the Chairman of the Management Board. The Board of KCM consists of 3 members. The activities of the Management Board are regulated by the Regulation on the Management Board, approved by the decision of the Board of Directors of KCM dated March 16, 2016 (Minutes No 103).

4.9. Reports on the activities of the Management Board and its committees

The Management Board of KCM meets as necessary and, within its powers, takes decisions as the Executive body of KCM.

In 2019, the Management Board held 36 meetings. The level of attendance by Management Board members at Management Board meetings was 100%. Permanent committees, such as the Investment and Budget committees, have been established under KCM Management Board to review issues on various aspects of operating activities and to advise the Management Board on how to address them effectively.

Selection procedure for Management Board members

Management Board members, except the Chairman of the Management Board of KCM, are elected by the Board of Directors of KCM.

The Chairman of the Management Board of KCM is elected by the Sole Shareholder. The selection of

representatives for appointment to the Executive body takes into account experience, including leadership positions in financial and other organizations similar in

profile to KCM, education, high professional and personal qualities and other parameters to strengthen the role of KCM Management Board.

Composition of the Management Board of the Company acting for the reporting period

Ardak Makhmudovich Kassymbek	Chairman of the Management Board
Timur Erkinovich Begaliyev	Deputy Chairman of the Management Board
Asset Serikovich Sagimbekov	Deputy Chairman of the Management Board

Information on qualifications of the Management Board members (composition as of December 31, 2019)

Ardak Makhmudovich Kassymbek Chairman of the Management Board

He graduated from Al-Farabi Kazakh State National University, Almaty, Bachelor's degree (1998) and Master's degree (2000) in International Economic Relations (IER).

The graduate of Business School of City University, London, MSc in Banking and International Finance, Master's Diploma (2000-2001) PhD in economics Passed the Institute of Directors leadership development program in Moscow (2017, Russia). Has 20 years of experience, including more than 14 years – in leading and managerial positions at National Company KazMunayGas JSC. The last position held was senior Vice President-Financial Director of National Company KazMunayGas JSC.

From June 1, 2018 to December 27, 2019, he served as Chairman of the Management Board of KCM.

On December 27, 2019, in accordance with the decision of the Management Board of Baiterek NMH JSC (Minutes No. 61/19 dated 25.12.2019), the powers of the Chairman of the Company's Management Board were terminated prematurely.

Timur Yerkinovich Begaliyev Deputy Chairman of the Management Board

Graduated from the Kazakhstan Institute of Management, Economics and Planning (KIMEP) with major in Business administration and accounting. In 2007, he received a Master's degree in Finance from George Washington University (Washington, USA) under the «Bolashak» program. He has experience working at Procter & Gamble Company, «National Innovation Fund» JSC, where he was involved in financing investment projects and interacted with foreign investment funds. He worked in the Investment Projects Department of Kazyna Sustainable Development Fund JSC and in the Risk Management and Treasury Department of Samruk-Kazyna National Welfare Fund JSC.

He has been Deputy Chairman of the Board of KCM since March 2011.

Asset Serikovich Sagimbekov Deputy Chairman of the Management Board

Graduated from the Kazakhstan Institute of Management, Economics and Planning (KIMEP) with major in Business administration. In 2007, he received Master's degree in Finance from the University of Newcastle (UK) under «Bolashak» program. He has experience in «PricewaterhouseCoopers» LLP, Verry Investments Holding LLP, and Baiterek NMH JSC. He worked in the project Directorate and in the Department of credit analysis and transaction structuring of Development Bank of Kazakhstan JSC.

Holds the position of Deputy Chairman of the Management Board of KCM since May 2016.

Composition of the Investment Committee (as of December 31, 2019)

Chairman of the Investment Committee – Timur Begaliyev

Member of The Committee – Asset Sagimbekov

Member of the Committee - Didar Karimsakov

Member of the Committee–Gabbas Yerzhanov

Member of the Committee– Yernur Kulazhanov

Member of the Committee– Askhat Sadykov

In 2019, 47 meetings of the Committee were held, and relevant recommendations were considered and developed.

Composition of the Budget Committee (as of December 31, 2019)

Chairman of Budget Committee – Timur Begaliyev

Member of the Committee– Raukhan Kuttybaeva

Member of the Committee - Didar Karimsakov

In 2019, the Budget Committee held 16 meetings.

The main activities, decisions on adjusting the annual budget and reviewed monthly, quarterly and annual management reports on budget execution and monitoring of execution of development Plan indicators of KCM.

4.10. Main issues considered by the Management Board in 2019

In 2019, the Company's Management Board considered 143 issues at 36 meetings. In particular, problems of determining Company's priority activities, organization of corporate governance in the Company, matters concerning the activities of the Company's subsidiaries, as well as economic and financial issues, etc. During the reporting period, meetings of the Management Board considered both strategic and current operational issues within its competence in accordance with Company's Charter and the Regulations on the Management Board.

The list of issues and decisions is reflected in the relevant minutes of the meeting of the Management Board. In-person meetings of the Management Board were held on a regular basis in accordance with the materials submitted to the Management Board.

During the reporting period, more than 40 internal regulatory and planning documents were approved, amendments and additions thereto, budget performance reports, risk management reports, internal audit service reports, personnel issues, etc. were reviewed.

There are no comments from the Sole shareholder and the Company's Board of Directors on the work of the Company's Management Board, all instructions from the

Sole shareholder and the Company's Board of Directors are executed properly and on time.

4.11. Basic principles of remuneration of the Management Board members

The main condition for the payment of remuneration is the availability of consolidated profit for the reporting year, calculated taking into account the planned amount for the payment of remuneration. To assess the performance of Board members, KPIs maps are used, which, along with their thresholds, are approved by the decision of the Board of Directors on an annual basis.

Members of KCM Management Board do not receive bonuses in case of:

- the final performance of Corporate KPIs is less than 75%;
- the final performance of Functional KPIs is less than 75%.

The reward at the end of the year is paid within the limits of funds envisaged for these purposes in the budget of the Company, after approval of results of financial and economic activities on the basis of audited financial statements in the prescribed manner.



5

**SUSTAINABLE
DEVELOPMENT**

5. SUSTAINABLE DEVELOPMENT

5.1. Sustainable development principles

Sustainable development of the Company is a set of principles and obligations that guide the Company in carrying out its activities, in part of:

- 1) stakeholder relationship management;
- 2) assessment and management of the impact on the national economy, social sphere and environment.

The Company ensures consistency of its economic, environmental and social goals for sustainable development in the long term. The Company's activities are guided by the principles of sustainable development set out in the company's Corporate Governance Code. The Company also declares its commitment to the principles of the UN Global Compact in the field of human rights, labor relations, environmental protection and the anti-corruption.

The Company strives to reduce excessive consumption of resources and minimize the existing negative environmental impact through the introduction

of energy-efficient technologies, reducing water consumption, and paper consumption for office needs.

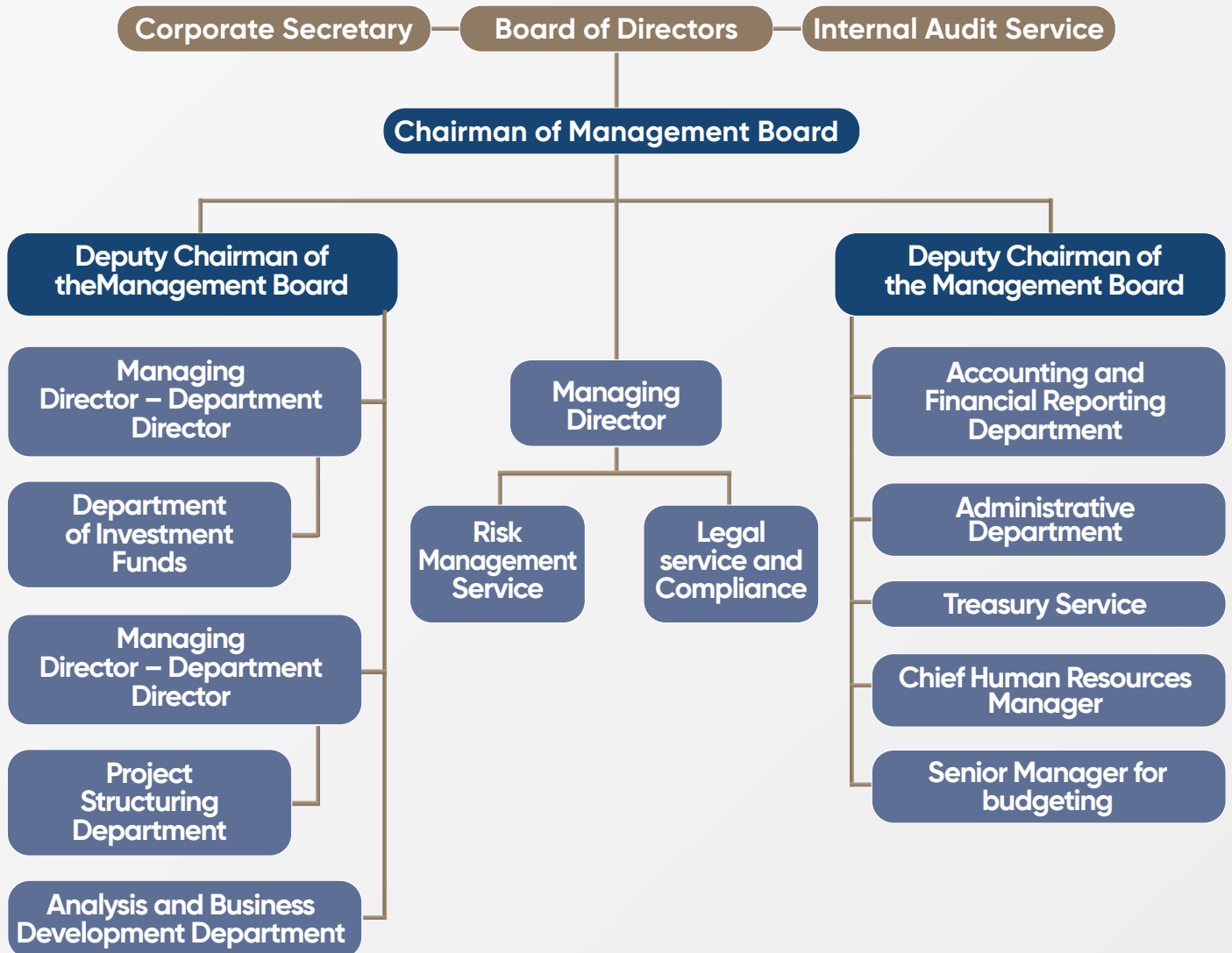
The Company is guided by the principle of providing equal opportunities and does not allow discrimination of its employees when hiring, remunerating, providing access to training, promotion, dismissal on grounds such as gender, race, language, religious, political and other beliefs, citizenship, national or social origin, and disabilities.

The Company identifies corruption risks, implements and supports anti-corruption policies and practices, and raises awareness of its officials, employees, and contractors on corruption and anti-corruption issues.

In order to implement successful and effective Policies, the Company pays due attention to interaction with stakeholders:

Stakeholders	Incorporated contributions, influence	Expectations, interest
Investors, including Sole shareholder, international financial institutions	Financial resources (equity, borrowed funds)	Return on investment, timely payment of dividends, principal and remuneration
Employees, officers	Human resources, loyalty	High wages, good working conditions, professional development
Clients	Financial resources by purchasing the services of the organization	Getting high quality services at a reasonable price
Suppliers	Supply of resources (goods, works and services) for value creation	A reliable market, permanent solvent purchaser
Local communities, people in places of activity, public organizations	Support in places of operation, loyalty and support of local authorities, favorable attitude, cooperation	Creation of additional jobs, development of the region
Government, state bodies, Parliament	State regulation, return of funds allocated from National Fund and Republican budget	Taxes, solving social problems

5.2. Personnel policy



The personnel policy of the Company was developed in accordance with the main principles of the Development Strategy of the Company, and, based on the principles of transparency, includes factors for attracting and retaining qualified personnel:

1) Ensuring a high level of human resources potential as an essential element in achieving the Company's strategic goals;

2) Performance management, increasing employee motivation through effective remuneration system:

- implementation of the employee performance assessment system;

- implementation of a motivating and transparent remuneration system based on the level of qualification, competence and productivity of employees;

- implementation of monitoring and control of performance of tasks and goals of work evaluation and motivation of employees.

The Company's team consists of 37 specialists with professional education and work experience. KCM team consists of graduates of the best Kazakh and international universities, including:

- 7 graduates of Bolashak program;
- 21 employees have a Master's degree;

- 5 employees are certified employees;
- 1 employee has a PhD degree;
- 19 employees with overseas education.

The average age is 36 years, the average work experience in the company is 2 years.

The staff number for 2019 was 44 employees, of which the Central office was 30 employees.

The social policy of the Company is focused on attracting and retaining highly qualified specialists. Thus, it provides medical insurance, financial assistance for health improvement in the provision of annual leave, payment of maternity leave. There are also bonuses to administrative staff and an annual bonus for the Management Board for achieving key performance indicators.

The basis for implementing staff policy is the presence of an effective organizational structure and

optimal staffing. The high level of professionalism of employees is maintained and developed in the system of continuous training and advanced training, through retraining and advanced training of employees, through the consistent improvement of knowledge and skills.

The Company's needs for training and staff development depend on internal and external factors: changes in strategic objectives, changes in legislation, introduction of new programs, professional growth and development of employees, setting new tasks and goals for them, etc. The number of employees covered by the system of training and advanced training in 2019 was 42 employees. At the same time, every year front office employees are trained and certified according to international CFA programs.

In 2018, staff turnover was 0%.

	2017	2018	2019
Staff number	37	37	44
Staff turnover	6	0	0
Number of trained employees	33	37	42

As part of the implementation of the policy on performance management and increase of motivation of employees, an annual assessment of the activities of administrative employees on the basis of KPI is carried out.

Support of sports and promotion of healthy lifestyles is one of the most important priorities of the Company's policy. Every year, the Company's employees take part in competitions in various sports, as well as in competitions among the group of companies of the Baiterek NMH JSC, aimed at strengthening and uniting the team, and maintaining the corporate spirit.

5.3. Environment protection

The company includes assessment of ESG factors at all stages of the investment process - from search for project proposals to monitoring environmental and social impact of financed projects. The ESG integration method involves assessing the risks and opportunities identified as a result of analysing factors related to

environment, social sphere and management that are material for our company.

Special attention is paid for compliance with the principles of careful and rational attitude to the environment. In accordance with Sustainable Development Policy, the Company is guided by the following environmental protection principles:

- Using methods of rational use of resources that ensure prevention of adverse effects on the environment;
- Striving to reduce excessive resource consumption and minimize existing negative environmental impact through introduction of energy-efficient technologies, reducing water consumption, reducing paper consumption for office needs through introduction of an electronic document management system and double-sided printing;
- Increasing the level of environmental awareness of the Company's employees;
- Support of contractors in applying environmental risk management system to identify and assess actual and possible impacts on the environment and society, identify

and effectively implementing appropriate management measures, control the level of environmental risks;

We strive to consistently increase the share of the «green portfolio» in the total volume of financed projects. In 2019, we provided financial support to a number of renewable energy projects. PEF with the participation of KCM financed the construction of a 50 MW solar power plant near the Baikonur cosmodrome in the Kyzylorda region and the construction of a second start-up complex of 48 MW wind power plant in Akmola region. Thus, the cumulative reduction of annual carbon dioxide emissions will amount to more than 300 thousand tons, which will make a significant contribution to the fulfillment of the obligations of the Republic of Kazakhstan, adopted under the Paris agreement.

Also, in 2019, our portfolio Fund BVF participated in financing of Saryarka main gas pipeline. The implementation of this project will allow stage-by-stage supply of natural gas to 171 localities (about 2.7 million people), give an impetus to the development of infrastructure along the route of the main gas pipeline and new production facilities using natural gas. It is projected, that the volume of pollutants emission will be reduced by 6 times, ensuring positive impact on the environmental conditions of Nur-Sultan city and other settlements along the route of gas pipeline.



6

**ANNUAL FINANCIAL
STATEMENTS**

6. ANNUAL FINANCIAL STATEMENTS

The audit of the annual financial statements of KCM and its subsidiaries for 2019 was carried out by the independent audit organization KPMG Audit LLP.

In the opinion of KPMG Audit LLP, the separate and consolidated financial statements present fairly, the financial position of the Company as of December 31,

2019 in all material respects, and its financial results and cash flows comply with International financial reporting standards.

6.1. Financial statements

Consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2019

	2019 thousand KZT	2018 thousand KZT
Interest income calculated using the effective rate method	3,171,248	3,537,892
Net gain from operations with assets at fair value through profit or loss	1,055,853	4,032,816
Net profit/(loss) from operations with financial derivatives	387,164	(1,026,236)
Dividend income	1,147,906	3,681,889
Net (loss)/profit from operations with foreign currency	(328,467)	10,123,505
Net profit/(loss) from operations with investment financial assets	(577,367)	160,150
Other operating income	109,165	9,161
Operating income	4,965,502	20,519,177
Recovery/(formation) of impairment losses in respect of debt financial assets	920,164	(13,816,636)
Personnel costs	(513,741)	(428,956)
General and administrative expenses	(983,223)	(601,920)
Profit before tax	4,388,702	5,671,665
Income tax expense	(737,380)	(1,996,698)
Profit for the year	3,651,322	3,674,967

Other comprehensive income

Items that have been reclassified or may be reclassified subsequently to profit or loss:

Provision for revaluation of investment financial assets:		
- net change in fair value, net of income tax	707,399	(2,025,676)
- net change in fair value carried over to profit or loss for the period	223,207	(235,324)
Other comprehensive income/ (loss) for the year, net of income tax	930,606	(2,261,000)
Total comprehensive income for the year	4,581,928	1,413,967

Consolidated statement of financial position as of December 31, 2019

	2019 thousand KZT	2018 thousand KZT
ASSETS		
Cash and cash equivalents	946,080	6,672,269
Amounts due from credit institutions	23,332,615	25,070,425
Assets at fair value through profit or loss	133,573,705	107,187,696
- Investments in unconsolidated subsidiaries	-	58,324,226
- Investments in joint ventures	47,465,606	40,150,121
- Investments in associated organizations	53,479,721	-
- Other financial assets	32,628,378	8,713,349
Investment financial assets	28,709,099	45,912,000
Deferred tax asset	1,966,364	1,897,710
Current tax asset	1,746,295	-
Fixed assets and intangible assets	33,353	25,858
Other assets	46,485	50,900
Total assets	190,353,996	186,816,858
LIABILITIES		
Debt securities issued	40,150,736	40,150,736
Financial liabilities at fair value through profit or loss	10,298,284	9,869,170
Current tax liabilities	-	176,081
Other liabilities	241,849	437,182
Cumulative commitments	50,690,869	50,633,169
OWN CAPITAL		
Share capital	87,440,000	87,440,000

Provision for revaluation of investment financial assets:	(238,272)	(1,168,878)
Retained earnings	52,461,399	49,912,567
Total equity	139,663,127	136,183,689
Total liabilities and equity	190,353,996	186,816,858

**Consolidated cash flow statement for
the year ended December 31, 2019**

	2019 thousand KZT	2018 thousand KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest revenue	3,040,124	3,931,619
Dividends received	1,147,906	3,681,889
Personnel costs paid	(581,034)	(486,737)
Other general and administrative expenses (payments)	(1,113,931)	(485,699)
(Increase)/decrease in operating assets		
Assets at fair value through profit or loss	(25,593,574)	(36,950,226)
Acquisitions of investment financial assets	(18,323,441)	(6,985,740)
Sale and repayment of investment financial assets	35,377,047	28,841,533
Amounts due from credit institutions	2,617,149	(31,690,201)
Other assets	-	(197,765)
Increase in operating liabilities		
Financial instruments at fair value through profit or loss	816,278	816,278
Net cash used in operating activities before income tax	(2,613,476)	(39,525,049)
Income tax paid	(2,728,410)	(2,832,106)
Net cash used in operating activities	(5,341,886)	(42,357,155)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Proceeds from consolidation of a subsidiary	263,418	-
Acquisition of fixed assets and intangible assets	(15,536)	(9,053)
Net cash flow from / (used in) investing activities	247,882	(9,053)

CASH FLOWS FROM FINANCING ACTIVITIES

Dividends paid	(1,102,490)	(882,282)
Interest paid on bonds	(3,413)	-
Proceeds from issue of shares	-	40,150,000
Net cash flow (used in)/from financing activities	(1,105,903)	39,267,718
Net decrease in cash and cash equivalents	(6,199,907)	(3,098,490)
Cash and cash equivalents at the beginning of the year	6,672,269	9,064,474
Effect of changes in exchange rates on cash and cash equivalents	473,718	706,285
Cash and cash equivalents at the end of the year	946,080	6,672,269

**Consolidated statement of changes in equity for
the year ended December 31, 2019**

thousand KZT	Share capital	Reserve for changes in the fair value of securities	Retained earnings	Total
Balance as of January 1, 2019	87,440,000	(1,168,878)	49,912,567	136,183,689
Profit for the year	-	-	3,651,322	3,651,322
Other comprehensive income				
<i>Items that have been or may be reclassified subsequently to profit or loss:</i>				
- Net change in fair value, net of income tax	-	707,399	-	707,399
- net change in fair value carried over to profit or loss	-	223,207	-	223,207
Total other comprehensive income	-	930,606	-	930,606
Total comprehensive income for the year	-	930,606	3,651,322	4,581,928
Transactions with owners recorded directly in equity				
Dividends declared	-	-	(1,102,490)	(1,102,490)

Total transactions with owners	-	-	(1,102,490)	(1,102,490)
Balance as of December 31, 2019	87,440,000	(238,272)	52,461,399	139,663,127

thousand KZT	Share capital	Reserve for changes in the fair value of securities	Retained earnings	Total
Balance as of January 1, 2019	87,440,000	953,363	47,368,354	135,761,717
Effect of transition to IFRS 9 as of January 1, 2019	-	138,759	(248,472)	(109,713)
Restated balance as of January 1, 2019	87,440,000	1,092,122	47,119,882	135,652,004
Total comprehensive income				
Profit for the year	-	-	3,674,967	3,674,967
Other comprehensive income				
<i>Items that have been or may be reclassified subsequently to profit or loss:</i>				
- Net change in fair value, net of income tax	-	(2,025,676)	-	(2,025,676)
- net change in fair value carried over to profit or loss	-	(235,324)	-	(235,324)
Total other comprehensive loss	-	(2,261,000)	-	(2,261,000)
Total comprehensive income for the year	-	(2,261,000)	3,674,967	1,413,967

Transactions with owners recorded directly in own equity				
Dividends declared	-	-	(882,282)	(882,282)
Total transactions with owners	-	-	(882,282)	(882,282)
Balance as of December 31, 2019	87,440,000	(1,168,878)	49,912,567	136,183,689

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