

Year of Youth in Kazakhstan

2019

Annual
Report



BAITEREK

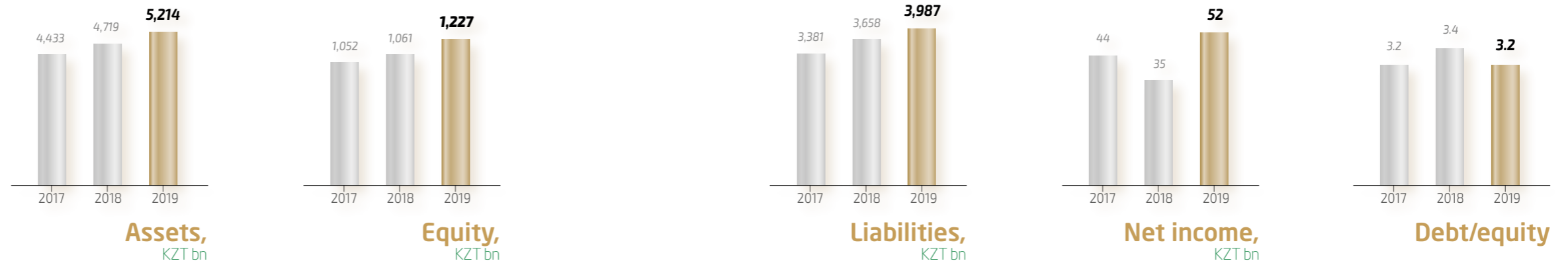


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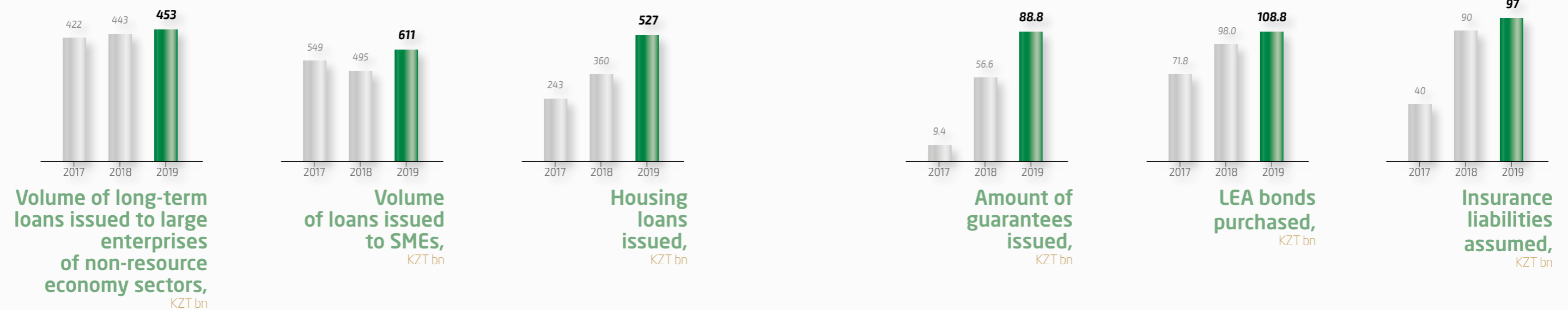
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KEY PERFORMANCE INDICATORS

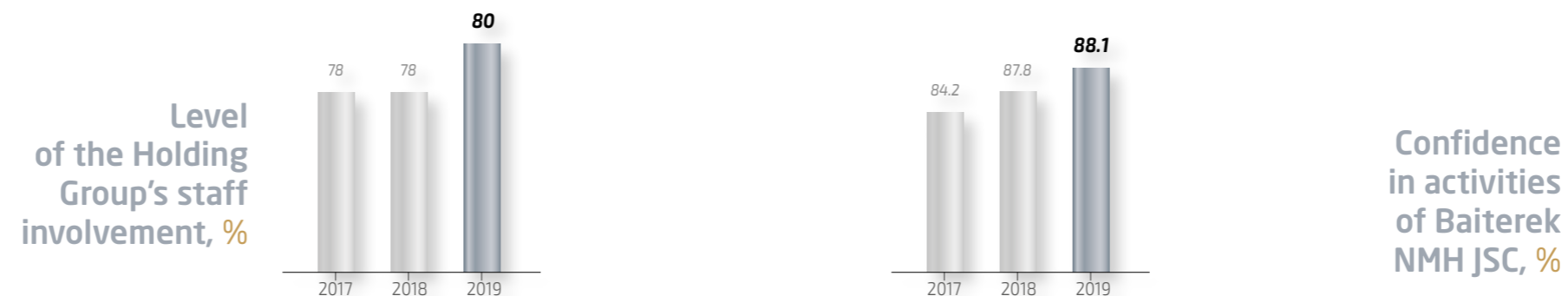
FINANCIAL INDICATORS



PERFORMANCE INDICATORS OF THE HOLDING GROUP



INDICATORS OF INVOLVEMENT AND CONFIDENCE IN ACTIVITIES OF BAITEREK NMH JSC





BAITEREK

Baiterek Holding Actively Supports Young People in Kazakhstan

At the initiative of the First President of the Republic of Kazakhstan – Yelbasy N.A. Nazarbayev, the year 2019 was declared the Year of Youth. The Government adopted a Roadmap, which included measures to provide young people with affordable housing, education, employment, business development, and grant funding of non-governmental organizations.

Baiterek Holding is an operator of socially oriented state programs and plays an important role in providing citizens of Kazakhstan with affordable housing, job and tools for the development of business projects. As part of solving these challenges, the Holding in collaboration with its subsidiaries accomplishes a number of projects focused on the implementation of youth initiatives.

489

entrepreneurs worth KZT 20.4 bn were supported under regional programs – Astana ZhasStart, Aktobe ZhasStart, Astana Start Up and others

20.4 bn tenge

Youth Business Support

As part of Yenbek Program for the Development of Productive Employment and Mass Entrepreneurship for 2017–2021, first-time entrepreneurs of the micro and small business sector receive loans on favorable terms – up to 8 thous. MCI at the rate not exceeding 6%, with a lead time on investment of up to five years. Besides, program participants have the opportunity to receive a guarantee of up to 85% of the loan.

In 2019, 1,851 micro, small and medium-sized enterprises were funded under the program for a total amount of KZT 22.7 bn, including revolving disbursements from previously allocated funds. Among them, 787 first-time entrepreneurs received funding in the amount of KZT 9.1 bn.

In collaboration with the local executive authorities, the Holding implements regional programs for start-up entrepreneurs through its subsidiary Damu Fund JSC. For example, the Astana ZhasStart and Aktobe ZhasStart programs are intended for young people at the age of up to and including 29 years old. The loan amount under the programs does not exceed KZT 20 mln with a rate of up to 8.5%. The Astana Start Up program provides support for first-time entrepreneurs in the amount of a loan not exceeding KZT 50 mln at the rate of 7.9%. Other initiatives include the following programs: Astana Business-2 (Nur-Sultan), Almaty Business (Almaty), Kokshetau Business (Kokshetau), Men Kasipker Bolamyn (Shymkent), etc.

By the end of 2019, 489 entrepreneurs were supported in the framework of the Program of regional financing of small and medium-sized enterprises on the terms of co-financing with regional budgets in the amount of KZT 20.4 bn, including revolving disbursements from the funds previously allocated under this program.

787

first-time entrepreneurs worth KZT 9.1 bn were supported under Yenbek program

9.1 bn tenge

BAITEREK HOLDING ACTIVELY SUPPORTS YOUNG PEOPLE IN KAZAKHSTAN



Over 200 young IT professionals take part in Baiterek Hackathon

Support of Social Educational Projects

In 2019, Baiterek Holding together with its subsidiaries – Housing Construction Savings Bank of Kazakhstan JSC and QazTech Ventures JSC organized and held Baiterek Hackathon at the platform of SmArt Point Almaty business incubator in the city of Almaty. More than 200 young IT specialists, students and graduates of national technical universities from different cities of the republic took part in the event to create a unique product aimed at improving customer service at Housing Construction Savings Bank of Kazakhstan JSC. A total of 58 teams were formed, 12 of which reached the final. The total prize fund amounted to KZT 2 mln. Baiterek NMH JSC, as a financial holding, is an initiator of an event, which, on the one hand, aims to stimulate the introduction of innovations in the Holding Group, and on the other hand, allows young developers and new enterprises to understand the needs and problems of the corporate sector.

The Development Bank of Kazakhstan JSC jointly with Taiburyl Public Association supports the Kerek Adam social educational project focused on promoting and developing engineering and technical competencies in Kazakhstan. In the framework of the project, third and fourth year students and 2015–2018 graduates of secondary specialized and higher educational institutions can undertake a paid internship at the largest enterprises of the country.

In 2019, 24 young people who studied nuclear physics, space engineering and technology, automation and control, oil and gas business and chemical technology of organic substances at universities and colleges passed a paid internship at the Space Station in Almaty and at enterprises funded by DBK JSC – Condensate Oil Refinery JSC in the West Kazakhstan region, Pavlodar Petrochemical Plant and Aktobe Rail and Beam Plant. In total, it is planned to organize an internship for 30 young specialists under the project at the largest enterprises of the country, including those funded by DBK JSC.

Loyal Personnel Policy of the Holding

Various events are periodically held to increase the level of involvement of young employees of the Holding and its subsidiaries. Thus, the following events were held in 2019: chess, football, table tennis and e-sports tournaments, series of “What? Where? When?” games, Quizz Please and Quantum intellectual games, film representation, etc.

The Holding organizes ongoing training for its employees with the aim of professional development, updating and obtaining additional theoretical and practical knowledge, abilities, competencies and skills in the field of professional and managerial activities. The Holding ensures the maximum possible coverage of its employees with training and professional development programs. Employees of the Holding undergo training on two or more subjects per year.

The Holding and its subsidiaries will continue to actively support young people in Kazakhstan by providing opportunities for doing their own businesses, getting jobs and housing, as well as implementing new promising projects.



MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



ASKAR MAMIN

Chairman of the Board of Directors of Baiterek NMH JSC, Prime Minister of the Republic of Kazakhstan

Dear Ladies and Gentlemen!

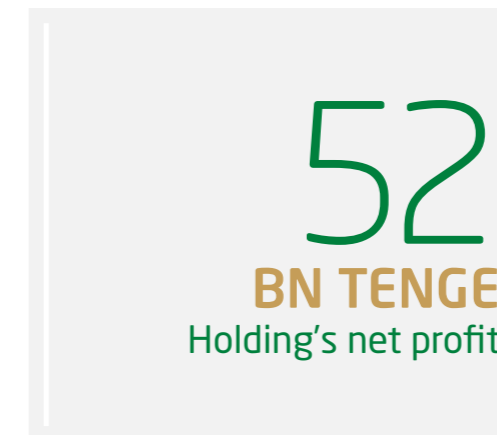
In his Message to the people of Kazakhstan “Constructive Public Dialogue – a Basis of Sustainability and Prosperity of Kazakhstan”, the Head of State Qasym-Jomart Tokayev outlined the task of building a developed and inclusive economy. This implies a refusal of the resource mentality, diversification of the economy, effective small and medium-sized businesses, providing support to the national business in international markets, and increase in return from the quasi-public sector.

This task is within the Presidential election program and is implemented in continuation of the long-term Development Strategy until 2050 and the Nation Plan proposed by the First President of the Republic of Kazakhstan – Elbasy Nursultan Nazarbayev.

For seven years, Baiterek NMH JSC has been functioning as the main financial development institution of the country, which implements strategic state programs. In 2019, the Holding successfully completed a number of programs such as the Business Roadmap 2020, Nurly Zher State Program of Housing Construction until 2020, Nurly Zhol State Program of Infrastructure Development for 2015–2019, State Program of Industrial and Innovative Development for 2015–2019.

As of the end of 2019, growth of the key financial indicators was achieved. In the reporting year, net profit of the Holding amounted to KZT 52 bn, which is KZT 13.2 bn higher than the target value. The Holding’s assets increased by 10.5% and amounted to KZT 5,214 bn.

One of the key institutions operating to support the development of the non-resource economy, which significantly promotes the process of diversification of the country’s economy, is a subsidiary



For seven years, Baiterek NMH JSC has been functioning as the main financial development institution of the country, which implements strategic state programs. In 2019, the Holding successfully completed a number of programs such as the Business Roadmap 2020, Nurly Zher State Program of Housing Construction until 2020, Nurly Zhol State Program of Infrastructure Development for 2015–2019, State Program of Industrial and Innovative Development for 2015–2019.

of the Holding – Development Bank of Kazakhstan JSC. The share of the loan portfolio of Development Bank of Kazakhstan JSC in the total long-term debt of non-resource enterprises in 2019 amounted to 49.7%. In the reporting year, 8 projects worth KZT 1.8 trln were put into operation using the funds allocated by Development Bank of Kazakhstan JSC in the amount of KZT 581 bn, under which 1,763 new jobs were created. These include capital-intensive projects such as the construction of the Saryarka main gas pipeline, a high-tech ferrosilicon plant in the city of Karaganda, an advanced petroleum refining complex at Atyrau Oil Refinery, a 100 MW solar power plant in Kapshagai, and other projects.

Provision of support to small and medium-sized enterprises is one of the strategic line of development of Baiterek NMH JSC. In 2019, the Government of the Republic of Kazakhstan initiated and implemented a lending program for priority projects “The Economics of Simple Things”, and improved a number of state programs. In the framework of the above programs, Baiterek NMH JSC is acting through its subsidiary – Damu Entrepreneurship Fund JSC as one of the main financial operators of state support measures. As of the end of 2019, a share of the Holding’s instruments aimed to support SME initiatives in the total volume of long-term loans amounted to 48% (vs. 37% in 2018).

Another strategic line of Baiterek NMH JSC is to promote domestic producers of non-resource goods and service providers in foreign markets and enhance their competitiveness through to the provision of effective financial measures to support export. As of the end of 2019, the value of export contracts supported through the subsidiary of the Holding, EIC KazakhExport JSC, amounted to KZT 543.9 bn,

MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



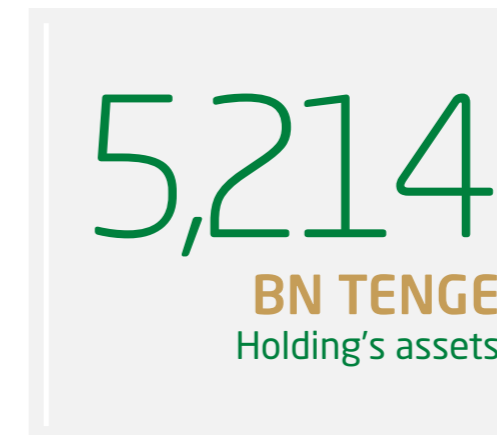
In 2019, the Holding initiated its transformation by creating a Single Operator in the field of housing construction



having increased by 30% compared to last year. To promote access of Kazakhstan entrepreneurs to the foreign market, representative offices were opened in the cities of Tashkent, Dushanbe, Novosibirsk, Yekaterinburg and Bishkek.

Positive results were also achieved in such an important area of the Holding's activities as ensuring the financial affordability of housing to the population. A subsidiary of the Holding, Housing Construction Savings Bank of Kazakhstan JSC, ranks first in the area of long-term tenge-denominated retail deposits, the amount of which exceeds KZT 806 bn. As of the end of 2019, about 61% of mortgage loans totaling to KZT 527 bn were issued by Housing Construction Savings Bank of Kazakhstan JSC

In this regard, it is worth noting the successful implementation of the first stage of Bakytty Obybasy program at the instruction of the First President of the Republic of Kazakhstan, Elbasy Nursultan Nazarbayev. As part of this program, more than four thousand low-income families (large, single-parent families and families having children with disabilities) have already received preferential housing loans.



The performance results of this year confirm the effectiveness of the Development Strategy applied by the Holding and the success in achieving its goals. In the next reporting year, the Holding will continue to fulfill the role of the main national financial operator of the Government to ensure the welfare of the nation and diversify the country's economy.

In 2019, the Holding initiated its transformation by creating a Single Operator in the field of housing construction, which will be completed in 2020. It should be noted that in 2020 the Holding will also adopt its updated Development Strategy for 2014–2023, which will include the provisions of new state programs and a number of initiatives such as: optimization of the housing construction block, the development of "green financing", the introduction of preferential loans for large families, organization of a trading platform for SMEs, the introduction of apex mechanisms, etc.

The performance results of this year confirm the effectiveness of the Development Strategy applied by the Holding and the success in achieving its goals. In the next reporting year, the Holding will continue to fulfill the role of the main national financial operator of the Government to ensure the welfare of the nation and diversify the country's economy.

*Chairman of the Board of Directors of Baiterek NMH JSC,
Prime Minister of the Republic of Kazakhstan*

Askar Mamin

ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD



Aidar Arifkhanov
Chairman
of the Management Board
of Baiterek NMH JSC

Dear partners, colleagues, investors!

Baiterek Holding was established 7 years ago with the aim of diversifying the economy and attracting investment. The Holding includes 11 companies operating in the field of industrial and innovative development, promotion of non-resource exports, development of small and medium businesses, and implementation of tasks in the housing construction sector. Due to combination of these areas, the Holding became a unique development institution that has no analogues in the world.

This year, we completed the implementation of a number of state programs and fully disbursed the funds allocated for their implementation from the republican budget. These programs create a powerful multiplicative effect for the growth and evolutionary development of the economy in Kazakhstan.

Strategic Areas

The first strategic area of the Holding's activities is **large business support**. In the absence of long-term tenge-denominated financing from second-tier banks, our subsidiary – the Development Bank of Kazakhstan JSC is a driver of long-term lending to non-resource sectors of the economy, providing every second tenge of financing. The portfolio of DBK JSC includes 55 investment projects and export transactions totaling to KZT 6.3 trln.

Objectives of Baiterek NMH JSC

in the framework of its mission to promote sustainable economic development of the Republic of Kazakhstan

-  **Development of non-resource sectors of the economy**
-  **Development of entrepreneurship (private sector of the economy)**
-  **Support of economy urbanization**
-  **Export support for non-resource products**
-  **Development of innovations**

We are especially proud of participating in financing the mega-project of construction of the Saryarka gas pipeline, which will gradually supply blue fuel to 171 settlements with a population of up to 2.7 mln people.

The second strategic area is providing **support to small and medium-sized businesses**. A leader in this area is our subsidiary Damu Entrepreneurship Development Fund JSC, which in 2019 supported 24.3 thousand projects for the amount exceeding KZT 600 bn, which is about 22% of total number of projects funded by second-tier banks.

Increasing export potential is the third strategic area of Baiterek Holding's activities. In this regard, the Export Insurance Company "KazakhExport" JSC and the Development Bank of Kazakhstan JSC provide significant assistance to exporters using numerous support tools. Following the results of 2019, the volume of commitments under export contracts of EIC KazakhExport JSC amounted to KZT 97 bn, or 2% of the total non-resource exports in 2019, and export revenues under projects supported by DBK JSC (including investment projects) amounted to KZT 1,126 bn, or 19% of the total non-resource exports in 2019.

The fourth area is **ensuring the financial affordability of housing**. The Holding is a single operator of housing construction programs in the Republic of Kazakhstan. We are working through our subsidiaries. For example, we can say that today Housing Construction Savings Bank of Kazakhstan JSC is a truly people's bank that implements a housing construction savings system. Today, HCSBK JSC ranks first in terms of long-term tenge-denominated retail deposits amounting to KZT 806 bn. At the end of 2019, HCSBK JSC granted about 61% of mortgage loans totaling to KZT 527 bn. Therefore, it is no wonder that

HCSBK JSC is implementing an important social initiative of the First President of the Republic of Kazakhstan, Yelbasy Nursultan Nazarbayev – the Bakyty Otbasy program. This is a unique opportunity for large families, families with four or more children, as well as families having or bringing up children with disabilities and single-parent families with children to obtain housing under very affordable conditions. In the reporting year, the amount of KZT 50 bn was allocated and successfully disbursed to implement this program. HCSBK JSC granted about five thousand concessional loans.

Baiterek Development JSC provides financing for the construction of mortgage housing through the redemption of bonds of local executive authorities on the "revolving" principle. In 2019, LEA securities were purchased in the amount of KZT 108.8 bn.

In 2019, Housing Guarantee Fund JSC issued guarantees to 23 projects of private developers totaling to KZT 88.8 bn, and Damu Fund subsidized projects of private developers in the amount of KZT 104.3 bn in order to reduce the cost of commercial loans.

ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD

82,999

OF NEW PROJECTS,
projects of modernization
and expansion of current production

16.9%

SHARE OF HOUSING
construction savings system
participants in the economically
active population
of the Republic of Kazakhstan

15.7%

MARKET COVERAGE
of shared construction guarantees
of Housing Guarantee Fund JSC

3.12:1

ATTRACTION
of foreign investments



Sustainable Development

Baiterek Holding, as a key financial development institution of the Government of the Republic of Kazakhstan, recognizes the importance of its influence on the economy, environment and society and strives to keep a balance of interests of all stakeholders.

In 2019, the Holding was assigned for the first time a sustainable development rating (ESG rating). Based on the assessment results, experts of the international rating agency affirmed the commitment to the principles of social responsibility, corporate governance and business ethics.

The Holding identified initiatives in the field of sustainable development, which were included in the draft of the updated Development Strategy of the Holding for 2014–2023. These initiatives include: assistance in achieving the UN Sustainable Development Goals, development of responsible financing and responsible procurements, and increasing the transparency of activities, including the disclosure of information in accordance with international standards of sustainable development. These initiatives are in line with the national priorities and practices of leading development institutions.

In 2019, 11 subsidiaries of the Holding approved sustainable development policies developed in compliance with the Sustainable Development Policy of Baiterek NMH JSC and international standards.

The Holding and its subsidiaries are aware that the environmental and social sustainability of projects has a significant impact on the sustainable development of the country as a whole. For these purposes, the Holding plans to begin work in 2020 to define the criteria for “green” projects and intends to consider the possibility of developing “green” financing tools in the medium term.

Prospects

In 2019, we initiated important changes in the structure of the Holding. At the instruction of the Head of State Qasym-Jomart Tokayev, we began the process of establishing a single operator of housing programs by combining three subsidiaries using the model of the Singapore Housing and Development Board. Optimization of activities of the housing unit of the Holding will reduce general administrative expenses by 25–30%.

In 2020, we do not intend to slow down the rate of work. The Holding is planning to provide financing for large business projects in the amount of KZT 430.9 bn, as well as to launch 12 projects worth KZT 594 bn. We intend to support at least 15.4 thous. SME projects and provide support to exporters in the amount of up to KZT 125 bn. In addition, in 2020, we plan to open representative offices in the cities of Moscow, Urumqi and Minsk. In 2020, housing loans will be granted in the amount of KZT 420 bn, and the implementation of Bakytty Otbas, Own Home and Askeri Onim programs will be continued.

I can assure that Baiterek Holding has all the resources and capabilities that are necessary to ensure high and sustainable efficiency in implementing strategic state programs and instructions of the country’s leadership. I am grateful to the highly qualified and motivated team of the Holding for its serious efforts in solving challenging tasks..

Chairman of the Management Board of Baiterek NMH JSC

Aidar Arifkhanov

3,295

BN TENGE
volume of export revenues
of enterprises supported under
export and pre-export financing

DEVELOPMENT STRATEGY



Mission

To promote the sustainable economic development of the Republic of Kazakhstan in order to implement state policies and achieve goals set by the 2050 Strategy.

Vision

Baiterek NMH JSC is a key institution of the Government of the Republic of Kazakhstan meeting the highest standards of corporate governance and ensuring the fulfillment of objectives aiming at the sustainable development of the national economy through its diversification, support of innovations, export development, and increase in labor productivity.

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

- development of non-resource sectors of the economy;
- development of entrepreneurship (private sector of the economy);
- support of economy urbanization;
- export support for non-resource products;
- development of innovations.

The first two objectives are being solved by implementing the main activities of Baiterek NMH JSC in two strategic areas of activities:

- business support in the large business segment;
- business support in the SME segment.

The third objective of supporting economy urbanization is being solved as part of the third strategic activity of Baiterek NMH JSC — improvement of housing affordability.

The last two objectives to support the export of non-resource products and the development of innovations are being implemented in two strategic areas:

- support of export potential;
- transfer and implementation of innovations.

Activities in Strategic Areas in 2019

In 2019, the Holding continued to actively implement all the above mentioned tasks and strategic areas. The main measures taken in the strategic areas of the Holding's activities are stated below.

Large business support

- 8 projects worth KZT 1.8 trln were put into operation with the support of DBK JSC for an amount of KZT 581 bn, under which 1,763 new jobs were created;
- DBK JSC approved 14 applications for financing of 11 investment projects in the amount of KZT 428.5 bn and 3 pre-export operations in the amount of KZT 8 bn.

SME support

- Under programs of conditional placement of funds with STBs, MFOs and leasing companies, loans were granted to 18,933 borrowers for a total amount of about KZT 239.5 bn.
- The Holding signed subsidizing agreements for 2,647 projects for a total amount of KZT 269.8 bn and guarantees for 2,674 projects for a total amount of KZT 102.7 bn.

Improvement of housing affordability

- HCSBK JSC launched Bakytty Otbasy program of preferential lending for low-income families.
- At the end of 2019, HCSBK JSC granted about 61% of mortgage loans, or KZT 527 bn.
- Guarantees for the completion of construction were provided in the amount of KZT 88.8 bn.

Increasing export potential

- By the end of 2019, the amount of commitments under insurance and/or reinsurance contracts in the framework of export support was equal to KZT 97.1 bn (with a planned figure of KZT 95 bn).

Transfer and implementation of innovations

- In 2019, QazTech Ventures JSC and 500 Startups signed an agreement for participation in the 5th Global Fund for an amount of USD 10 mln, of which USD 2 mln will be invested in startup projects in Kazakhstan.
- The number of projects accepted for the incubation of three business incubators amounted to 71.

In addition, the following measures were taken to improve the image of the Holding:

- At the end of 2019, the level of confidence in the Holding's activities was evaluated at 88.1% (vs. 87.8% in 2018).
- The annual report of Baiterek NMH JSC for 2018 was ranked second in the "Best Annual Report in the Financial Sector" nomination of the IX Annual Report Competition held by QRA, the largest rating agency. This nomination demonstrates the Holding's success in ensuring the transparency and high-quality dialogue with stakeholders.
- For the first time, the Holding was assigned an international sustainable development rating (ESG rating) at D+ level (for comparison: C+ — KFW, AIIB; D — VTB (PJSC), Latin America Foreign Trade Bank).

Plans for Strategic Areas for 2020

In 2020, the Holding will continue to act as the main financial operator of state programs, as well as execute a number of instructions of the Head of State. The main measures planned in the strategic areas of the Holding's activities are stated below.

Provision of comprehensive support to exporters in the amount of up to

125
BN TENGE
as part of insurance and reinsurance

Large business support

- Priority financing of projects with a greater participating interest of private investors through co-financing instruments, including syndicated lending.
- Development of project financing – financing of investment projects where the source of debt service is the cash flows generated by the project.
- Development of a guarantee instrument.
- Development of a mechanism to transfer projects to market financing through the stock market instruments after the start of profit generation under the project.
- Development of “green” financing:
- determination of criteria for “green” projects and priority “green” industries;
- identification of mechanisms to stimulate and subsidize “green” projects.

SME support

- Development of a mechanism for the Holding's customers to participate on the SME trading platform (private market).
- Development of apex mechanisms to stimulate microlending (non-financial support of MFOs, reimbursement of operating expenses by MFOs as part of state programs, allocation of grants by MFOs to digitalize internal processes).
- Subsidizing interest rates on export loans.
- A mechanism of guaranteeing insurance payments (for obligations of legal entities, payments under which can be made in case of insufficient own funds).

Improvement of housing affordability

- Expansion of the practice of presenting “housing certificates” with a par value of 10% of the cost of housing for socially vulnerable populations.
- Introduction of Bakytty Otbasy program of preferential lending granted by HCSBK JSC to large families at 2% for a period of up to 20 years.
- Transformation of the housing construction unit by establishing a Single Operator following the model of the Housing and Development Board of Singapore by merging HGF JSC, Baiterek Development JSC and KMC JSC.
- Transformation of Housing Construction Savings Bank of Kazakhstan JSC into Otbasy Bank JSC, which will select applicants that are in need for housing and improving housing conditions based on their income level.

Increasing export potential

- Provision of comprehensive support to exporters in the amount of up to KZT 125 bn as part of insurance and reinsurance, and KZT 19 bn in the field of export trade and pre-export financing.
- Development of new tools:
- mechanism of guaranteeing insurance payments;
- subsidizing interest rates on export loans.

Transfer and implementation of innovations

- Transformation of this strategic area into the “Development of the Equity Financing Ecosystem” as part of ongoing work to update the Development Strategy of the Holding.
- Development of the area of co-financing of private investment funds, and ensuring their support. The operator will be Kazyna Capital Management JSC.
- Development of private equity mechanisms (preferential equity financing through private equity funds under the guarantee of second-tier banks at 8% final rate for the borrower).



Updating the 2014-2023 Development Strategy of the Holding

Currently, work is being performed to update the 2014–2023 Development Strategy of Baiterek NMH JSC. The prerequisites for updating the Development Strategy of the Holding are changes in state strategic and program documents. For example, in 2019, the State Program “Business Road Map-2025”, Nurdy Zher State Program of Housing and Municipal Development for 2020–2025, and the State Program of Industrial and Innovative Development for 2020–2025 were adopted.

Along with the provisions of new state programs, the draft of the updated Development Strategy of the Holding also includes a number of initiatives: optimization of the housing construction unit, development of “green financing”, introduction of preferential lending for large families, organization of a trading platform for SMEs, introduction of apex mechanisms, etc.

It is expected that the draft of the updated Development Strategy of the Holding will be approved by the end of 2020.

Key Performance Indicators

№	Indicator	2018	2019		2020	2023	
		Actl.	Plan	Actl.	% of execution	Plan	Plan
Consolidated KPIs of the Holding Group to stimulate the sustainable economic development of the Republic of Kazakhstan							
1.	Share of the loan and investment portfolios in the total assets of the Holding, %	73.2	75.05	78.15	104	75.46	77
2.	Share of non-government sources of borrowings in the total borrowing structure for the reporting year, %	65.2	64.82	62.06 ¹	96	81.81	80
3.	ROA (consolidated) no lower than the minimum positive value, %	0.76	0.77	1.04	134	0.96	1
4.	Private sector share in the loan portfolio, %	72.7	73.26	77.7	106	76.93	80
Objectives:							
<ul style="list-style-type: none"> Development of non-resource sectors of the economy; Development of entrepreneurship (private sector of the economy) 							
Strategic areas:							
<ul style="list-style-type: none"> Business support in the large business segment Business support in the SME segment 							
5.	Number of new projects, projects of modernization and expansion of current production with consideration for production growth and expansion of sales markets (cumulatively since 2014), units	58,958	68,982	82,999	120	81,944	55,600 ²
6.	Volume of products produced by supported business entities (cumulatively since 2014), KZT bn	20,678.1	26,687.9	Q3 of 2019 ³	—	33,247.7	42,700
7.	Foreign investments attraction (Kazyna Capital Management JSC), ratio	2.8:1	not less than 2:1	3.12:1	156	not less than 2:1	not less than 2:1

¹ Reasons for underfulfilment: 1) unscheduled attraction of a state loan by HCSBK JSC in the amount of KZT 14 bn; 2) decrease in the loan of DBK JSC from CDB by USD 50 mln; 3) failure of Damu Fund JSC to attract a loan from ICD in the amount of KZT 7.5 bn.

² The final target indicator in 2023 (55,600 projects) was fulfilled ahead of schedule in 2018.

³ The actual value for 2019 will be provided by the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan in the third quarter of the year following the reporting one.

№	Indicator	2018	2019		2020	2023	
		Actl.	Plan	Actl.	% of execution	Plan	Plan
Objective:							
<ul style="list-style-type: none"> Support of economy urbanization 							
Strategic area:							
<ul style="list-style-type: none"> Improvement of housing affordability 							
8.	Volume of housing with the provision of support tools (cumulatively since 2014), thous. sq. m ³	3,043,9	—	— ⁴	—	—	2,851 (target value until 2019)
9.	Share of housing construction savings system participants in the economically active population of the Republic of Kazakhstan (Housing Construction Savings Bank of Kazakhstan JSC), %	14.1	14.5	16.9	117	16	17
10.	Market coverage of shared construction guarantees of Housing Guarantee Fund JSC, %	13.2	13	15.7	121	13	50
Objective:							
<ul style="list-style-type: none"> Export support for non-resource products 							
Strategic area:							
<ul style="list-style-type: none"> Increasing export potential 							
11.	Volume of export revenues of enterprises supported under export and pre-export financing (cumulatively since 2014), KZT bn	1,986	2,545.7	3,295	129	3,095.5	1,054 ⁵
Objective:							
<ul style="list-style-type: none"> Development of innovations 							
Strategic area:							
<ul style="list-style-type: none"> Transfer and implementation of innovations 							
12.	Number of technologies introduced in production processes and projects aimed at solving technological industry-specific tasks and technology commercialization, units	40	40	40 ⁶	100	—	81

⁴ In 2019, this indicator is not calculated due to the target values of the indicator previously adopted as part of the Nurlu Zher State Program until 2018, inclusive.

⁵ The target indicator of 2023 (KZT 1,054 bn) was fulfilled ahead of time by the end of 2017.

⁶ In 2018, within the framework of the Roadmap of joint actions aimed at optimizing individual development institutions approved by the Minister of Investment and Development of the Republic of Kazakhstan on November 19, 2018, certain functions of NATD JSC were transferred to Kazakhstan Industry and Export Center JSC. In this regard, since the indicator is cumulative, the values of 2018 are indicated in 2019. This indicator will be excluded as part of updating of the Development Strategy of the Holding.

KEY EVENTS IN 2019



Ratings assignment

- Fitch Ratings, an international rating agency, affirmed the Holding's long-term rating in foreign and national currencies at 'BBB' level, a national long-term rating at 'AAA(kaz)' and a foreign short-term rating at 'F2'. The outlook for the long-term ratings is 'Stable'. Fitch also affirmed the Holding's senior unsecured ratings at 'BBB'/AAA (kaz).
- Moody's Investors Service, an international rating agency, revised the outlook for the long-term ratings of Baiterek NMH JSC from 'Stable' to 'Positive'.
- For the first time, Baiterek Holding was assigned an international ESG rating confirming the Holding's commitment to the principles of social responsibility, corporate governance and business ethics (ESG principles), as well as efforts to implement them in the Holding's business processes.



Placement of tenge bonds

- On June 29, 2019, Baiterek NMH JSC placed tenge bonds at Kazakhstan Stock Exchange JSC in the amount of KZT 40 bn at 9.5% rate with a maturity of 10 years.
- On August 29, 2019, Baiterek NMH JSC placed tenge bonds at Kazakhstan Stock Exchange JSC in the amount of KZT 25 bn at 9.75% rate with a maturity of 10 years.



Round-table with representatives of German business



Improvement of corporate governance

- By order of the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan No. 681 dated August 29, 2019, amendments and additions were made to the Corporate Governance Code of the Holding.
- The International Finance Corporation, a recognized global leader in the field of best standards of corporate governance, conducted an independent performance assessment of the boards of directors of Baiterek NMH JSC Group of companies. The assessment demonstrated a fairly mature level of corporate governance in the companies and a balanced competent composition of the boards of directors in most companies of the Holding Group under the management of experienced chairmen of the boards of directors.
- The internal audit services conducted an assessment (diagnostics) of corporate governance in subsidiaries of the Holding, which demonstrated the score from 76.3% to 95.1% indicating an increase for most of the Holding's subsidiaries compared to the figure of 2017.



Transformation of NATD JSC into QazTech Ventures JSC

- The Holding completed the transformation of activities of the National Agency for Technological Development JSC and its renaming into QazTech Ventures JSC. The organization's activities will be aimed at the development of the venture capital market, business incubation and technological entrepreneurship.



Financing of investment projects

- In the reporting year, 8 projects worth KZT 1.8 trln were put into operation with the support of DBK JSC for an amount of KZT 581 bn, which included: high-tech ferrosilicon plant in the city of Karaganda, the Saryarka main gas pipeline (stage 1), an advanced petroleum refining complex at the Atyrau Oil Refinery, Nurgisa solar power plant in the city of Kapshagai, Zhylga solar power plant in the Turkestan region, Astana EXPO-2017 wind power plant (stage 1) in the Akmola region, and others.
- DBK-Leasing JSC, together with the akimats of regions and cities, started working to update municipal and fire-fighting equipment, a fleet of police cars and ambulance vehicles. In 2019, as a result of this work, 187 leasing deals were funded for a total amount of KZT 152.8 bn, 1,009 buses, more than 294 tractors and combined machines, 109 police cars and 50 units of municipal special equipment were renovated.
- In 2019, KCM JSC invested a record-breaking amount of KZT 38.2 bn in 17 projects⁷.
- A new program of preferential equity financing (equity investment) was launched through the private equity funds of KCM JSC under the guarantee of second-tier banks at the final rate of 8% for projects. This program simplifies access to investments for business entities and expands the scope of using a direct equity financing tool in the Republic of Kazakhstan. In 2019, as part of the program, 11 projects were funded in the amount of KZT 19.5 bn.

⁷ Including share of Development Bank of Kazakhstan JSC – 9.5 billion tenge (share of DBK JSC in DBK Equity Fund C.V. - 97%).



Conclusion of agreements

- Aidar Arifkhanov, the Chairman of the Management Board of Baiterek NMH, took part in the official visit of the President of the Republic of Kazakhstan Qasym-Jomart Tokayev to Berlin (Germany) and in the round-table conference with representatives of German business. As part of the event, 5 agreements were signed between the Holding subsidiaries (DBK JSC, KPPF LLP) and German financial organizations, including a memorandum on cooperation between DBK JSC and Deutsche Bank AG in the field of financing with an insurance coverage of export credit agencies of up to EUR 500 mln.
- Baiterek NMH JSC and Euler Hermes, an international export insurance agency, signed a framework agreement to open in the Republic of Kazakhstan a limit of EUR 1 bn on insurance coverage for German export operations, which will provide Kazakhstan entrepreneurs and banks new opportunities to work not only with Germany, but also with the countries of the European Union.
- The Chairman of the Management Board of Baiterek NMH JSC and Eyup Aydin, the Chief Executive Officer of the Istanbul Center of Public-Private Partnership (Istanbul PPPCoE), signed a cooperation agreement in the amount of USD 300 mln to implement PPP projects of mutual interest.
- QazTech Ventures JSC and 500 Startups, a leading US venture capital fund, signed an agreement on participation in the 5th Global Fund in the amount of USD 10 mln, providing further financing of Kazakhstan startup projects.



Cooperation agreement with the Istanbul Center of Public-Private Partnership (Istanbul PPPCoE)



Agreement with the 500 Startups on participation in the 5th Global Fund



Winning competitions

- The Holding became a winner in the first republican competition "Green Office" in the nomination among state bodies (ministries, akimats, administrations and others) and the quasi-public sector bodies organized by the Coalition for a Green Economy and G-Global Development with the support of the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan and the Office of the OSCE Programs in the city of Nur-Sultan.
- The annual report of Baiterek NMH JSC for 2018 was ranked second in the "Best Annual Report in the Financial Sector" nomination of the IX Annual Report Competition held by QRA, the largest rating agency. This nomination demonstrates the Holding's success in ensuring the transparency and high-quality dialogue with stakeholders.



Second place in the "Best Annual Report in the Financial Sector" nomination



Winning in the "Green Office" competition



01

ABOUT THE HOLDING

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Corporate Culture and Values of the Holding

The corporate culture of the Holding is formed on the basis of the following conditions:

- *managers create a climate that motivates employees to exert maximum efforts to achieve the results;*
- *employee' initiatives and innovations are encouraged;*
- *self-improvement and self-development are a conscious necessity;*
- *all employees focus their efforts on achieving the final result and success of the common cause and understand their role and importance in achieving strategic goals;*
- *each decision is made taking into account the social orientation of business and orientation towards the Holding's stakeholders.*

The fundamental values of the Holding are:

- *Responsibility: for intentions and actions;*
- *Professionalism: high readiness to fulfill the tasks in the professional activity;*
- *Team: collaboration to achieve better results of joint activities;*
- *Integrity: integrity within the Holding and towards its partners;*
- *Social responsibility: responsibility for the impact of the Holding's activities on public stakeholders.*

Business model

Financial Resources of the Holding

5,214
BN TENGE
Assets

1,227
BN TENGE
Equity

553*
BN TENGE
Borrowing portfolio:
• Market sources – 62%
• Public sources – 38%

3,987
BN TENGE
Liabilities

Non-Financial Resources of the Holding

- **Unified corporate culture** is based on the following principles: responsibility, professionalism and development, mutual respect and trust, team spirit
- **Effective corporate governance:** active involvement in activities of BoD of subsidiaries
- **Responsible investing:** consideration of ESG factors in the provision of financial support
- **Customer-oriented approach:** comprehensive customer support based on the one-stop principle

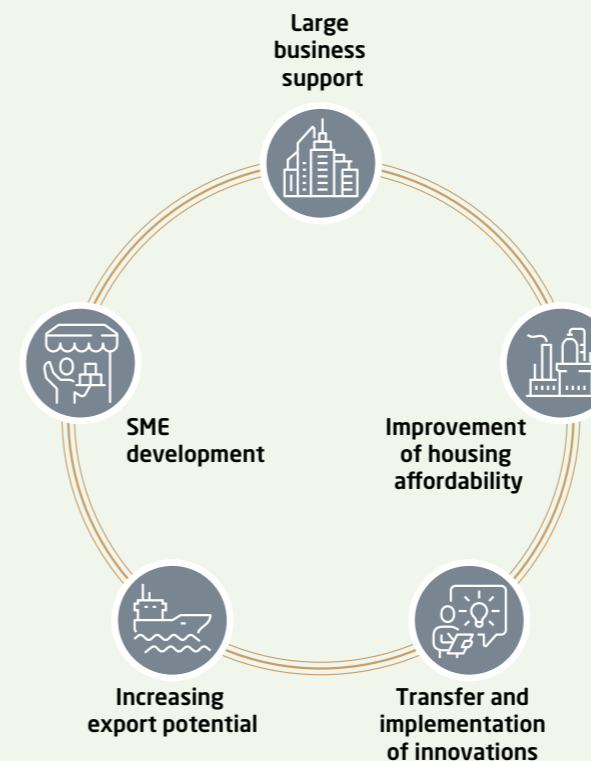
The level of the Holding's staff involvement in 2019 was equal to
80%

* This amount includes intra-group borrowings on market conditions in the amounts of KZT 16 bn (HCSBK JSC and Baiterek NMH JSC) and KZT 5.6 bn (HCSBK JSC and DBK JSC).

Development Areas

Mission of the Holding:

to promote the sustainable economic development of the Republic of Kazakhstan in order to implement state policies and achieve goals set by the 2050 Strategy by implementing the key activities:



Performance Results



The Holding's share in the annual long-term lending to large enterprises of non-resource industries is 42%



48% of long-term loans to business entities in national currency were issued with the support of the Holding



Housing Construction Savings Bank of Kazakhstan JSC is a leader in the mortgage market of Kazakhstan issuing 61% Housing Construction Savings Bank of Kazakhstan JSC is a leader in the mortgage market of Kazakhstan issuing



The volume of supported exports is 21% of the total non-resource exports from Kazakhstan

The confidence index of the Holding's activities in 2019 was

88.1%

History of Development



2013

- Baiterek NMH JSC was established by the Decree of the President of the Republic of Kazakhstan No.571 dated May 22, 2013 to optimize the management system of development institutions, financial organizations and development of the national economy.
- The main objective of the Holding is to manage shares (participatory interests) in national development institutions, national companies and other legal entities, which belong to the Holding on the right of ownership and which are transferred to the Holding into trust management.

The Holding included 10 development institutions previously managed by state bodies, and Samruk-Kazyna Sovereign Wealth Fund JSC.

2014

- The Holding became an operator of Nurlı Zhol State Program of Infrastructure Development for 2015–2019. Kazakhstan Infrastructure Fund C.V. was established as part of the Holding with the capitalization of KZT 20 bn allocated from the republican budget in 2013 and 2014.
- The Holding and Kazakhstan PPP Center JSC jointly established The Center for Support of Public-Private Partnership Projects LLP to promote the infrastructure development in the country.

Baiterek Venture Fund was established within the Holding structure to invest in priority economic sectors.

2015

The “Competitiveness Leaders – National Champions” program was initiated as a part of the 62nd step of the “100 Concrete Steps” National Plan for the purpose of facilitating the dynamic growth of participating companies which may become competitive leaders in the Eurasian Economic Union.

2016

- The Holding group continued to implement state and governmental programs: Nurlı Zhol State Program of Infrastructure Development, Industrial and Innovative Development Program for 2015–2019 and Business Roadmap 2020.
- The Kazakhstan Mortgage Loans Guarantee Fund was reorganized into HGF JSC.

In September 2016, a decision was made to expand the mandate of The Center for Support of PPP Projects LLP and to rename the company as Kazakhstan Project Preparation Fund LLP to finance and develop the project documentation for industrial and infrastructure projects.

2017

- The Development Strategy of Baiterek NMH JSC for 2014–2023 was updated. The restated Corporate Governance Code of Baiterek NMH JSC was approved.
- The Management Board approved the Digitalization Strategy of Baiterek NMH JSC for 2018–2023. The information system “Digital Baiterek” Unified Entrepreneurship Support Portal was introduced into permanent (industrial) operation to provide comprehensive and customer-oriented business support.
- The Holding’s subsidiaries DBK JSC and KCM JSC established the DBK Equity Fund CV, a private equity fund totalling to USD 100 mln to capitalize projects of DBK JSC.

The Holding implemented procedures to optimize its structure. In particular, participatory interests in four projects of IFK JSC were sold for a total amount of KZT 337 mln. The participatory interest of NATD JSC in the Technological Park of KazNTU named after K. Satpayev was also sold.

2018

- The Board of Directors approved the restated Investment Policy of the Holding focusing on projects of the private sector of the economy to promote the sustainable socio-economic development of the country.

In December 2018, the debut issue of tenge bonds was placed at Kazakhstan Stock Exchange JSC in the amount of KZT 77.7 bn with a maturity of 15 years.

2019

- The amount of KZT 34 bn was allocated to replenish the authorized capital of KazakhExport ESC JSC.
- The transformation of activities of the National Agency for Technological Development JSC and its renaming into QazTech Ventures JSC, whose activities will be focused on the venture market development, business incubation and technological entrepreneurship, was completed.

The Holding placed at Kazakhstan Stock Exchange JSC two issues of tenge bonds with a maturity of 10 years: in the amount of KZT 40 bn at a rate of 9.5% per annum, and in the amount of KZT 25 bn at a rate of 9.75% per annum.

Structure and Support Tools of the Holding

Each subsidiary of the Holding fulfills its role in the national economy, providing support tools for the development of small, medium and large enterprises and ensuring financial affordability of housing to the population.

Baiterek NMH JSC is an integrated development institution which comprises 11 subsidiaries, more than fifty percent of voting shares (participating interests) of which are owned directly or indirectly by the Holding on the right of ownership: 10 joint-stock companies wholly owned by the Holding and one limited liability partnership with a 97% participating interest of the Holding.

No.	Subsidiary	Support tool	Area of activity
1.	Development Bank of Kazakhstan JSC	<ul style="list-style-type: none"> Debt financing Guarantees Leasing Export and pre-export financing 	<p>Large business support</p> <p>Increasing export potential⁸</p>
2.	KazakhExport EIC JSC	<ul style="list-style-type: none"> Guarantees and insurance Export and pre-export financing 	
3.	Kazyna Capital Management JSC	<ul style="list-style-type: none"> Equity financing 	Large business support
4.	Investment Fund of Kazakhstan JSC	<ul style="list-style-type: none"> Distressed assets management 	
5.	Kazakhstan Project Preparation Fund LLP	<ul style="list-style-type: none"> Financing and preparation of project documentation, search for investors 	

⁸ Including small, medium and large business.

No.	Subsidiary	Support tool	Area of activity
6.	Damu Fund JSC	<ul style="list-style-type: none"> Financial support⁹ Counseling Subsidizing 	Support of small and medium-sized enterprises
7.	Housing Construction Savings Bank of Kazakhstan JSC	<ul style="list-style-type: none"> Issue of housing loans Mortgage lending 	Improvement of housing affordability
8.	Baiterek Development JSC	<ul style="list-style-type: none"> Financing of constructors through repurchase of LEA securities Rental housing with a right of redemption 	
9.	MO Kazakhstan Mortgage Company JSC	<ul style="list-style-type: none"> Rental housing with a right of redemption Mortgage lending 	
10.	Housing Guarantee Fund JSC	<ul style="list-style-type: none"> Securing of shared-equity housing construction 	
11.	QazTech Ventures JSC	<ul style="list-style-type: none"> Establishment/participation in venture capital funds Providing financial and methodological support to private business incubators¹⁰ Providing state grants to residents of business incubators¹¹ Expert and technological support Providing innovative vouchers 	<p>Venture financing</p> <p>Business incubation</p> <p>Technology consulting</p>

⁹ Including conditional placement with STBs, issuance of state subsidies for interest rates, guarantees.

¹⁰ Co-financing of 50% of operating expenditures but not more than KZT 35 mln per year.

¹¹ Under industrial and innovative projects aimed at creating a new or significantly improved product or business process (up to KZT 50 mln and no more than 80% of the reasonable declared expenses).



02

ECONOMIC OVERVIEW

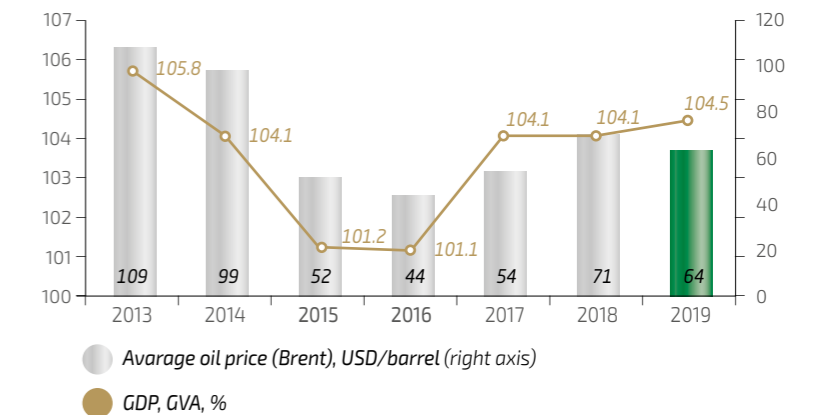
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Macroeconomic Overview

By the end of 2019, an average price of Brent crude oil decreased by 9.9% compared to 2018 and amounted to USD 64.03 per barrel. However, extensive budget injections, along with a growth of investments, made it possible to reduce a negative impact of lower oil prices and provided economic growth of 4.5% in 2019.

GDP growth and oil prices



Source: SC MNE RK

The industrial output in 2019 increased by 3.8% and amounted to KZT 21.4 trln.

The growth in the mining and quarrying industries was 3.7%. The growth was also observed in the production of non-ferrous metal ores (+16.9%) and technical services in the mining industry (+19.5%).

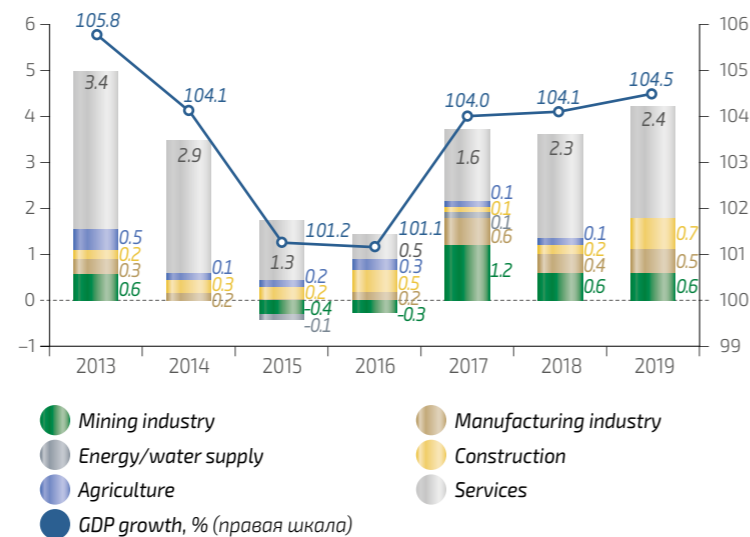
In the manufacturing industry, indicators increased by 4.4%. There was also a growth in the output of beverage products (+10.2%), oil products (+6.6%), basic precious and non-ferrous metals (+6.8%) and engineering (+20.9%). At the same time, there was a decrease in the production of building materials (-1.9%), finished metal products (-7.7%) and food products (-0.3%).

In 2019, electricity, gas, steam supplies and air conditioning increased by 1.3%, mainly due to an increase in electricity production, transmission and distribution by 4.6%.

The mining industry remains a driver for the manufacturing sector. According to estimates of Baiterek NMH JSC, its contribution to GDP growth was 0.6 percentage points at the end of 2019. The contribution of construction GVA to GDP growth for the reporting period amounted to 0.7 percentage points, while the contribution of the manufacturing industry was equal to 0.5 percentage points. The contribution of the services sector amounted to 2.4 percentage points.

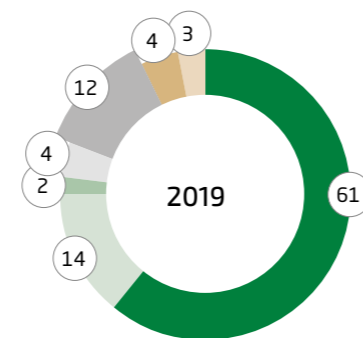
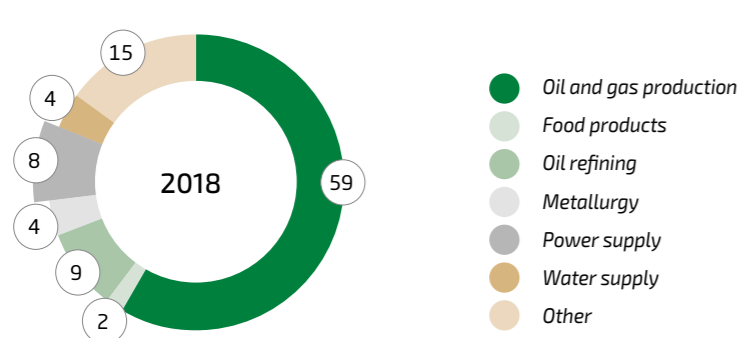
An increase in investment activity of the real sector enterprises also promoted stimulation of the economy. According to the official data of the SC MNE RK, the volume of capital expenditures in 2019 increased by 8.5% and amounted to KZT 12.5 trln. An increase in capital expenditures was achieved due to the construction of the Saryarka main gas pipeline, a solar power plant, industrial facilities as well as the purchase of production equipment, renovation of mining facilities, social facilities, housing, and infrastructure.

Contribution of economic sectors to GDP growth, %



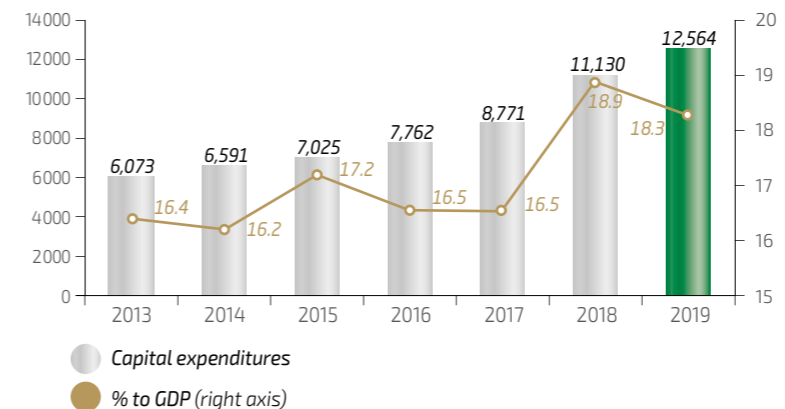
Source: SC MNE RK, estimate of Baiterek NMH JSC

Sectoral structure of capital expenditures of industrial enterprises



Source: SC MNE RK

Capital expenditures, KZT bn



Source: SC MNE RK

The industry sector accounted for 62.3% (KZT 7,814 bn) of all capital expenditures for 2019 (+15% to 2018), which emphasizes its role as a driver of investment activity. In the industry structure, a significant concentration of investment is still observed in the oil sector – 61% (KZT 4,757 bn) of the total investments in industry. At the same time, there was a decline in capital expenditures in the manufacturing industry by 22.6% to KZT 994 bn by the end of 2019 (12.7% of the total volume of capital expenditures in the industry). As for the manufacturing sectors, the highest investment activity was observed in the production of leather goods (6.4 times growth), in the chemical industry (+125.8%), metallurgy (+11%), and finished metal products (+19.6%).

In the structure of capital expenditure sources in the industry, the largest share is accounted for enterprises' own funds – 87% (KZT 6,801 bn)

with a share of budget funds of 5.9% (KZT 459.5 bn).

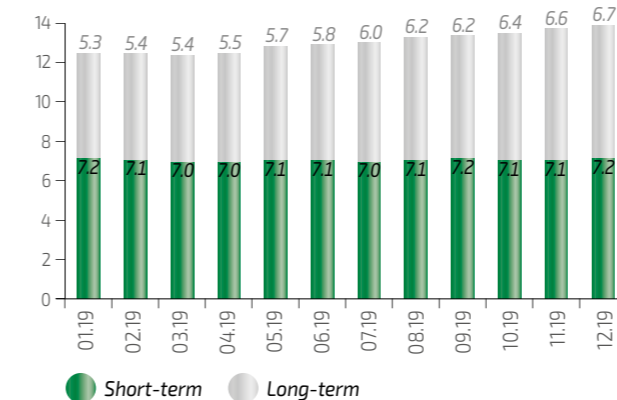
In 2019, the amount allocated for the housing construction was equal to KZT 1,423 bn, which was 22.5% more compared to 2018. The total area of residential buildings commissioned in 2019 amounted to 13,133.8 thous. sq. m, of which 6,540.6 thous. sq.m were constructed by private developers. The growth to 2018 amounted to 4.9%.

In 2019, an average actual cost of construction of 1 sq. m. of housing in apartment buildings amounted to KZT 129.2 thous., in residential buildings constructed by private developers – KZT 84.5 thous.

At the end of 2019, the volume of lending provided by banks to the economy amounted to KZT 13,863.8 bn, having increased by 5.9% since the beginning of the year. The volume of loans granted to legal entities decreased by 7.5% to KZT 7,202.5 bn, while lending to individuals increased by 25.6% up to KZT 6,661.3 bn.

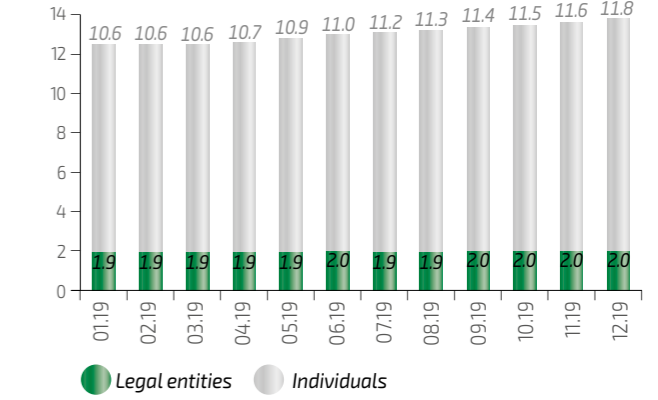
The amount of lending to small enterprises in December 2019 increased by 1.3% up to KZT 2,108.8 bn (15.2% of total lending to the economy).

Loans issued by banks to the economy by maturity, KZT trln (at the end of the period)



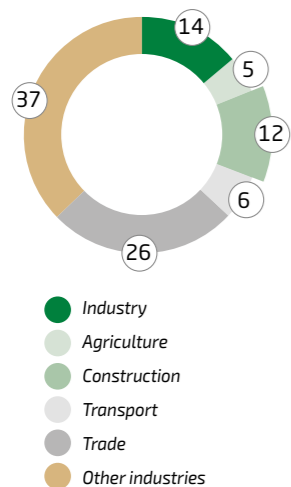
Source: NB RK

Loans issued by banks to the economy by recipients, KZT trln (at the end of the period)



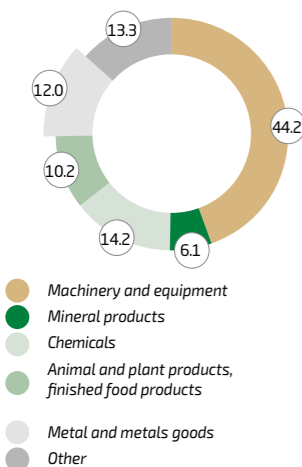
Source: NB RK

Sectoral structure of lending to small businesses, %

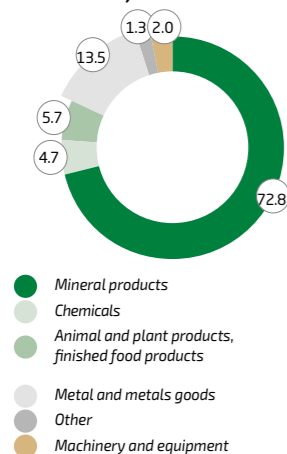


Source: NB RK

Import structure, %



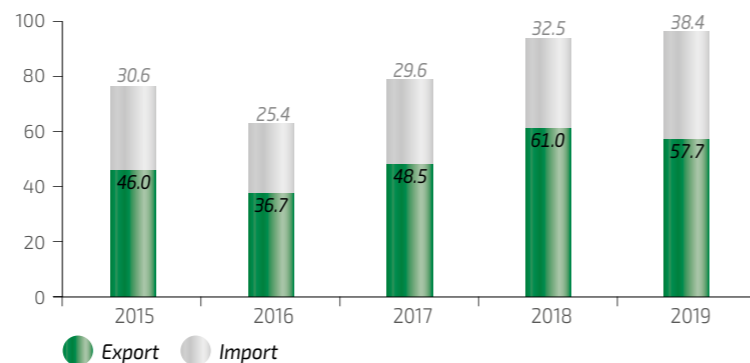
Export structure, %



Source: SC MNE RK

The volume of loans granted in 2019 increased by 12.9% and amounted to KZT 15,203 bn. A share of tenge-denominated loans was equal to 92%. The volume of short-term loans increased by 11% to KZT 8,147.5 bn, long-term loans – by 15.3% to KZT 7,055 bn.

Exports and imports behavior, USD bn



Source: SC MNE RK

The total volume of the mortgage portfolio of STBs and mortgage companies (including loans for housing construction) at the end of 2019 amounted to KZT 2,336.9 bn. The loans issued to the population for the construction and purchase of housing amounted to KZT 859 bn, which is 68% higher than the same indicator of 2018.

According to the preliminary data, in 2019, the foreign trade turnover of Kazakhstan amounted to USD 96.1 bn and increased by 1.4% compared to the level of 2018.

Exports amounted to USD 57.7 bn, which is 6% less compared to the indicator of 2018. According to the estimates of the SC MNE RK, exports of manufactured goods in 2019 decreased by 6% and amounted to USD 15 bn.

The total value of imports in 2019 amounted to USD 38.4 bn, having increased by 14%. An increase in capital expenditures is the main import growth driver. In the import structure, machinery and equipment classified as high value-added goods still have the highest share – 44.2% (USD 17 bn).

Market Share of the Holding's Instruments by Type of Core Activity

In 2019, large enterprises of the priority non-resource sectors were funded through the direct lending instruments of the Holding (mechanisms of the Development Bank of Kazakhstan JSC) for the amount of KZT 453 bn, which is 42% of the total long-term lending to the priority non-resource sectors of the national economy. The loan portfolio of the Holding in the framework of direct lending to large businesses amounted to KZT 1,617 bn, or 49.7 % of the total long-term debt of non-resource sector enterprises (manufacturing, energy, transport and communications), including debt to STBs.

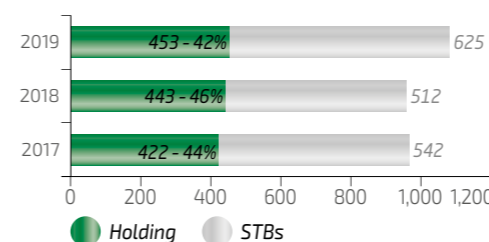
In 2019, the volume of loans issued to SMEs by the Holding (through the mechanisms of Damu Fund JSC) amounted to KZT 611 bn, which is 23% more than in 2018. At the same time, a share of the Holding's instruments used to support SME initiatives in the total volume of long-term loans issued to non-banking legal entities in 2019 was equal to 48%.

At the end of 2019, Housing Construction Savings Fund of Kazakhstan JSC was the main driver of mortgage lending and became a leader

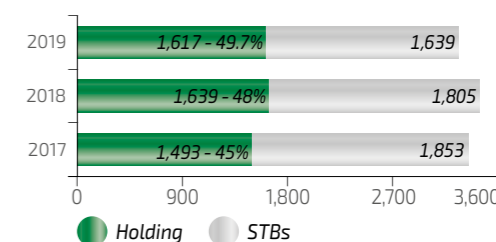
in the mortgage market of Kazakhstan, having issued 61% of all mortgage loans in the country. In addition, the line of banking products allowed HCSBK JSC to strengthen its positions in the financial market of the country, which is confirmed by the largest share in the total volume of long-term retail deposits (33.5%) and a significant share in the total STB loans issued for the construction and purchase of housing (34%).

Mechanisms of the Holding (EIC KazakhExport JSC, DBK JSC) are used to support domestic exporters. Following the results of 2019, the volume of commitments of EIC KazakhExport JSC under export contracts amounted to KZT 97 bn (2% of the total non-resource exports in 2019), and the volume of export revenues under projects supported by DBK JSC (including investment projects) amounted to KZT 1,126 bn (19% of the total non-resource exports in 2019), which, in total, equals to 21% of the total non-resource exports from Kazakhstan.

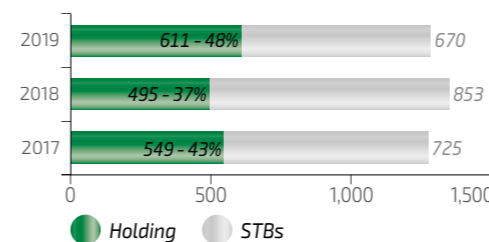
Share of the Holding in the annual long-term lending to large businesses of non-resource sectors of the economy



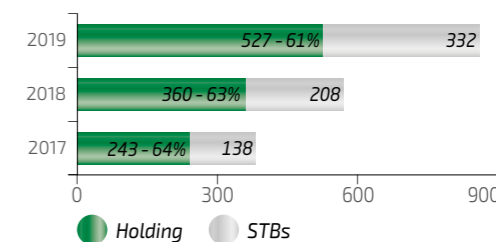
Share of the Holding's loan portfolio (as part of direct lending to LBEs) in the total long-term debt of non-resource sector enterprises



Share of SME lending supported by the Holding in the total volume of long-term loans to non-banking legal entities in national currency



Share of Housing Construction Savings Bank of Kazakhstan JSC in the total annual loans issued to the population for the construction and purchase of housing



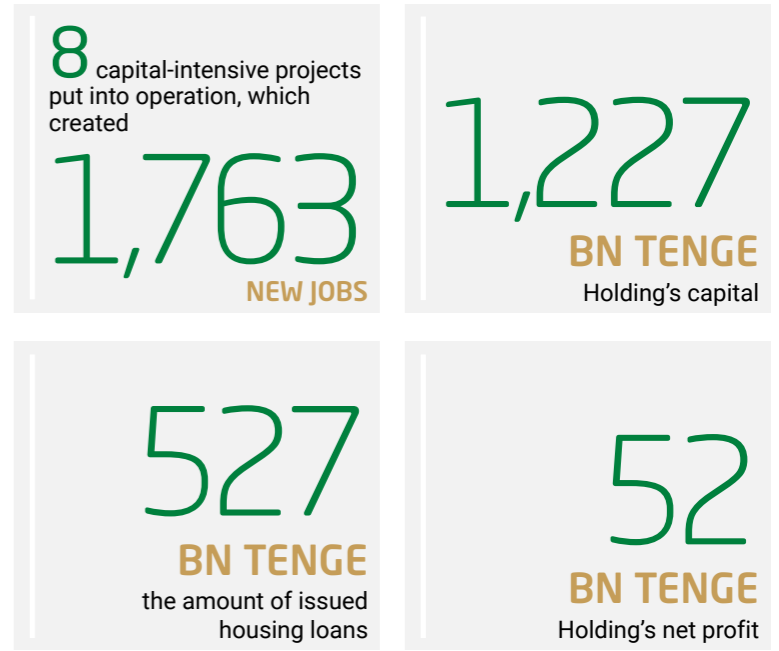


03

MANAGEMENT REPORT

The Holding, being a key financial institution of the country, provides businesses and the population with comprehensive opportunities for business development and ensuring financial accessibility of housing.

By the end of 2019, the main financial indicators and indicators for the Holding's development areas have grown. Thanks to the measures implemented through the Holding, more than 8 thousand new jobs were created; enterprises that received support paid more than KZT 300 bn of taxes to the budget and produced more than KZT 2.5 trln of products.



Financial Performance Results

The Holding's revenues in the reporting year amounted to KZT 427 bn, which is 16% higher than the same indicator in 2018. The largest share in the revenue structure is accounted for interest income (78%), which increased by 10% and amounted to KZT 332 bn in the reporting year.

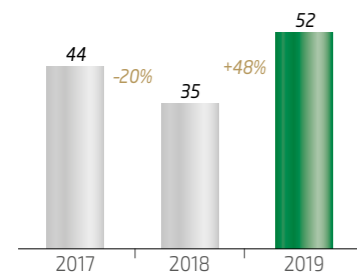
Expenses of the Holding in 2019 exceeded the level of 2018 by 16% and amounted to KZT 363 bn. Interest expenses accounted for the largest share in the expenditure structure – 48%. Last year, this indicator increased by 13% and amounted to KZT 175 bn.

In 2019, the net profit of the Holding amounted to KZT 52 bn, which is 48% higher than in 2018. The net profit increased mainly due to the lack of influence on the Holding's financial performance of the conversion of claims to Tsesnabank JSC made in 2018 in the form of recognition of discounts and accrual of reserves.

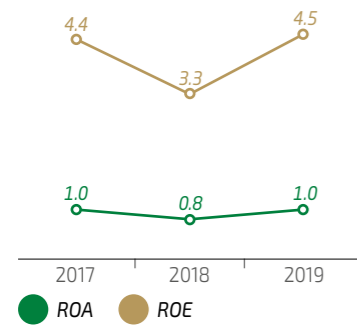
An increase in ROA (return on assets) indicator by 0.2 basis points resulted from a 48% increase in the net profit and 8.5% growth in the average annual amount of assets. Return on equity (ROE) increased by 1.2 basis points.

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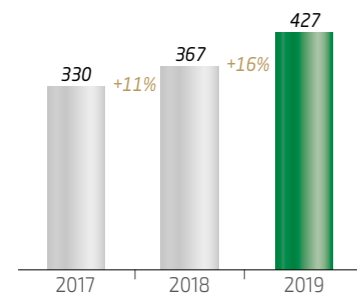
Net income, KZT bn



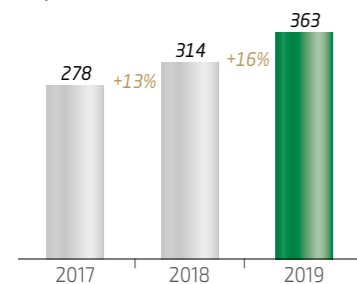
Profitability indicators



Income, KZT bn



Expenses, KZT bn



Revenue structure in 2019, %

Indicator	2019, KZT bn	%
Interest income	332	78
Fee and commission income	9	2
Net income from transactions with financial instruments evaluated at fair value changed through income or loss for the period	4	1
Net insurance premiums earned	2	1
Other operating income	73	17
Recovery of provision for impairment of other financial assets and credit related commitments	5	1
Total revenues:	427	100

Expenditure structure in 2019, %

Indicator	2019, KZT bn	%
Interest expenses	175	48
Provision for loan portfolio impairment	19	5
Fee and commission expenses	12	3
Net loss from transactions with financial instruments evaluated at fair value changed through income or loss for the period	9	3
Net foreign exchange loss	2	0
Net loss from transactions with financial assets evaluated at fair value changed through other comprehensive income	1	0
Net loss from discontinued recognition of financial assets evaluated at depreciable cost	2	0
Net insurance benefit expenses and changes in insurance contract provisions	5	1
Other operating expenses	85	23
Creation of provision for impairment of other financial assets and credit related commitments	4	1
Administrative expenses	50	14
Total expenses:	363	100

At the end of 2019, the Holding's assets increased by 10% and amounted to KZT 5,214 bn. The volume of assets increased due to raising new loans, replenishment of the authorized capital and increase in retained earnings. The Holding's liabilities in the reporting year amounted to KZT 3,987 bn, which is 9% higher than the same indicator of 2018. An increase in liabilities in 2019 was caused mainly by the following factors:

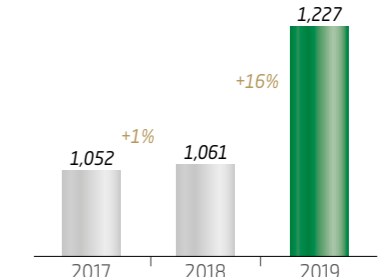
- raising of loans from banks and other financial institutions in the amount of KZT 113.6 bn;
- repayment of loans from banks and other financial institutions – KZT 296.6 bn;
- loans from the Government of the Republic of Kazakhstan – KZT 204.5 bn;
- repayment of loans from the Government of the Republic of Kazakhstan – KZT 11.9 bn;
- issue of debt securities in the amount of KZT 215.0 bn;
- repayment/redemption of debt securities – KZT 4.7 bn;
- changes in the amount of customers' funds – KZT 184.6 bn.

New loans were raised to finance projects under state programs operated by the Holding, as well as for the purpose of intra-group financing and for general corporate purposes.

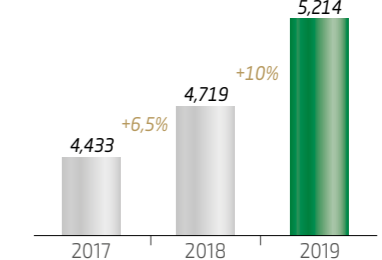
The debt to equity ratio decreased from 3.4 in 2018 to 3.2 in 2019. This was caused by exceeding the equity growth rate (116%) over the liabilities growth rate (109%).

In 2019, the Holding's equity increased by 16% mainly due to the replenishment of the authorized capital by KZT 71 bn and obtaining the net profit in the amount of KZT 52 bn. In 2019, the Holding paid dividends in the amount of KZT 1,485,163 thous., or KZT 1.67 per ordinary share.

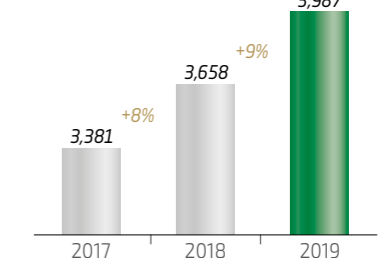
Equity, KZT bn



Assets, KZT bn



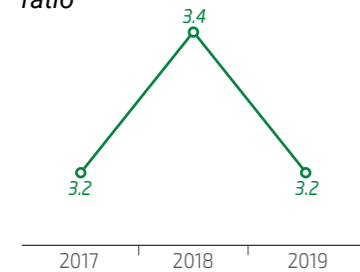
Liabilities, KZT bn



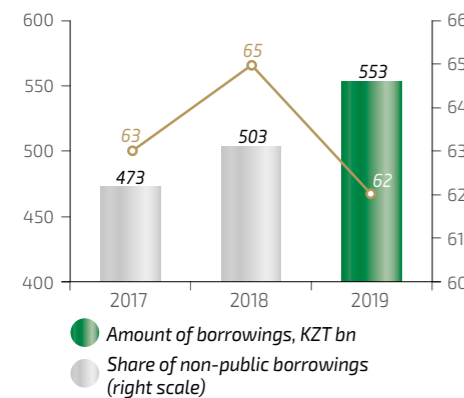
The Holding's capital increased

BY **16%**
and amounted to
1,227
BN TENGE

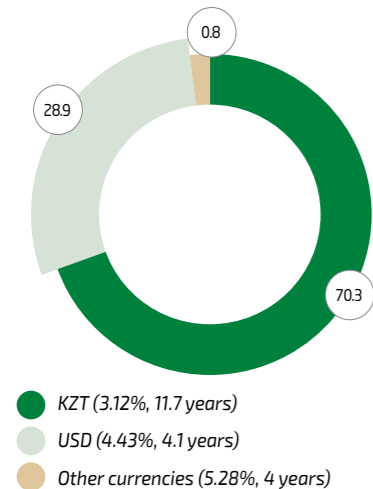
Debt/Equity, ratio



Debt financing trend



External borrowing structure by currency as of the end of 2019



Raising Funds in Capital Markets

The strategic goal of the Holding is to increase the share of non-public sources of financing in order to replace part of public funds. The Holding is actively working to establish partner relations with foreign and national investors, international financial organizations, development institutions and international companies.

The Holding and its subsidiaries raise debt financing by issuing bonds and obtaining loans. In 2019, the funds were raised in the amount of KZT 553 bn,¹² including 62% – market loans and 38% – public loans. At the same time, the Development Strategy of Baiterek JSC provides for an increase in the share of non-public sources of borrowing to 80% by 2023.

A significant borrowing from non-public sources in 2019 was the loans from foreign banks in the amount of KZT 112.6 bn and the issue of bonds by the Holding and its subsidiaries in the amount of KZT 230.7 bn. In particular, the Holding issued bonds to the amount of KZT 65 bn with a maturity of 10 years and a yield to maturity of 9.5–9.75% per annum. The borrowed funds were spent to finance an investment project of development of land plots in the city of Almaty.

In the reporting year, the Holding and its subsidiaries raised loans from the Government of the Republic of Kazakhstan in the amount of KZT 186.5 bn. In particular, the funds were raised in the amount of KZT 76.2 bn to finance the project of Kaz Minerals Aktogay LLP under the agreement between the DBK JSC and the State Development Bank of China; as well as KZT 35.3 bn to place funds in STBs for the subsequent financing of projects of small and medium-sized enterprises in accordance with the Framework Agreement on Financing between the Government of the Republic of Kazakhstan, Damu Fund JSC and ADB JSC.

¹² This amount includes intra-group borrowings on market conditions in the amounts of KZT 16 bn (HCSBK JSC and Baiterek NMH JSC) and KZT 5.6 bn (HCSBK JSC and DBK JSC).

Amount of funds raised in the capital markets by type of fund raising instruments

Year	Fund raising from foreign banks, USD mln	Fund raising from foreign banks, RUB mln	Fund raising from foreign banks, KZT mln	Bonds, KZT bn
2018	290	760	23.8	293.8
2019	200	1	35.3	236.4

Organizations signed memoranda or agreements of cooperation as of December 31, 2019:

China	China Export & Credit Insurance Corporation «SINOSURE»
South Korea	KIND KIAT
United Arab Emirates	Mubadala Investment Company
State of Qatar	Qatar Investment Authority
United Kingdom	UK Export Finance
Germany	Deutsche Bank Euler Hermes Aktiengesellschaft
France	BPIfrance
Spain	COFIDES

Areas of cooperation with partners in 2019

Partner name	Type of cooperation
Euler Hermes Aktiengesellschaft	Framework Agreement on opening a limit of USD 1 bn to cover future export loans from German financial institutions in favor of Kazakhstan projects and entrepreneurs
KIND (Korean Overseas Urban Infrastructure Development Corporation)	Cooperation Agreement aimed at cooperation under PPP projects in Kazakhstan and attracting Korean investors to such projects
KIAT (Korean Institute of Technology Development)	Memorandum of Understanding aimed at cooperation in implementing similar support programs: National Champions 2, WorldClass 300 and Korean Hidden Champion Initiative
UK Export Finance	Memorandum of Understanding aimed at facilitating financial support for projects in Kazakhstan

Large Business Support

Major Project Portfolio

In the structure of Baiterek NMH JSC, the key development institution responsible for financing major strategic projects in the manufacturing industry and infrastructure is the Development Bank of Kazakhstan JSC (hereinafter – DBK JSC, the Bank).

DBK JSC makes a significant contribution to the process of diversifying the national economy through the provision of financial support to domestic enterprises in the form of debt financing and leasing instruments.

Since the date of its establishment till December 31, 2019, the Bank approved and provided financing for 140 investment projects totaling KZT 8.7 bn (funds allocated by the Bank – KZT 4.1 trln) and 104 export transactions totalling KZT 0.71 trln (funds allocated by DBK JSC – KZT 0.46 trln).

By the end of 2019, the size of the Bank's loan portfolio in the framework of direct lending¹³ decreased by 1.3% to KZT 1.6 trln.¹⁴ Such a decrease was caused by early repayment of borrowers' obligations to DBK JSC.

¹³ Loans to customers.

¹⁴ Less the provision for impairment.

8 capital-intensive projects put into operation, which created
1,763
NEW JOBS

In 2019, the Bank, as part of direct lending, provided financing for projects for a total amount of KZT 452.8 bn, of which:

- 15 investment projects worth KZT 315.1 bn.
- 13 export (pre-export) transactions worth KZT 137.7 bn.

In the reporting year, 8 projects worth KZT 1.8 trln were put into operation with the support of DBK JSC for an amount of KZT 581 bn, under which 1,763 new jobs were created:

- 110 kV and 220 kV power transformer plant in the city of Shymkent;
- Zhylga photovoltaic power plant;
- 50 MW startup complex for Astana EXPO-2017 wind power plant;
- 100 MW solar power plant in the city of Kapshagai;
- ferrosilicium plant in the city of Karaganda with an annual capacity of 96,000 tons;
- Saryarka main gas pipeline;
- Shymkent Oil Refinery after modernization and reconstruction;
- advanced petroleum refining complex in the Atyrau region.

Projects funded in 2019:

Total number of projects (investment and export operations)	28
Total project cost, KZT bn	2,844
Holding's participation, KZT bn	452.8
Volume of payments to the budget (within the framework of projects funded in 2019, which are currently in the operational phase), KZT bn	155.2
Number of jobs created (within the framework of projects funded and put into operation in 2019), units	1,763

In 2019, the Bank approved 14 applications for financing of 11 investment projects in the amount of KZT 428.5 bn and 3 pre-export operations in the amount of KZT 8 bn.

Assistance rendered by the Bank in implementing large-scale investment projects was aimed at economic diversification and stimulation of the overall social and economic development of the country.

Leasing Financing

In 2019, one of the key activities of the Bank's subsidiary, DBK-Leasing JSC, was collaborative work with municipal authorities, which made it possible to promote the development of regional infrastructure without an additional one-time budget load, and to improve the quality of services provided to the population.

DBK-Leasing JSC, together with the akimats of regions and cities, started working to update municipal and fire-fighting equipment, a fleet of police cars and ambulance vehicles. As part of this work, the following results were achieved in 2019:

- 187 leasing transactions totaling KZT 152.8 bn were financed;
- 1,009 buses were renovated;
- more than 294 tractors and combined machines were renovated;
- 50 units of municipal special equipment were renovated;
- 109 police cars were purchased;
- work was started to renovate ambulance vehicles, as a result of which it is planned to renovate 800 ambulance cars in all regions of the country;
- agreements on renovating 10 fire-fighting vehicles were approved and concluded;
- 91 passenger and 30 freight cars were renovated;
- 172 special domestically produced vehicles were financed.

In 2019, the size of the leasing portfolio of DBK-Leasing JSC increased by 75% compared to the same period of 2018 and amounted to KZT 338.4 bn.

Plans for 2020

By the end of 2020, the Holding expects to finance large business projects worth KZT 430.9 bn, as well as to launch 12 projects totaling to KZT 594 bn with the DBK JSC's share of KZT 329 bn.

The Holding will continue to develop such instruments as debt financing through the provision of a bonded loan, project financing, public private partnerships, and equity financing.

DBK-Leasing JSC, together with the akimats of regions and cities, started working to update municipal and fire-fighting equipment, a fleet of police cars and ambulance vehicles.

Implementation of State Programs to Support Large Businesses

State Program of Industrial and Innovative Development for 2015-2019 ("SPIID")

DBK JSC approved its own program of project financing for a total amount of KZT 225 bn, including KZT 75 bn allocated from the National Fund of the Republic of Kazakhstan in 2014, and KZT 150 bn – borrowed funds of DBK JSC. As of December 31, 2019, these funds were disbursed in full, 13 projects were funded.

As part of further implementation of the SPIID, in the period of 2016–2019, the amount of KZT 178 bn was allocated from the republican budget (hereinafter – the RB). A similar amount was borrowed by DBK JSC from the market. As of December 31, 2019, in the framework of the SPIID, DBK JSC approved financing of 10 investment projects for a total amount of KZT 242.8 bn, of which KZT 172 bn were actually disbursed. The Bank provides financial support for the implementation of the following investment projects:

- mining and concentration complex for processing polymetallic ores with an annual capacity of 5 mln tons of ore;
- power transformer plant;
- Karaganda plant of complex alloys;



- ferrosilicium plant in the city of Karaganda with an annual capacity of 96,000 tons;
- production of K5 standard motor fuel (stage 2);
- MTBE production plant in the city of Shymkent;
- broiler poultry farm in Bulandy district of the Akmola region (1 and 2 stages);
- advanced petroleum refining complex;
- Shymkent Oil Refinery after modernization and reconstruction.

The projects being implemented have a significant effect on the socio-economic development of the country and create a basis for the industrial and innovative development of Kazakhstan. In 2019 alone, as part of the SPIIID, at the existing facilities of 16 projects finished goods were manufactured and sold in the amount of KZT 516 bn (vs. KZT 767 bn in 2016–2019), exports of finished goods amounted to about KZT 387 bn (KZT 430.6 bn), and tax payments to the budget amounted to KZT 102 bn (KZT 124.9 bn). In addition, due to the launch of new industrial facilities, 4,472 new jobs were created.

Nurly Zhol State Program of Infrastructure Development for 2015–2019

In the framework of Nurly Zhol Program for 2015–2019, DBK JSC continues to provide financial support to domestic car assembly enterprises and exporters.

As a result, in the period of 2015–2019, domestic enterprises exported finished products worth KZT 596.9 bn, including products of the mining and metallurgical complex (steel blanks and slabs, rolled steel, pipes, titanium inglots, zinc, lead, copper, alumina), chemical industry (yellow phosphorus, sodium tripolyphosphate, ammophos, ammonium nitrate, sodium cyanide), food industry (tea, juice, beverages, confectionery, vegetable oil) and mechanical engineering (power oil and dry transformers, sub-stations, etc.) to the CIS countries, the EU, near-abroad countries, the PRC and others.

As part of the concessional car lending program, as of the end of 2019, six banks granted 12,906 loans from the National Fund of the Republic of Kazakhstan to individuals for the purchase of domestically manufactured motor vehicles for a total amount of KZT 56 bn, taking into account the recurring placement.

The projects approved by the Bank for financing in 2019 include:

- Providing broadband access for rural settlements of the Republic of Kazakhstan using the FOCL technology

The project is implemented in the format of public-private partnership. The project provides for the construction of a fiber-optic communication line to provide access to broadband Internet for government bodies, state-financed institutions, private organizations and the population in 421 rural settlements located in 14 regions of the Republic of Kazakhstan.

- Construction of Saryarka main gas pipeline

The goal of the project is to fulfill the strategic goals of the Republic of Kazakhstan in the field of ensuring the country's energy security, reliable and uninterrupted gas supply to the central and northern regions, and improving the environmental situation. In the framework of financing, the construction of a linear gas pipeline along the Kyzylorda — Zhezkazgan — Karaganda — Temirtau — Nur-Sultan route for the gasification of the city of Nur-Sultan, the central and northern regions of the country was completed.

As part of the leasing financing of domestic car manufacturers through DBK-Leasing JSC, as of December 26, 2019, leasing transactions were funded in the amount of KZT 8.4 bn (taking into account re-disbursement of repaid loan funds) and 696 units of domestically produced special-purpose equipment were delivered.

At the same time, at a separate state initiative, in 2017–2019, an additional amount of KZT 20 bn was allocated to second-tier banks and DBK-Leasing JSC from the republican budget in the framework of expansion of the program to support car manufacturers. As of the end of 2019, second-tier banks issued 3,388 loans worth KZT 18.3 bn, and DBK-Leasing JSC provided financing for leasing transactions in the amount of KZT 4 bn to supply 241 units of special-purpose equipment. In addition, in 2019, the National Bank of the Republic of Kazakhstan allocated KZT 20 bn to implement the preferential automobile lending program, of which, as of the end of 2019, second-tier banks issued 2,143 loans worth KZT 11.8 bn.

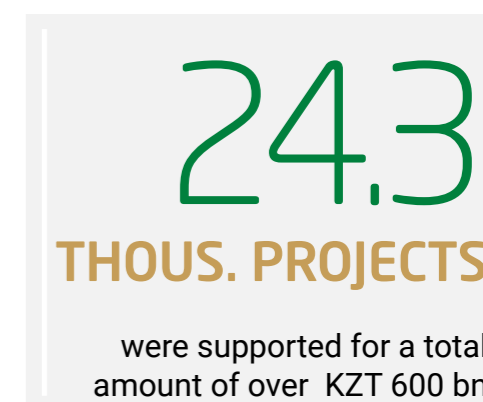
To support domestic rail car manufacturers, DBK JSC raised funds in the amount of KZT 22.5 bn, including KZT 17.5 bn from the Unified Accumulative Pension Fund JSC. The disbursement of these funds made it possible to ensure the production and delivery of 28 passenger cars and 1,108 fitting cars.

SME Support

Support of small and medium-sized enterprises is one of the strategic areas of development of Baiterek NMH JSC. Damu Entrepreneurship Development Fund JSC (hereinafter — Damu Fund, the Fund), being a subsidiary of Baiterek Holding and one of the main operators of state programs, provides significant assistance to the development of SMEs.

Results of implementing financial programs of the Fund

Instrument	2017	2018	2019		
			Plan	Actl.	Plan execution, %
Financing of entrepreneurs through the conditional placement of funds with STBs/MFOs/leasing companies					
Number of participants	8,305	18,656	9,356	18,933	202%
Funding amount, KZT mln	230,469	272,912	187,550	239,508	128%
Subsidizing interest rates					
Number of participants	2,310	1,470	1,156	2,647	207%
Amount of loans, KZT mln	275,660	198,380	—	269,786	—
Loan guaranteeing					
Number of participants	1,317	1,950	2,100	2,674	127%
Amount of loans, KZT mln	42,845	65,455	—	102,740	—



Damu Fund provides support to private businesses through the following tools:

- preferential financing through the conditional placement of funds with STBs, leasing companies and microfinance organizations;
- subsidizing interest rates on loans and financial leasing agreements;
- loan guaranteeing;
- e-learning and customer accompaniment to financial institutions.

In 2019, the Fund supported about 24.3 thous. projects for a total amount of over KZT 600 bn.

During 2019, the Fund placed funds in the amount of KZT 84 bn with STBs/financial organizations under programs/products of conditional placement of funds, including the placement of KZT 6 bn with MFOs.

In 2019, according to the preliminary data, clients supported by Damu Fund produced goods worth KZT 5.6 trln and paid taxes in the amount of over KZT 450 bn.

In 2019, the Government of the Republic of Kazakhstan launched a lending program for the priority projects “Economics of Simple Things”, approved the state program “Business Road Map 2025”, and improved a number of government programs to support business development. In the framework of the above programs, Damu Fund is acting as one of the main financial operators of state support measures.

Conditional Placement of Funds

In 2019, under the programs of conditional placement of funds with STBs, MFOs and leasing companies, loans were granted to 18,933 borrowers for a total amount of about KZT 239.5 bn.

During 2019, the Fund placed funds in the amount of KZT 84 bn with STBs/financial organizations under programs/products of conditional placement of funds, including the placement of KZT 6 bn with MFOs.

In the framework of this area of the Fund’s activity, an important objective is to raise funds, including from non-public sources, for the subsequent conditional placement of funds in financial institutions with the aim of lending to micro, small and medium-sized enterprises. In 2019, the Fund raised KZT 67.5 bn to support domestic entrepreneurs, including KZT 35.3 bn from the Asian Development Bank to finance the MSMEs through STBs and MFOs, and KZT 8.6 bn from the European Bank for Reconstruction and Development under the guarantee of the Fund for Bank CenterCredit JSC.

In 2019, the Fund continued to implement Yenbek State Program for the Development of Productive Employment and Mass Entrepreneurship for 2017–2021, under which funds were raised from regional budgets totaling to KZT 12.9 bn. The amount of KZT 15 bn was placed with 14 STBs/MFOs (taking into account the undistributed funds of 2017).

In 2019, the Fund continued to implement the Program of regional financing of small and medium-sized enterprises on the terms of co-financing with regional budgets. The amount of KZT 2.6 bn was raised from six Akimats and placed with STBs on the terms of co-financing with the funds of Samruk-Kazyna SWF JSC and own funds of Damu Fund totaling KZT 6.2 bn.

Subsidizing and Guaranteeing

Partial subsidization of an interest rate on new/existing loans/ financial leasing agreements is provided for the implementation of new effective investment projects, as well as projects of production modernization and expansion.

Subsidization of an interest rate is implemented as part of the State Business Support and Development Program “Business Roadmap 2020” (hereinafter – the Program). During the implementation of the Program, the subsidizing tool has become popular among entrepreneurs due to its effectiveness in terms of attracting loans to the priority sectors of the economy.

Within the framework of the mechanism of lending to priority projects aimed at ensuring long-term tenge liquidity to solve the problem of affordable lending (hereinafter – the Mechanism), the total amount of financing provided by STBs in 2018–2020 to support private enterprises operating in the manufacturing and agricultural industries is up to KZT 600 bn. For the subsidizing instrument, the amount of KZT 30 bn was allocated under this Mechanism from the republican budget.

Since 2019, using this Mechanism, private enterprises are also provided with financing in the amount of up to 50% for projects worth up to KZT 3 bn and 20% for projects worth KZT 3–5 bn.

Support provided in 2019 using the subsidizing instrument

Program	Number of projects	Loan portfolio, KZT bn	Subsidies paid, KZT bn
Business Roadmap-2020	2,402	154.8	32.9
Economics of Simple Things	171	64.6	1.1
Nurly Zher	47	49.7	2.3
Sustainable Cities for Low-Carbon Development in Kazakhstan	27	0.7	0.1

Support provided in 2019 using the guaranteeing instrument

Program	Number of projects	Loan portfolio, KZT bn	Amount of guarantees, KZT bn
Business Roadmap-2020	1,726	74.6	27.4
Yenbek	657	7.8	3.6
Damu-Optima	203	13.7	5.7
Economics of Simple Things	87	6.7	2.7
Sustainable Cities for Low-Carbon Development	1	0.2	0.8

Non-Financial Support of Entrepreneurs

The main priority for Damu Fund is to create the most favorable conditions for citizens who want to open their own business or expand the existing business.

The Fund implements the project “Remote Support of Entrepreneurship Development” aimed at stimulating business activity and increasing entrepreneurial competencies of the population in the regions of Kazakhstan.

E-learning provides all people with an opportunity to continuously improve their professional level, regardless of their location, upon the sole condition of having access to Internet. In the process of such e-learning, entrepreneurs independently and interactively study educational materials, perform practical tasks, and undergo testing. In 2019, a total of 7,972 people passed training under this project, which is 11% more compared to the past year.

In addition, in 2019, 432 people became the participants of the program “Training of Top Management of Small and Medium-Sized Enterprises”, and 51,303 services were provided to small and medium-sized enterprises as part of service support.

Plans for 2020

In 2020, with the aim of implementing the Development Strategy of the Fund, it is planned to introduce an instrument of providing finance to SMEs on the principles of Islamic financing.

The work will be carried out jointly with the Asian Development Bank to define a concept of a new “green” lending and a list of potential participants of financial institutions, which will become a basis for the development of a feasibility study for obtaining a state loan guarantee in the period of 2020–2021. It is also planned to implement activities to obtain accreditation in the Green Climate Fund.

It is expected that an alternative mechanism will be introduced to provide funds to final borrowers – small and medium-sized enterprises through the redemption of

securities secured by the SME loan portfolio in second-tier banks as part of conditional placement of funds.

It is planned to develop the conditions of lending to small and medium-sized enterprises engaged in selling domestic products, and introduce this product.

As part of the ongoing programs of the Fund, the following measures are planned:

- placement of funds in the amount of KZT 8 bn in the framework of the conditional placement of funds with STBs and leasing companies to finance leasing transactions of SMEs;
- raising funds from local executive authorities to implement regional targeted programs that provide entrepreneurs in the regions with affordable and long-term funding, as well as Yenbek State Program for the Development of Productive Employment and Mass Entrepreneurship for 2017–2021;
- the Fund intends to allocate about KZT 10 bn of its own funds for further implementation of Damu Regions III Program;
- inclusion of a new tool in the Subsidizing Rules – subsidizing part of the principal loan under the UN Development Program “Sustainable Cities for Low-Carbon Development in Kazakhstan”, etc.

Improvement of Housing Affordability

By the Decree of the Government of the Republic of Kazakhstan dated December 31, 2019, Nurly Zher State Program of Housing and Municipal Development (hereinafter “the Program”) was approved. The Program combined new mechanisms to support housing construction and mechanisms operating under the previously adopted state and industry-specific programs: Nurly Zhol State Program of Infrastructure Development for 2015–2019 and the State Program of Regional Development until 2020.

The objectives of the Program are to increase the affordability and comfort of housing and develop the housing infrastructure. Baiterek NMH JSC is a single operator of the Program and participates in the implementation of its main areas:

- provision of funds to LEAs for the construction of mortgage housing through the redemption of LEA bonds;
- increasing the affordability of mortgage lending;
- stimulation of housing construction by private developers;
- support of shared housing construction.

Provision of Funds to LEAs for the Construction of Mortgage Housing Through the Redemption of LEA Bonds

Baiterek Development JSC is an operator of this activity. All financial resources, as well as functions for the selection of projects, determination of developers, development and monitoring of the construction progress were transferred to LEAs.

Provision of funds for the construction of mortgage housing through the redemption of LEA bonds makes it possible to reverse funds on the “revolving” principle every two years and re-direct them to new construction without allocating additional resources. At the same time, financing of construction and sale of the constructed housing is carried out at fixed prices: for the cities of Nur-Sultan, Almaty, Atyrau, Aktau – up to KZT 180 thous. per 1 m², in other regions – up to KZT 140 thous. per 1 m².

In 2019, BD JSC acquired bonds for the amount of KZT 108.8 bn, or 100% of the plan. Since 2016, LEA bonds have been redeemed for a total amount of KZT 316.8 bn. The planned figure for 2020 is KZT 101.2 bn.

Volume of LEA bonds purchased

Indicator	2017	2018	2019	2020 (Plan)
LEA bonds purchased, KZT bn	71.8	98.0	108.8	101.2

In 2019, to complete troubled shared construction projects in the city of Nur-Sultan, Baiterek Development JSC allocated KZT 20 bn through Yelorda Kurylys Company LLC.

HCSBK JSC, in turn, stimulates the demand and sale of the constructed housing among its deposit holders by issuing preferential housing loans. As of December 31, 2019, the system of HCSBK JSC included 1,553 thous. contracts with the savings amount of KZT 806 bn.

Basic performance indicators of HCSBK JSC

Indicator	2017	2018	2019	
			Plan	Actl.
Total savings, KZT bn	520	624.2	734.4	806
Number of new contracts, thous. units	352	386	330	407
Number of loans issued, thous. units	28.7	38.3	–	50.3
Total amount of loans issued, KZT bn	243	360	322	527

Over the entire period of its activity (since 2005), HCSBK JSC has issued over 223 thous. loans totaling to KZT 1.67 trln.

In 2019, HCSBK JSC launched Bakytty Otbasny program of preferential lending for low-income families. The amount of KZT 50 bn was allocated from the republican budget. As of January 1, 2020, 5,196 applications to the amount of KZT 51.74 bn were accepted, of which 5,018 applications totaling to KZT 50.02 bn were approved and 4,223 loans worth KZT 42.67 bn were issued. In accordance with the Address of the Head of State, starting from 2020–2023, the annual loan issue plan will be at least 10 thous. applications to the amount of KZT 100 bn.

Starting from January 1, 2018, changes have been introduced to the legislation allowing the military servicemen to accumulate savings with HCSBK JSC by depositing housing benefits. In 2019, HCSBK JSC issued 4,577 loans in the amount of KZT 69.28 bn.

Improving the Affordability of Mortgage Lending

As part of this activity, Nurly Zher State Program provides a mechanism for subsidizing the interest rate on mortgage loans issued by STBs to the population. The operator of this mechanism is KMC JSC. Starting from May 2017 (since the launch of the mechanism), KMC JSC has been subsidizing mortgage housing loans for a period of 10 years at the interest rate of up to 6% per annum on market mortgages issued by STBs at an interest rate of up to 16% per annum.

In total, applications from the population were approved for an amount of KZT 36.2 bn.

At the same time, due to the introduction of a new “7–20–25” mortgage program, this area of activities was excluded from Nurly Zher State Program on June 22, 2018. Applications for subsidizing mortgage loans approved by KMC JSC are valid until the fulfillment of obligations in full.

Stimulation of Housing Construction by Private Developers

As part of this activity, Nurly Zher State Program provides a mechanism of subsidizing the interest rate on loans issued by STBs to private developers. The operator of this mechanism is Damu Fund JSC, which subsidizes 7% per annum on STB loans for a period of 3 years.

From 2017 to 2019, Damu Fund JSC signed agreements for a total amount of KZT 104.3 bn. The target for 2020 is no less than KZT 20 bn.

Major Transactions Implemented with the Support of EIC KazakhExport JSC

AAEngineering Group LLP, Almaty

is a leading engineering and construction company in the Republic of Kazakhstan, which is specialized in the implementation of comprehensive turnkey projects in the mining industry in accordance with the highest international standards. The Company has been operating since 1994. The Company's headcount is 1,028 people, including 823 people working in regional branches and at construction sites, 205 people working in the central office in the city of Almaty.

The Company has its own production base in the city of Almaty and a fleet of 154 high-performance construction machines. To increase the share of exports and ensure the entry into the global market, the exporter requested assistance from EIC KazakhExport JSC, which provided support through the loan insurance. In 2019, EIC KazakhExport JSC together with Bank RBK JSC provided support through the insurance of the loan to replenish the working capital by providing insurance coverage for obligations of AAEngineeringGroup LLP to Bank RBK JSC in the amount of USD 35 mln. At the cost of the loan proceeds, the exporter fulfills its obligations for the design, supply of equipment and construction of a gold recovery plant (Dzhamgyr field) under the export agreement signed with Dzhamgyr Mining in the amount of USD 49.7 mln.

Support of Shared Housing Construction

KGF JSC has been guaranteeing equity contributions in housing construction since October 10, 2016. For these purposes, in 2016–2017, capitalization of KGF JSC for a total amount of KZT 20 bn was carried out using the republican budget funds.

Volume of guarantees issued for shared construction projects

Indicator	2017	2018	2019	2020 (plan)
Amount of guarantees issued, KZT bn	9.4	56.6	88.8	65.8 ¹⁵

From the start date of implementing the instrument, guarantees were issued for a total amount of KZT 154.8 bn. The planned indicator for 2020 is KZT 65.8 bn.

Increasing Export Potential

Export support is one of the main strategic areas of the Holding's activities. In March 2017, EIC KazakhExport JSC, a subsidiary of the Holding, obtained a status of a national company and became a single center of financial export support using a wide range of financial instruments.

Financial and Insurance Support for Kazakhstan Exports

The purpose of this activity is to improve financial and service measures aimed at supporting domestic exporters.

To improve financial support measures, EIC KazakhExport JSC expects to obtain a state guarantee, subsidizing interest rates on export loans and additional capitalization. These measures are aimed at supporting financial sustainability during the adoption of new insurance liabilities and the expansion of activities of EIC KazakhExport JSC.

In pursuance of the order of the First President of the Republic of Kazakhstan, Yelbasy, an additional amount of KZT 500 bn was allocated over the next 3 years to support the manufacturing industry and non-resource exports, including KZT 170 bn allocated using the tools of EIC KazakhExport JSC.

¹⁵ According to the estimates of Nurly Zher State Program for 2020.

In March 2019, the authorized capital of Baiterek NMH JSC was increased by KZT 34 bn. As a result of adjusting the republican budget for 2020, the funds intended for capitalization of EIC KazakhExport JSC in the amount of KZT 34 bn were allocated for 2 years: in 2020 – KZT 29 bn, in 2021 – KZT 5 bn.

Legal conditions were created for EIC KazakhExport JSC to receive the state guarantee of the Republic of Kazakhstan to support export operations, which will significantly expand the insurance capacity (by KZT 102 bn) in the long-term for the purpose of supporting domestic exporters and ensuring the fulfillment of the company's insurance obligations under concluded contracts.

As a result of the additional capitalization, indicators of the development of financial and insurance support for domestic exports have grown significantly.

Development of financial and insurance support for Kazakhstan exporters, KZT mln

Indicators	2017	2018	2019	
			Plan	Actl.
Volume of commitments assumed	40,087	90,197	95,000	97,076
Volume of trade financing provided	2,454	10,265	14,000	10,399*
Volume of pre-export financing provided	4,803	6,911	5,000	11,813
Amount of supported export contracts	196,137	419,778	325,000	543,892

* within the framework of trade financing, EIC KazakhExport JSC insured letters of credit for a total of KZT 15 bn, including KZT 10.4 bn at the expense of EIC KazakhExport JSC and KZT 4.6 bn at the cost of STB own funds.

At the end of 2019, the amount of export contracts supported by EIC KazakhExport JSC was equal to KZT 543.9 bn.

In 2019, EIC KazakhExport JSC provided support to more than 81 manufacturers-exporters in all regions of Kazakhstan, of which the following 42 industrial enterprises received support for the first time:

- food industry: Best Kostanay LLP, Aksu Kant LLP, Prombaza-7 LLP, Yakorsk Poultry Farm LLP, RYBPROM LLP, Ayakh Peasant Farm, Kut Kut Bereke Peasant Farm, Optograd LLP, Tsesna-Mak LLP, Sultan-Marketing LLP, Amanat Trading House LLP, KAG Group LLP, TEMPPro LLP;
- chemical industry: YDD Corporation LLP, UPNK-PV LLP, IZOTERM Production and Trade Company LLP;
- construction materials: Central Asia Cement JSC, Nedex Almaty LLP, Sieger WDF LLP;
- metalworking: Fidelis Global LLP, Ural Trading and Industrial Company LLP;
- mechanical engineering: Eurocopter Kazakhstan Engineering LLP.

Major Transactions Implemented with the Support of EIC KazakhExport JSC

KSP Steel LLP, Pavlodar

To increase the share of exports and ensure the entry into the global market, the exporter requested assistance from EIC KazakhExport JSC, which provided support through the insurance of an export loan, pre-export financing and export trade financing. In 2019, three transactions of KSP Steel LLP were funded using the trade financing scheme to export large quantities of seamless pipes to the Russian Federation in the amount of about RUB 900 mln. In 2019, EIC KazakhExport JSC jointly with SB Alfa-Bank JSC also provided support by insuring the exporter's loan and providing pre-export financing to replenish the working capital in the amount of KZT 8.6 bn. Due to the support provided by EIC KazakhExport JSC, the company succeeded in increasing exports of seamless steel casings, oil line pipes, pumping and compression pipes and couplings to the Russian Federation. In 2019, export revenues of the company increased to KZT 37.9 bn.

Green Capital Kazakhstan LLP, Aktobe

The Company is organizing a greenhouse production of vegetables by creating a new year-round hydroponic greenhouse complex. The producer received financing from the SB Sberbank of Russia JSC for a total amount of KZT 9.1 bn under the insurance coverage provided by EIC KazakhExport JSC. Fresh tomatoes are exported to large retail chains of the Russian Federation.

Non-Financial Support of Export Activities of Kazakhstan Enterprises

The goal of this activity is to raise recognition and awareness of EIC KazakhExport JSC and to increase the volume of financial support provided to exporters through regional and foreign presence with a focus on small and medium business and priority sectors.

In 2019, six foreign representatives were appointed and commenced to work in the Republic of Uzbekistan (Tashkent – 2), the Republic of Tajikistan (Dushanbe – 1), the Kyrgyz Republic (Bishkek – 1), and the Russian Federation (Yekaterinburg – 1, Novosibirsk – 1).

Plans for 2020

EIC KazakhExport JSC is planning a number of initiatives to increase the degree of reliability and confidence in its activities on the part of exporting enterprises, domestic and international financial institutions, as well as export credit agencies.

As part of the planned initiatives, the following measures are expected:

- *statutory recognition of activities of EIC KazakhExport JSC beyond the direct regulation of the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan;*
- *statutory recognition of the norm on providing financial support to private businesses in the form of subsidizing interest rates on financial services for the export of domestic products;*
- *increasing the authorized capital of EIC KazakhExport JSC to support domestic producers of non-resource goods and service providers in foreign markets and to enhance their competitiveness by providing effective financial measures to support exports;*

- *introducing amendment to the regulatory legal acts of the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan regarding the recognition of transactions of financing non-residents for the purchase of domestic goods, works and services secured by insurance coverage of EIC KazakhExport JSC as an internal asset when calculating the ratio for the investment of part of the bank funds into domestic assets, as well as classifying transactions secured by insurance coverage of EIC KazakhExport JSC as highly liquid assets when calculating prudential ratios;*
- *provision of export support training for employees of partner organizations and STBs.*

Development of the Private Equity Ecosystem and Innovations

Baiterek NMH JSC is working to attract foreign investment in priority sectors of the economy, apply the best international experience, and transfer innovative knowledge and technologies.

Equity Financing

An alternative tool used to ensure the sustainable economic growth and reduce an external debt is equity financing. In Baiterek NMH JSC, equity financing is provided by subsidiaries – Kazyna Capital Management JSC (hereinafter – KCM JSC) and QazTech Ventures JSC (QTV JSC) through private equity and venture financing instruments, respectively.

KCM JSC creates private equity funds¹⁶ in partnership with international institutional investors and domestic private capital owners. Today, KCM JSC includes 15 private equity funds that make investments from the CIS and BRICS countries to the countries of America and South-East Asia with priority given to Kazakhstan.

¹⁶ Private equity implies investments in the capital of private companies that have a medium-term investment horizon and are aimed at generating income from capital gains and increase in the shareholder value.

Private equity funds

No.	Name of private equity fund (PEF)	Investors	Investment priorities	Investment geography
1	Kazakhstan Growth Fund	KCM JSC, EBRD	Food industry, equipment manufacturing, metallurgy, woodworking and textile manufacturing	Kazakhstan, Central Asian countries, Russia
2	Kazakhstan Infrastructure Fund C.V.	KCM JSC, Verno Capital	Infrastructure and industries under the SPIID program	Kazakhstan
3	Almex Baiterek Fund	KCM JSC, Almex Project LLP	Agro-industrial complex and food industry (at least 70% of the fund), as well as other priority sectors under the SPIID program	Kazakhstan
4	Masquire Russia and CIS Infrastructure Fund	KCM JSC, EBRD, Vnesheconombank of Russia Macquarie Group, Renaissance Group	Infrastructure projects	Kazakhstan, Russia, CIS countries
5	ADM Kazakhstan Capital Restructuring Fund	KCM JSC, EBRD	SMEs having a large debt burden but not requiring restructuring	Kazakhstan
6	Wolfensohn Capital Partners	KCM JSC, other foreign investors	Alternative energy and financial services	Alternative energy and financial services
7	Aureos Central Asia Fund	KCM JSC, International Finance Corporation, CDC, FMO, Development Bank of Japan, EBRD	Small and medium business sector: financial activities, retail trade, telecommunications, chemical industry	Kazakhstan (at least 50% of the fund), Central Asia and the Caucasus
8	Islamic Infrastructure Fund	KCM JSC, Islamic Development Bank, Asian Development Bank, CIMB Bank Limited, OPEC Fund for International Development, BangkokBank	Infrastructure projects	Kazakhstan (at least USD 20 mln), Pakistan, Indonesia, Malaysia and other countries in the region
9	Baiterek Venture Fund	KCM JSC	Priority sectors of the SPIID Program	Kazakhstan (it is allowed to invest in companies in Kazakhstan and implement overseas projects)
10	Russian-Kazakhstan Fund of Nanotechnologies	KCM JSC, RUSNANO	Nanotechnology projects for Russia; Innovative projects for Kazakhstan	Russia, Kazakhstan

No.	Name of private equity fund (PEF)	Investors	Investment priorities	Investment geography
11	CITIC KAZYNA Investment Fund I	KCM JSC, CITIC Capital (Chinese state investment company)	Infrastructure projects, real estate, exploration and mining, except for oil and gas of the Republic of Kazakhstan, and other industries	Kazakhstan, China
12	DBK Equity Fund CV	KCM JSC, DBK JSC	Projects of DBK JSC and DBK-Leasing JSC	Kazakhstan
13	Falah Growth Fund	KCM JSC, International Petroleum Investment Company (UAE state investment company), Ordabasy Corporation	Energy, infrastructure projects, agro-industrial complex, etc.	Kazakhstan, CIS countries
14	KCM Sustainable Development Fund I	KCM JSC	Agro-industrial complex, energy and other industrial infrastructure, tourism and entertainment industries, healthcare and education, manufacturing, transport and logistics, information and communications, green technology projects	Kazakhstan
15	Eurasian Nurdy (Bright) Investment Fund	KCM JSC, CITIC Group and other investors	Infrastructure, processing of natural resources, logistics, information technology, manufacturing, agro-industrial complex, etc.	Kazakhstan (75%), SCO countries (25%)

Joint projects of KCM JSC and DBK JSC

In 2019, DBK Equity Fund CV, a subsidiary of DBK JSC and KCM JSC, provided funds to CAPEC Green Energy LLP, an investment project for the construction of the second phase of the start-up complex of a wind power plant with a production capacity of 48 MWh in the Akmola region in the amount of KZT 1.1 bn, a project of construction of Turgusun HEPP in the East Kazakhstan region in the amount of KZT 1 bn, as well as a project of broiler poultry meat production of Aitas KZ LLP in the amount of KZT 7.7 bn. In December 2019, there was a total withdrawal from the project of Tengiz Trans Group of Companies worth KZT 9.3 bn with initial investments of KZT 8.3 bn.

The co-investment model and a unique partnership network created by KCM JSC, as well as the principle of profitability and return on investment, have a positive result. Thus, by the end of 2019, the total capitalization of 15 funds with the participation of KCM JSC amounted to USD 2.7 bn. Since 2007, the funds with the participation of KCM JSC have invested KZT 200 bn in 52 domestic projects in various industries. In 2019, KCM JSC invested a record-breaking amount of KZT 38.2 bn in 17 projects.¹⁷

An important event of 2019 was the launch of a new program of preferential equity financing (equity investment) through the private equity funds of KCM JSC under the guarantee of STBs at the final rate of 8% for projects. The intended use of PEF investments is the implementation of investment projects and export operations, working capital financing, repayment of financial debt to financial organizations (but not more than 30% of the amount of investment in one company).

As part of the program, a private equity fund – KCM Sustainable Development Fund I totaling to KZT 25 bn was created, and Baiterek Venture Fund was additionally capitalized by KZT 20 bn up to KZT 38.8 bn.

As of December 31, 2019, 11 projects were funded to the amount of KZT 19.5 bn under the preferential lending program, 2 of which were financed under the guarantee of STBs.

¹⁷ Including share of Development Bank of Kazakhstan JSC – 9.5 billion tenge (share of DBK JSC in DBK Equity Fund C.V. – 97%).

Venture Financing

In 2019, to ensure the availability of venture capital investments for the technology business, work on the development of the venture investment market was aimed at improving the regulatory framework for venture financing, creating and developing venture capital funds; implementing best practices and analyzing the venture capital market.

In order to promote the improvement of the regulatory framework for venture financing, QazTech Ventures JSC developed proposals to amend and supplement the current legislation in terms of the international experience relating to schemes and forms of venture capital funds, tax exemptions aimed at ensuring the flow of foreign investment in venture funds of Kazakhstan, etc.

As part of measures to search for potential investors and/or venture managers and venture funds created or to be created, QazTech Ventures JSC sent relevant requests to international venture companies, in reply to which proposals were received from 12 management companies. 3 of them were selected as meeting the approved criteria for the creation of a venture capital fund.

In the framework of cooperation with 500 Startups, the companies signed an agreement on possible creation of a Thematic Venture Fund in the Republic of Kazakhstan with a total size of USD 10 mln. Moreover, over the next 2–3 years, 500 Startups is planning to conduct procedures to assess the ecosystem of Kazakhstan.

Development of the Business Incubation System

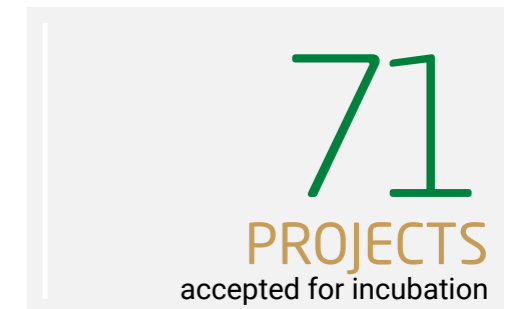
Business incubation is a tool used to support small businesses, the goal of which is to create favorable conditions for their formation and successful development through the provision of a range of resources and services.

In 2019, in order to stimulate the creation of commercially attractive technology companies and projects, work on the development of a business incubation system was aimed at promoting the development of private business incubators, supporting the grant-making processes as part of business incubation, implementing educational programs and promotion.

In 2019, operational expenditures of business incubators selected in 2018 (BI Innovations LLP, SmArt.Point Almaty LLP, MOST Business Incubator LLP) were partly co-financed for a total amount of KZT 74 mln. In addition, methodological support was provided to incubators with the assistance of Accelerator IIDF LLC (Russia).

According to the reports, business incubators achieved the following results at the end of 2019:

- search for and review of 301 business projects;
- conduct of training courses for 169 entrepreneurs;



- financing of 20 projects from various sources, of which 10 projects attracted investors' funds in the amount of at least KZT 7 mln each;
- the total number of projects accepted for incubation is 71.

Expert and Technological Support

In 2019, QazTech Ventures JSC provided technological expertise services for projects applying for financing by subsidiaries of Baiterek NMH JSC to ensure a comprehensive approach and synergy when considering investment projects. 28 applications from the participants of the National Champions – Leaders of Competitiveness 2.0 program held by the Holding were reviewed. In the framework of technological reviews, conclusions were made regarding the degree of the companies' readiness to implement the technologies they proposed and to evaluate the effectiveness of such technologies.

In addition, QazTech Ventures JSC provided independent appraisal of the feasibility and procurements under the investment project of Kazakhtelecom JSC named "Providing Broadband Access to Rural Settlements of the Republic of Kazakhstan Using the FOCL Technology", the implementation of which will provide access to high-speed Internet for nearly 2.5 mln residents in remote settlements of Kazakhstan. Besides that, QazTech Ventures JSC is planning to provide assistance in technical supervision of implementing this project.



Plans for 2020

In 2020, the work will continue to create joint PEFs with leading management companies, provided that the ratio of foreign investment is at least 2:1. Also, the work will be performed to attract investments and create venture capital funds, develop an association of business incubators and accelerators, and to improve legislation on venture financing and development of private equity funds.

Next year, the following funds with an open investment period will provide financing for at least 12 projects totalling at least KZT 35 bn: Baiterek Venture Fund, DBK Equity Fund CV, KCM Sustainable Development Fund I and Kazakhstan Infrastructure Fund C.V.

In 2020, the Holding intends to implement technology scouting initiatives for domestic companies and provide further support for selected business incubators as part of the State Program of Industrial and Innovative Development of the Republic of Kazakhstan for 2020–2025. Also, it is planned to hold foresight sessions in the field of technological development, hackathons, and trainings in the field of industrial and innovative development.

Digitalization Strategy

The work on the Holding digitalization is carried out to increase the level of corporate governance, investment attractiveness and focus on customers, as well as to ensure the possibility of transforming the existing business processes.

The Digitalization Strategy of the Holding identifies 6 main areas:

- automation of internal processes of the Holding;
- customer-oriented services;
- reliable and fault-tolerant infrastructure;
- transition to “paper-free” document flow;
- analytics and data management;
- modern approaches to digital technology management.

In 2019, in particular, work was carried out to develop the Management Reporting System. The processes of preparing the budget and the Development Plan of the Holding, monitoring of the actual budget execution, generating reports on execution of the budget and the Development Plan were automated.

The Team Work System was modernized in order to improve intra-Holding communications, effectively organize production activities and provide employees with access to information. Business processes of the Holding were analyzed and formalized according to the BPMN (Business Process Model and Notation) standard, and proposals were prepared to optimize business processes taking into account subsequent automation. Also, a SimBase BPM system was deployed at server facilities of the Holding, and the main business processes of the Holding were automated.

The functionality of the “Digital Baiterek” Unified Entrepreneurship Support Portal was expanded. The information security of the system was strengthened through the transition to a new, more advanced and flexible platform; a new concept and design were developed, and the existing services were updated in the service window. Business processes of Baiterek Development JSC, Housing Guarantee Fund JSC, Kazakhstan Project Preparation Fund LLP and the Holding were automated, and mobile applications for iOS and Android operating systems were created.

The e-reception service was implemented in the SimBase BPM system: <https://baiterek.gov.kz/reception/index.php>. This service allows external users to submit online applications regarding the activities of the Holding, monitor the application status, and receive answers.

The Holding is developing a cloud environment as part of the Baiterek Cloud. In 2019, a communication channel to the remote data processing center (DPC) with a capacity of 1 Gbps was provided, and settings for sending backups to the DPC storage were configured. This measure increases fault tolerance in the operation of the Holding’s infrastructure and information systems, and also provides the possibility of emergency data recovery in the remote DPC in case of critical failures or other external factors (fire, flood, etc.).

In 2019, ten processes of the Holding were optimized and automated. Subsidiaries of the Holding also achieved positive results in the implementation of digitalization projects. The automation of internal business processes made it possible to significantly reduce the time for the provision of services and minimize the need for submission of paper documents.

Plans for 2020

Automation of about 40 business processes of the Holding is planned for 2020. The plans also include the development of the Digital Baiterek portal, modernization of the Holding’s website, and integration of the electronic document management system with EDMSs of subsidiaries and the Unified EDMS of state bodies. In addition, it is planned to develop a data model to create a Unified Data Repository with the subsequent use of the Big Data technology.

Customer-Oriented Practices

The Holding Group also implements on a regular basis a number of activities to improve the information security system

“Digital Baiterek” Unified Entrepreneurship Support Portal

In the framework of the Digitalization Strategy, the information system “Digital Baiterek” Unified Entrepreneurship Support Portal (hereinafter – Digital Baiterek) was introduced into permanent (commercial) operation to provide a comprehensive and customer-oriented business support.

The range of services provided by Baiterek NMH JSC and its subsidiaries is available through the Digital Baiterek service window. As of the end of 2019, 43 services of the Holding and its subsidiaries were placed on the Digital Baiterek service window, including 33 automated and 10 information services.

As part of the Digital Baiterek service window, the Holding has automated the processes to register a potential client as an investor and provided an opportunity to apply for project financing.

The main advantages of introducing Digital Baiterek include:

- increasing accessibility for applicants, including mobility, a possibility to submit an application from any location via Internet at a convenient time, reducing the time to submit an application, and paperless document flow.
- increasing transparency in obtaining services, including a possibility to create a personal account, feedback, tracking the status of applications.
- improving the performance efficiency of employees of the Holding and its subsidiaries, including a single information space, which provides accelerated approval of documents and making decisions (synergy), increasing the executive discipline and productivity among employees.

Customer Data Security

To comply with the legislative requirements, the Holding Group undertakes to protect personal data, the consent to the processing of which is provided by clients of the Holding subsidiaries when formalizing the contractual relations.

The security of personal data processed in the information systems of the Holding’s subsidiaries is provided through an organized two-tiered protection system. In this system, authorization and control of access is carried out by the Information Security Department while the Information Technology Department controls configurations and restrictions of access to information systems in which the personal data is processed.



The Holding Group operates systems with the following information protection functions:

- preventing leakage of protected information from PCs and laptops, including personal data, bank secrecy and confidential information;
- preventing leakage of protected information through the corporate e-mail channel;
- data encryption upon data transfer to mobile storage devices to minimize the risk of breach of confidential information if data storage devices are lost;
- preventing leakage of protected information when working in the Internet;
- guaranteed destruction of data from storage devices during their decommissioning;
- control of actions of privileged users to protect against insider threats;
- management of mobile devices to prevent leakage of protected information from mobile devices;
- endpoint protection system, including anti-virus protection.

The Holding Group also implements on a regular basis a number of activities to improve the information security system, in particular:

- raising the awareness among users (employees) in the field of information security and protection;
- control of access to information systems containing protected information;
- use of a secured VPN channel to work with the document flow service;
- measures providing protection, failure safety, continuity and availability of information assets;
- auditing the information security management system;
- measures to increase the maturity of information security processes.



3 out of 10

independent members
of the Board of Directors

90

issues
were addressed
by the Board of Directors

98%

IAS compliance with
International professional
standards of internal audit

44

in-person
meetings of the Management
Board in 2019

04

CORPORATE GOVERNANCE

Baiterek NMH JSC considers corporate governance as a key tool for improving the efficiency of the Holding and its subsidiaries, ensuring transparency and accountability, strengthening its reputation and reducing capital raising costs. The Holding strives to contribute to ensuring the rule of law in the Republic of Kazakhstan by implementing good corporate governance practices.

An effective corporate governance structure respects the rights and interests of all those interested in the Holding's activities and contributes to the Holding's success. The corporate governance system of the Holding provides for a clear division of powers and responsibilities between the bodies, officials and employees of the Holding.

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Corporate Governance System

Corporate Governance Code

The Corporate Governance Code adopted by the Holding from the very beginning of its operation ensures the observance of the highest management standards with the aim of increasing the performance efficiency of the Holding and its subsidiaries, ensuring transparency and accountability, strengthening the reputation and reducing capital flotation costs.

The Holding continuously monitors basic changes in international corporate governance trends and in the national legislation, and implements the best corporate governance practices in its activities.

As a recognized international standard in the field of corporate governance of quasi-public companies, the Holding applies the Organization for Economic Co-operation and Development (OECD) Guidelines on corporate governance for publicly owned companies, which are adapted to activities of the Holding and implemented within the framework of the Corporate Governance Code of the Holding approved by decision of the Sole Shareholder. A report on compliance of the Corporate Governance Code with the international OECD corporate governance standards is available on the Holding's website.

The Holding is constantly working to improve corporate governance, including through the implementation of provisions and principles of the Holding's Corporate Governance Code in its activities. The practice of preparing reports on compliance with the principles and provisions of the Corporate Governance Code is also implemented in the activities of the Holding's subsidiaries.

A brief version of the report on compliance with the principles and provisions of the Corporate Governance Code of Baiterek NMH

JSC (hereinafter – the Report) for 2019 is attached to the Annual Report. A detailed version of the Report is annually posted in the Corporate Governance section on the Holding’s website.

Compliance of the Corporate Governance Code with the International OECD Corporate Governance Standards

Key Points and Recommendations of the OECD Guidelines on Corporate Governance for Publicly Owned Enterprises	Relevant Provisions and Principles of the Corporate Governance Code of the Holding
Justification of the state participation/ expediency of the state entry into the private sector and disclosure of this information	Principle of segregation of powers The Holding was established with the aim of promoting the development and diversification of the economy, attracting investments (including national investors), developing clusters and improving the corporate governance system in its subsidiaries and affiliates.
The state, as an owner, provides publicly owned enterprises with full operational independence and does not take part in making operational decisions	Principle of segregation of powers The state body, as the Sole Shareholder of the Holding, provides the Holding with full operational independence and does not interfere with the operating (current) and investment activities of the Holding, except in cases provided for by the legislation of the Republic of Kazakhstan, acts and orders of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.
Publicly owned enterprises carry out their activities with the same degree of efficiency, transparency and accountability as leading private enterprises	Principle of segregation of powers The economic activities of the Holding and its subsidiaries should meet the market conditions regarding debt and equity financing.
All state-owned public and non-public enterprises should comply with national corporate governance codes	Principle of protection of the Sole Shareholder’s rights and interests The Corporate Governance Code of the Holding is updated taking into account the provisions of the Model Corporate Governance Code of state-controlled joint-stock companies.
Publicly owned enterprises should recognize and respect the rights of stakeholders provided for by the legislation or mutual agreements	Principle of sustainable development The Holding and its subsidiaries are aware of the importance of their influence on the economy, ecology and society in terms of ensuring the sustainable development in the long term while maintaining a balance of stakeholders’ interests.

Key Points and Recommendations of the OECD Guidelines on Corporate Governance for Publicly Owned Enterprises	Relevant Provisions and Principles of the Corporate Governance Code of the Holding
Publicly owned enterprises should disclose material financial and non-financial information about the enterprise in accordance with the highest internationally recognized standards for disclosure of corporate information, including areas of special attention for the state as the owner and for the public	Principle of disclosure of transparent and objective information on the Holding’s activities In order to respect the interests of stakeholders, the Holding discloses timely and reliable information stipulated by the legislation of the Republic of Kazakhstan and internal documents of the Holding, as well as information on all important aspects of its activities, including its financial condition, performance results, ownership and management structure.
The boards of directors of publicly owned enterprises should have the necessary authority and objectivity to carry out their functions of strategic leadership and control over the management activities. They should act in good faith and bear responsibility for their actions.	Principle of effective management of the Holding by the Board of Directors and the Management Board The Board of Directors performs its functions in accordance with the laws of the Republic of Kazakhstan, the Charter of the Holding, the Corporate Governance Code, and the Regulations of the Board of Directors. Members of the Board of Directors bear personal responsibility for the performance of their duties, including fiduciary duties and decisions made, as well as the efficiency of their performance, actions and/or failure to take actions. The Management Board is accountable to the Board of Directors and is responsible for the implementation of decisions of the Board of Directors and the Sole Shareholder.
Publicly owned enterprises should develop and monitor the effective implementation of policies and procedures for managing financial and operational risks, as well as risks relating to human rights, employment, environmental protection, and taxation.	Principle of risk management, internal control and internal audit The Holding operates an effective risk management and internal control system aimed at ensuring reasonable confidence in the Holding’s achievement of its strategic and operational goals, which represents a combination of organizational policies, procedures, standards of conduct and actions, management methods and mechanisms.
It is necessary to use mechanisms designed to prevent conflicts of interest that preclude the board of directors from carrying out their duties in an objective manner and limit political interference in the work of the board of directors.	Principle of regulating corporate conflicts and conflicts of interests Employees of the Holding avoid a situation in which a conflict of interest may occur in respect of themselves (or related persons) or other persons. For the avoidance of conflicts of interests that preclude the Board of Directors from executing its duties in an objective manner and limit political interference in the proceedings of the Board of Directors of the Holding, mechanisms are introduced to prevent and regulate such conflicts of interests.

Corporate Governance Model of the Holding

The corporate governance model of the Holding ensures the effectiveness of the decision-making system, observance of the Sole Shareholder's interests and high standards of information disclosure, and the functioning of an effective risk management and internal control system.

The corporate governance model of the Holding is aimed at ensuring transparency and accountability and provides a clear segregation of powers and responsibilities between the bodies, officials and employees of the Holding.

In accordance with the Charter of the Holding, the main bodies are:

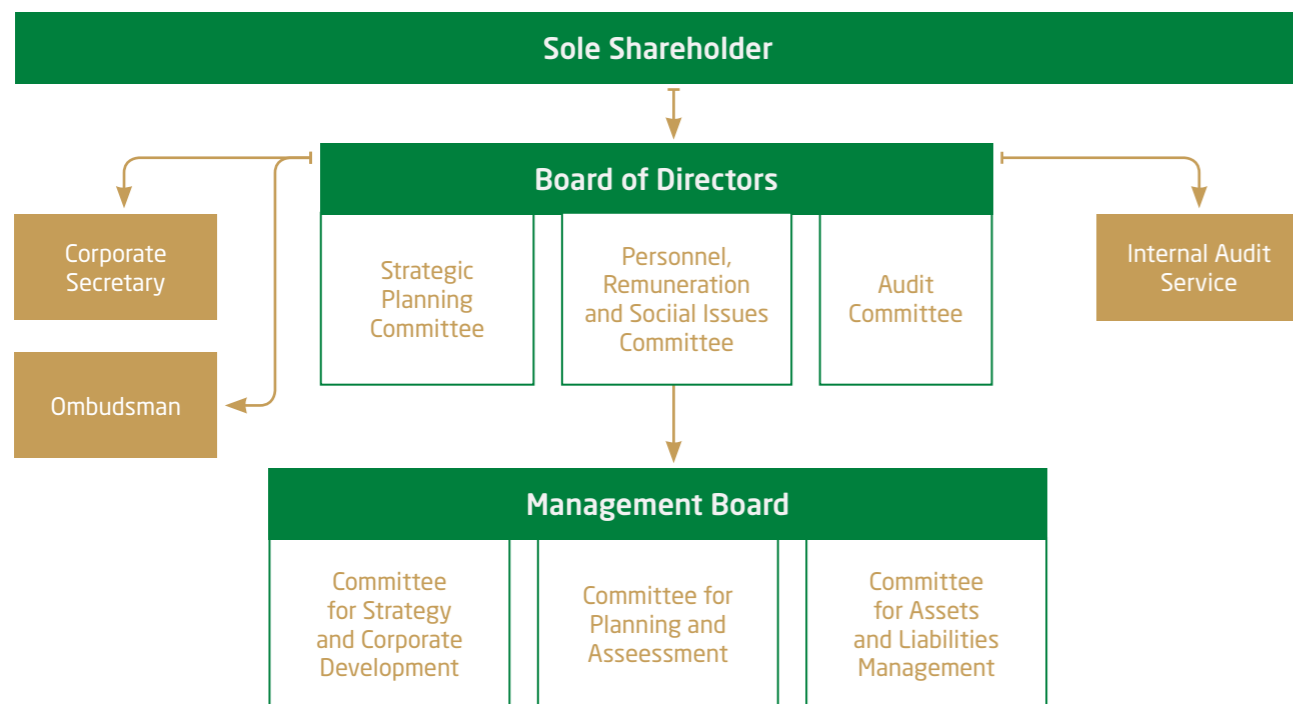
- Sole Shareholder – a superior managing body of the Holding
- Board of Directors – a managing body
- Management Board – an executive body

The Internal Audit Service is a body that carries out supervision over the financial and operating activities of the Holding, assessment of internal control and risk management, execution of corporate governance documents, and consultancy in order to improve the Holding's performance.

The Board of Directors of the Holding operates the committees, which are competent to review the audit, risk management, strategic planning, HR management, remuneration and social issues.

The following committees of the Management Board have been established to prepare advisory decisions for the Management Board on individual activities of the Holding, including the preparation and preliminary review of issues referred to the Management Board's competence: the Committee for Planning and Assessment, the Committee for Assets and Liability Management, and the Committee for Strategy and Corporate Development. In the reporting year, as part of optimizing the management processes, the Investment Committee and the Human Resources and Remuneration Committee of the Holding's Management Board were abolished.

Structure of the Corporate Governance System in the Holding



Action Plan for Improving the Corporate Governance in the Holding

In 2019, the Board of Directors of the Holding approved a new Action Plan for improving the corporate governance in the Holding for 2019–2020, which included a number of activities, such as:

- conduct of corporate governance diagnostics (assessment) in subsidiaries of the Holding;
- conduct of independent assessment of the boards of directors of subsidiaries;
- implementation of measures to diversify the composition of the boards of directors of subsidiaries;
- organization of meetings and round-table discussion on corporate governance issues;
- updating internal regulatory documents, including the Code of Business Ethics;
- settlement of corporate conflicts through the Ombudsman institution;
- participation of the Holding in initiatives to improve the national corporate governance practices, etc.

In December 2019, the Holding's internal regulatory documents were integrated with the regulatory framework of the Republic of Kazakhstan, Paragraph Information System, which contains a register of internal regulatory documents of the Holding and is updated on a regular basis.

Significant Measures to Improve Corporate Governance in Subsidiaries of the Holding

Diagnostics (assessment) of corporate governance in subsidiaries of the Holding

In 2019, the internal audit services conducted an assessment (diagnostics) of corporate governance in subsidiaries of the Holding, which demonstrated the score from 76.3% to 95.1% indicating an increase for most of the Holding's subsidiaries compared to the figure of 2017. The assessment covered such components as the corporate governance structure, the degree of adherence to the principles of corporate governance, observance of the rights of stakeholders and shareholders, the regulation of corporate conflicts and conflicts of interest, the performance efficiency of the board of directors, transparency, sustainable development, risk management and others.

Based on the assessment results and the revealed deficiencies, new action plans were approved to improve the corporate governance in subsidiaries.

The International Finance Corporation (IFC) has confirmed a sufficiently mature level of corporate governance and a balanced and competent composition of the Boards of Directors of most of the Holding Group's companies

Independent assessment of boards of directors in subsidiaries of the Holding

A significant measure to introduce international corporate governance practices was an independent assessment of the boards of directors of subsidiaries conducted by the International Finance Corporation (IFC) in 2019. Based on the assessment results, the strengths and areas for further development were identified.

The strengths include: composition of boards of directors, presence of professional independent directors who have a high level of industry-specific competence, active participation in the discussion of agenda items. A positive evaluation was given to an active dialogue between the Holding and its subsidiaries, attention paid to the development of corporate governance in subsidiaries, and holding of strategic sessions with the participation of key stakeholders, etc.

The areas for the development include: transparency of the policy of continuity, remuneration, timely response of the risk management system to emerging threats and application of predictive analytics, activation of the role of committees in terms of strategy decomposition and constant updating, consistency of IT audit, etc.

During the implementation of recommendations, following the assessment results, an appropriate action plan was developed, including measures to update the functions of the BoD committees, clarify the independence criteria, formalize the annual procedure of confirming the independence of directors, benchmarking of the level and system of remuneration for members of boards of directors in subsidiaries, etc.

Approaches to diversifying the composition of the boards of directors in subsidiaries

In 2019, in framework of implementation of the Action Plan, work was carried out to analyze international corporate governance practices in relation to the diversification of the composition of the board of directors. The Holding has developed a model matrix of skills and competencies of members of the board of directors in subsidiaries, taking into account international approaches. An analysis of the current composition of the boards of directors was carried out and proposals for their individual profiles were developed, taking into account the necessary quantitative composition, industry specifics of the subsidiary's operations, professional experience as a member of an executive or supervisory body of the company, work experience and professional qualifications in the required functional areas of the BoD committees, and other criteria. In the future, on the basis of the developed approaches, amendments and additions will be made to the internal regulatory document determining the procedure for selection of members to the Board of Directors on subsidiaries of the Holding.

Organization of events on corporate governance issues

In 2019, the Holding continued to hold meetings of independent directors of its Board of Directors with heads of subsidiaries, as well as meetings of corporate secretaries of the Holding's group of companies. Corporate secretaries and employees of corporate secretary services continued the practice of training and undergoing professional corporate secretary certification. Round-table discussions were organized with the participation of representatives of subsidiaries and business units of the Holding as well as experts in the field of corporate governance to exchange knowledge and experience.

Participation of the Holding in initiatives to improve corporate governance practices in the Republic of Kazakhstan

Representatives of the management and employees of the Holding became the members of Atameken National Council on Corporate Governance under the National Chamber of Entrepreneurs of the Republic of Kazakhstan (hereinafter – the Council), as well as the committees established thereunder. As part of work of this Council and its committees, representatives of the Holding took part in the preparation of proposals for national corporate governance guidelines developed for the entities of the Kazakhstan market and planned for implementation for the purpose of improving the national legislation on joint-stock companies and limited liability partnerships and the Corporate Governance Code.

Plans for 2020

In 2020, in accordance with the Action Plan for Improving the Corporate Governance of the Holding for 2019–2020 and as part of further implementation of the principles of the Corporate Governance Code, a number of measures will be taken to improve corporate governance.

In 2020, it is planned to conduct an independent assessment of corporate governance in the Holding, which, according to the State Property Act of the Republic of Kazakhstan, shall be carried out every three years with the publication of results on the Holding's website.

It is planned to introduce the Budgeting and Planning System software in framework of implementation of automation systems.

It is planned to introduce amendments and additions to the Model Regulations on the boards of directors of the Holding's subsidiaries

on the basis of proposals on individual profiles of the boards of directors of the Holding's subsidiaries.

As part of improving the practice of information disclosure, the Media Plan of the Holding will be approved for the forthcoming period.

In the course of introduction of the Corporate Governance Code innovations, the international practice of "shareholder expectations" will be considered and proposals for its implementation by the Holding, as a shareholder of its subsidiaries, will be developed. This practice will allow the Holding to provide annual reports to the boards of directors of subsidiaries on the main expected measures, decisions and performance results for next year, which are important for the shareholder.

Sole Shareholder

The Sole Shareholder of the Holding is the Government of the Republic of Kazakhstan represented by the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan (hereinafter referred to as the MIID RK), which makes decisions on issues attributed to the competence of the Sole Shareholder according to the legislation and the Holding's Charter.

Share Capital

As of December 31, 2019, the share capital of Baiterek NMH JSC was equal to KZT 917,218,712:

- The number of declared ordinary shares is 5,000,086,550;
- The number of outstanding and paid-in ordinary shares is 917,218,712;
- The number of authorized and unallocated ordinary shares is 4,082,867,838.

Dividend Policy

The Dividend Policy of the Holding is based on observance of the Sole Shareholder's interests, ensuring the profitability of the Holding and its subsidiaries, financial stability, and transparency of the mechanism for determination of the amount of dividends.

Dividends for 2018 were paid in July 2019 in the amount of KZT 1,485,163 thous. in accordance with the decision of the Sole Shareholder on the procedure for distribution of net income, payment of dividend on ordinary shares and the amount of dividend per ordinary share of Baiterek NMH JSC for 2018. Dividends per ordinary share amounted to KZT 1.67.

Key Decisions of the Sole Shareholder

In the reporting year, the Sole Shareholder of the Holding addressed the following issues:

- on making amendments and additions to the Corporate Governance Code of Baiterek NMH JSC;
- on approval of the Dividend Policy of Baiterek NMH JSC;
- on making amendments and additions to the Charter of Baiterek NMH JSC;
- on approval of the annual financial statements (consolidated and separate) of Baiterek NMH JSC for 2018 and approval of the procedure for distribution of net income of Baiterek NMH JSC for the reporting fiscal year, payment of dividends on ordinary shares and approval of the amount of dividend per ordinary share of Baiterek NMH JSC;
- on early termination of powers and election of members to the Board of Directors of Baiterek NMH JSC, determining the composition of the Board of Directors of the Holding in the quantity of 10 (ten) people and the term of office of 3 (three) years from December 30, 2019, determining the amount of remuneration to independent directors of the Board of Directors of the Holding.

Board of Directors

The Board of Directors is the governing body of the Holding providing strategic management for the Holding's activities and control over activities of the Management Board. Activities of the Board of Directors are based on the principles of efficiency, responsibility and maximum observance and enjoyment of interests of the Sole Shareholder and the Holding, as well as protection of the Sole Shareholder's rights.

In accordance with its competence, the Board of Directors:

- approves a development plan;
- supervises an effective functioning of the risk management system;
- carries out internal control and internal audit;
- approves and monitors an effective implementation of major investment projects and other key strategic projects.

Responsibility of the Board of Directors

Members of the Board of Directors bear personal responsibility for the performance of their duties, including fiduciary duties and decisions made, as well as the efficiency of their performance, actions and/or failure to take actions.

According to the Regulations on the Board of Directors, the Holding is obliged to insure, at the expense of the Holding, the liability of members of the Board of Directors from the date of their election. In this connection, on December 5, 2019, the Holding concluded an agreement on the procurement of liability insurance services for officials of Baiterek NMH JSC.

Members of the Board of Directors

As of December 31, 2019, the Board of Directors of the Holding was composed of ten directors, including three independent directors.

On November 21, 2019, the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan issued an order to determine the composition of the Board of Directors with a term of office of 3 (three) years from December 30, 2019.



Askar
Mamin

Prime Minister of the Republic of Kazakhstan, Chairman of the Board of Directors

Date of birth: October 23, 1965.

Citizenship: Republic of Kazakhstan

Education: A. Mamin graduated from Tselinograd Institute of Civil Engineering, G.V. Plekhanov Russian Academy of Economics with the degrees of a Civil Engineer and an Economist.

Recent work experience:

- ▶ 2008 to September 2016 – President of Kazakhstan Temir Zholy NC JSC.
- ▶ September 2016 to February 2019 – First Deputy Prime-Minister of the Republic of Kazakhstan.
- ▶ Since February 25, 2019 – Prime Minister of the Republic of Kazakhstan.
- ▶ By the decision of the Sole Shareholder dated February 28, 2019, A. Mamin was elected as the Chairman of the Board of Directors. On November 21, 2019, he was re-elected as a member of the Board of Directors. On December 28, 2019, he was re-elected as the Chairman of the Board of Directors.

Membership in Boards of Directors (Supervisory Boards) of other organizations:

- ▶ Chairman of the Board of Directors of Samruk-Kazyna Sovereign Wealth Fund JSC (March 7, 2019 – January 1, 2020)
- ▶ Chairman of the Board of Directors of KazakhInvest National Company JSC.



Timur
Suleimenov

Deputy Head of the Administration of the President of the Republic of Kazakhstan, member of the Board of Directors

Date of birth: April 5, 1978.

Citizenship: Republic of Kazakhstan

Education: T. Suleimenov graduated from Pavlodar State University named after S. Toraiyrov majoring in Management, the University of Maryland (USA) with a Master's Degree in Business Administration under Bolashak program, Master of Business with a specialization in Finance, certification in the Association of Chartered Accountants and Auditors in the UK.

Recent work experience:

- ▶ From December 2016 to March 1, 2019 – Minister of National Economy of the Republic of Kazakhstan.
- ▶ From March 1, 2019 to March 22, 2019 – Deputy Chairman of the National Bank of the Republic of Kazakhstan.
- ▶ From March 22, 2019 to July 2019 – Assistant to the President of the Republic of Kazakhstan.
- ▶ Since July 22, 2019 – Deputy Head of the Administration of the President of the Republic of Kazakhstan.
- ▶ By the decision of the Sole Shareholder dated April 2, 2019, T. Suleimenov was elected as a member of the Board of Directors. On November 21, 2019, he was re-elected as a member of the Board of Directors.

Membership in Boards of Directors (Supervisory Boards) of other organizations:

- ▶ Member of the Board of Directors of Samruk-Kazyna Sovereign Wealth Fund JSC (04.2019–01.01.2020).



Alikhan Smailov

First Deputy Prime Minister of the Republic of Kazakhstan, Minister of Finance of the Republic of Kazakhstan, member of the Board of Directors

Date of birth: December 18, 1972.

Citizenship: Republic of Kazakhstan

Education: A. Smailov graduated from Al-Farabi Kazakh State National University with a degree in Applied Mathematics and Kazakh Institute of Management, Economics and Strategic Research under the authority of the President of the Republic of Kazakhstan with the Master's degree in public administration.

Recent work experience:

- ▶ From 2009 to 2014 – Chairman of the Statistics Agency of the Republic of Kazakhstan.
- ▶ From 2014 to 2015 – Chairman of the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan.
- ▶ From December 2015 to September 2018 – Assistant to the President of the Republic of Kazakhstan.
- ▶ Since September 2018 – Minister of Finance of the Republic of Kazakhstan.
- ▶ On May 24, 2016, by decision of the Sole Shareholder of the Holding he was elected as a member of the Board of Directors. On November 21, 2019, he was re-elected as a member of the Board of Directors.

Membership in Boards of Directors (Supervisory Boards) of other organizations:

- ▶ Chairman of the Board of Directors of Damu Entrepreneur Development Fund JSC since March 13, 2019.
- ▶ Member of the Board of Directors of Kazakh Invest National Managing Holding JSC.



Roman Sklyar

Deputy Prime Minister of the Republic of Kazakhstan, member of the Board of Directors

Date of birth: May 8, 1971.

Citizenship: Republic of Kazakhstan

Education: R. Sklyar graduated from Pavlodar State University with a degree of a Civil Engineer, Moscow Institute of Modern Business with a degree of an Economist, Kazakh Institute of Law and International Relations with a degree of a Lawyer.

Recent work experience:

- ▶ From December 2016 to December 2017 – Vice-Minister of Investment and Development of the Republic of Kazakhstan.
- ▶ From January 2018 to February 2019 – First Vice-Minister of Investment and Development of the Republic of Kazakhstan.
- ▶ From February 25, 2019 to September 17, 2019 – Minister of Industry and Infrastructure Development of the Republic of Kazakhstan.
- ▶ Since September 18, 2019 – Deputy Prime Minister of the Republic of Kazakhstan.
- ▶ On February 28, 2019, by decision of the Sole Shareholder of the Holding he was elected as a member of the Board of Directors. On November 21, 2019, he was re-elected as a member of the Board of Directors.

Membership in Boards of Directors (Supervisory Boards) of other organizations:

- ▶ Chairman of the Board of Directors of KazAgro National Managing Holding JSC (since 23.11.2019).
- ▶ Member of the Board of Directors of Kazakh Invest National Managing Holding JSC.



Beibut Atamkulov

Minister of Industry and Infrastructure Development of the Republic of Kazakhstan, member of the Board of Directors

Date of birth: May 19, 1964.

Citizenship: Republic of Kazakhstan

Education: B. Atamkulov graduated from V.I. Lenin Kazakh Polytechnic Institute majoring in metallurgical engineering and St. Petersburg State University of Economics and Finance with a degree of Economist.

Recent work experience:

- ▶ From August 8, 2015 to September 2016 – Akim of the South Kazakhstan region.
- ▶ From October 7, 2019 to December 26, 2018 – Minister of Defense and Aerospace Industry of the Republic of Kazakhstan.
- ▶ From December 26, 2018 to September 18, 2019 – Minister of Foreign Affairs of the Republic of Kazakhstan.
- ▶ Since September 19, 2019 – Minister of Industry and Infrastructure Development of the Republic of Kazakhstan.
- ▶ By the decision of the Sole Shareholder of the Holding dated September 19, 2019, B. Atamkulov was elected as a member of the Board of Directors. On November 21, 2019, he was re-elected as a member of the Board of Directors.



Ruslan Dalenov

Minister of National Economy of the Republic of Kazakhstan, member of the Board of Directors

Date of birth: February 8, 1975.

Citizenship: Republic of Kazakhstan

Education: R. Dalenov graduated from Marmara University (Turkey) with the major in economics.

Recent work experience:

- ▶ From 2008 to 2017 – Vice Minister of Finance of the Republic of Kazakhstan.
- ▶ From April 2017 to February 25, 2019 – First Vice Minister of National Economy of the Republic of Kazakhstan.
- ▶ Since February 25, 2019 – Minister of National Economy of the Republic of Kazakhstan.
- ▶ By the decision of the Sole Shareholder dated February 28, 2019, R. Dalenov was elected as a member of the Board of Directors. On November 21, 2019, he was re-elected as a member of the Board of Directors.

Membership in Boards of Directors (Supervisory Boards) of other organizations:

- ▶ Member of the Board of Directors of Samruk-Kazyna JSC (since 07.03.2019).
- ▶ Member of the Board of Directors of KazAgro National Managing Holding JSC (24.04.2019 – 19.11.2019).
- ▶ Member of the Board of Directors of Kazakh Invest National Managing Holding JSC.



Aidar Arifkhanov

Chairman of the Management Board of Baiterek NMH JSC, member of the Board of Directors

Date of birth: November 28, 1974.

Citizenship: Republic of Kazakhstan

Education: A. Arifkhanov graduated from Kazakh State Academy of Management, Diplomatic Academy of the Ministry of Foreign Affairs of the Republic of Kazakhstan and Columbia University (USA) under Bolashak presidential program majoring in Management of Economic Politics.

Recent work experience:

- ▶ In 2010–2017, Aidar Arifkhanov held the positions of Deputy Chairman of the Agency of the Republic of Kazakhstan on Informatization and Communications, Deputy Chairman of the Management Board of NAC Kazatomprom JSC, Vice Minister of National Economy of the Republic of Kazakhstan, Deputy Chairman of the Management Board of Baiterek NMH JSC.
- ▶ Since December 2017 – Chairman of the Management Board of Baiterek NMH JSC.
- ▶ By the decision of the Sole Shareholder dated January 10, 2018, A. Arifkhanov was elected as a member of the Board of Directors. On November 21, 2019, he was re-elected as a member of the Board of Directors.

Membership in Boards of Directors (Supervisory Boards) of other organizations:

- ▶ Chairman of the Board of Directors of Development Bank of Kazakhstan JSC, Housing Construction Savings Bank of Kazakhstan JSC, Kazyna Capital Management JSC.
- ▶ Member of the Board of Directors of EIC KazakhExport JSC, Damu Entrepreneurship Fund JSC.
- ▶ Member of the Board of Directors of Kazakh Invest National Managing Holding JSC.

Date of birth: June 6, 1943.

Citizenship: Germany

Education: Klaus Mangold studied law and economics in the universities of Munich, Geneva, London, Mainz and Heidelberg. He has the degrees of Professor, PhD.

Recent work experience:

- ▶ From 2000 to 2010 – Chairman of the Committee on East European Economic Relations.
- ▶ Since 2011 – Chairman of the Supervisory Board of TUI AG, member of Supervisory Boards of Continental AG, Alstom S.A., Chairman of the Supervisory Board of Rothschild GmbH.
- ▶ Since 2015 – Honorary Consul of the Russian Federation in Baden-Württemberg. He is also the Commander of the Legion of Honor (France), Honorary Senator of the University of Freiburg, one of Germany's most prestigious universities.
- ▶ By the decision of the Sole Shareholder dated December 30, 2013, Klaus Mangold was elected as a member of the Board of Directors. On December 26, 2016 and then on November 21, 2019 he was re-elected as a member of the Board of Directors.



Klaus Mangold

Independent Director



Philip Yeo

Independent Director

Date of birth: October 29, 1946.

Citizenship: Republic of Singapore

Education: Philip Yeo graduated from St. Joseph Institute (Singapore), University of Toronto (Canada).

Recent work experience:

- ▶ From 2010 to 2013 – member of the United Nations Committee of Experts on Public Administration (CEPA) established by the Economic and Social Council to promote and develop public administration and management among participating countries in accordance with the UN Development Program.
- ▶ At present – Chairman of Accuron Technologies and Economic Development Innovations Singapore Pte Ltd., Chairman of Economic Development Innovations Singapore Pte Ltd (EDIS).
- ▶ By the decision of the Sole Shareholder dated December 30, 2013, Philip Yeo was elected as a member of the Board of Directors. On December 26, 2016 and then on November 21, 2019 he was re-elected as a member of the Board of Directors.



Thomas Mirow

Independent Director

Date of birth: January 6, 1953.

Citizenship: Germany

Education: Thomas Mirow graduated from Bonn University, defended the doctoral thesis on the issue of "Policy of France in Europe during the period of Fifth Republic".

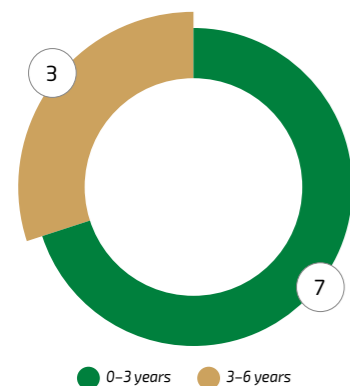
Recent work experience:

- ▶ From 2008 to 2012 – President of the European Bank for Reconstruction and Development (EBRD).
- ▶ From 2013 to 2018 – Chairman of the Supervisory Board at HSH Nordbank AG (Hamburg).
- ▶ Member of the Supervisory Board at Rothschild GmbH (Frankfurt), member of the Committee of Shareholders at F. Laeisz (Hamburg).
- ▶ By the decision of the Sole Shareholder dated December 30, 2013, Thomas Mirow was elected as a member of the Board of Directors. On December 26, 2016 and then on November 21, 2019 he was re-elected as a member of the Board of Directors.

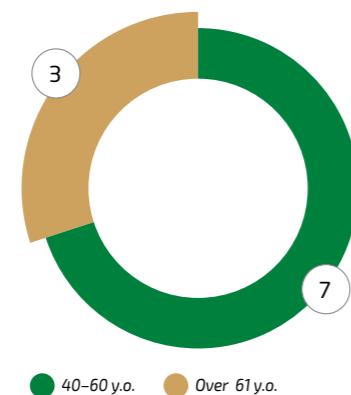
Competencies of members of the Board of Directors

Members of the Board of Directors	Askar Mamin	Timur Suleimenov	Alikhan Smailov	Roman Sklyar	Beibut Atamkulov	Ruslan Dalenov	Aidar Arifkhanov	Klaus Mangold	Philip Yeo	Thomas Mirow
Work experience in the industry/ total service, years	16.6/31	22/22	19/25	15.6/29.11	21.7/34	16/21	23/23	52/52	44/50	23/45
Core Competencies										
Industry knowledge										
In-depth knowledge of industry	[Green bar]									
Specific skills and experience										
In-depth knowledge of finance	[Green bar]									
In-depth knowledge of marketing	[Green bar]									
Risk management and audit	[Green bar]									
Work experience in management and law										
Corporate governance	[Green bar]									
Experience in politics and regulatory work	[Green bar]									
In-depth knowledge of law	[Green bar]									

Length of work at the Board of Directors of the Holding, persons



Age of members of the Board of Directors, persons



Changes in the composition of the Board of Directors in 2019

In 2019, by order of the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan:

- the powers of the Chairman of the Board of Directors of Baiterek NMH Bakytzhan Sagintayev and members of the Board of Directors: Yerbolat Dossaev, Alikhan Smailov, Timur Suleimenov, Zhenis Kasymbek, Yerulan Zhamaubayev, Roman Sklyar were terminated ahead of time.
- Askar Mamin, Alikhan Smailov, Zhenis Kasymbek, Ruslan Dalenov, Timur Suleimenov, Beibut Atamkulov and Roman Sklyar were elected as the Chairman and members of the Board of Directors of Baiterek NMH JSC.

Induction

The Holding implements a Policy for induction of newly elected members of the Board of Directors of Baiterek NMH JSC. In accordance with the requirements of the Policy, newly elected members of the Board of Directors of the Holding are provided with information on officials and the organizational structure of the Holding, its internal documents, decisions of the Sole Shareholder and the Board of Directors of the Holding and other information, which is relevant to members of the Board of Directors for the proper performance of their duties. In 2019, the incubation procedure was carried out in respect of the following newly elected members of the Board of Directors of the Holding: A. Mamin, R. Sklyar, B. Atamkulov, and R. Dalenov.

In accordance with paragraph 45 of the Corporate Governance Code of the Holding, the Sole Shareholder elects members of the Board of Directors on the basis of clear and transparent procedures, taking into account the competencies, skills, achievements, business reputation and professional experience of candidates. According to paragraph 11 of Chapter 5 of the Regulations on the Board of Directors of Baiterek NMH JSC, the Board of Directors of the Holding is composed of members of the Government of the Republic of Kazakhstan, the Chairman of the Management Board of the Holding, independent directors and other persons.

When selecting candidates to the Board of Directors, the following criteria are taken into account:

- work experience at senior positions;
- work experience as a member of the Board of Directors;
- length of service;
- education, specialty, including the availability of international certificates;
- competencies by areas and industries (industries may vary depending on the assets portfolio);
- business reputation;
- existence of direct or potential conflict of interest.

Involvement of Independent Directors

The Corporate Governance Code of the Holding requires the presence and participation of independent directors in the Board of Directors. The recommended number of independent directors in the Board of Directors of the Holding is up to fifty percent of the total number of members of the Board of Directors.

The requirements to independent directors are established in accordance with the legislation of the Republic of Kazakhstan. Independent members of the Board of Directors should not have any material interests or relations with respect to the Holding, its management or property, which could compromise their objective judgement.

When selecting independent directors, the Holding is governed by the requirements of the Joint-Stock Companies Act of the Republic of Kazakhstan, the Charter of the Holding, and the Corporate Governance Code of Baiterek NMH JSC.

Independent Directors of Baiterek NMH JSC Klaus Mangold, Philip Yeo and Thomas Mirow were elected by the Sole Shareholder as members of the Board of Directors with a term of office of 3 years from December 30, 2019.

Performance Assessment of the Board of Directors of the Holding

The Board of Directors, its committees and members are subject to an annual assessment in the event that it is initiated by the Chairman of the Board of Directors of the Holding. In 2019, no proposals to conduct a performance assessment of the Board of Directors of the Holding were received from the Chairman of the Board of Directors of the Holding.

Performance Results of the Board of Directors in 2019

During the reporting period, the Board of Directors held 12 meetings, including 5 in-person meetings and 7 meetings in absentia. In total, the Board of Directors addressed 90 issues.

The most important issues addressed by the Board of Directors:

- on approval of the adjusted Development Plan of the Holding for 2017–2021 in part of 2019–2021 and the adjusted Annual Budget of Baiterek NMH JSC for 2019;
- on determining an audit organization to audit the financial statements of Baiterek NMH JSC for 2019–2021 and the amount of payment for its services;
- on approval of the matrix of business processes, risks and controls of the Holding for 2019 and 2020, and the risk appetite for 2020;
- on approval of the risk report for Q4 of 2018, Q1, Q2, Q3 of 2019;
- on approval of the report of the Internal Audit Service for Q4 of 2018, Q1, Q2, Q3 of 2019;
- on determining the term of office of the Internal Audit Service, appointing its employees and determining their remuneration, the Audit Plan of the Internal Audit Service for 2020–2022 and KPI scorecards for employees of the Internal Audit Service for 2020–2022;
- on approval of the report on compliance with the principles and provisions of the Corporate Governance Code of Baiterek NMH JSC, on taking into account the information on measures implemented by the Holding in the field of corporate governance to maintain the legality of corporate governance, including the identified violations in making corporate decisions, potential and real conflicts of interest;
- on preliminary approval of the annual financial statements (consolidated and separate) of Baiterek NMH JSC for 2018 and submission to the Sole Shareholder for consideration and approval of the procedure for distribution of net income for the reporting fiscal year, payment of dividends on ordinary shares and approval of the amount of dividend per ordinary share;
- on approval of the Action Plan for improving the corporate governance of Baiterek NMH JSC for 2019–2020;
- on approval of the Annual Report of the Holding for 2018;
- on approval of the report on the implementation of the 2017–2021 Development Plan of the Holding for 2018 and the report on the implementation of the Annual Budget for 2018, on assessment of the results of the implementation of the 2017–2021 Development Plan of Baiterek NMH JSC for 2018;
- on approval of the Rules for disposal of assets that are directly owned by the Holding on the right of ownership;
- on creation of the Centralized Procurement Monitoring Service of Baiterek NMH JSC from January 1, 2020, appointment of Head of the Service and determining the size of remuneration;
- on conducting the performance assessment of the Ombudsman of Baiterek NMH JSC and extending its term of office.

Attendance of members of the Board of Directors at meetings in 2019

Member of the Board of Directors	Meetings of the Board of Directors	%	Period of membership in the Board of Directors
Bakytzhan Sagintayev	1/1	100	01.01.2019–28.02.2019
Askar Mamin	11/11	100	28.02.2019–31.12.2019
Yerulan Zhamaubayev	2/2	100	01.01.2019–02.04.2019
Yerbolat Dossayev	1/1	100	01.01.2019–28.02.2019
Alikhan Smailov	10/12	83	01.01.2019–31.12.2019
Zhenis Kasymbek	8/8	100	01.01.2019–19.09.2019
Roman Sklyar	10/11	91	28.02.2019–31.12.2019
Beibut Atamkulov	4/4	100	19.09.2019–31.12.2019
Timur Suleimenov	11/11	100	01.01.2019–28.02.2019 02.04.2019–31.12.2019
Ruslan Dalenov	11/11	100	28.02.2019–31.12.2019
Aidar Arifkhanov	12/12	100	01.01.2019–31.12.2019
Klaus Mangold	12/12	100	01.01.2019–31.12.2019
Philip Yeo	12/12	100	01.01.2019–31.12.2019
Thomas Mirow	12/12	100	01.01.2019–31.12.2019

Committees of the Board of Directors

For the purpose of developing recommendations for the most important issues before their consideration at the meeting of the Board of Directors, the following Committees have been established in the Holding:

- Audit Committee;
- Personnel, Remuneration and Social Issues Committee;
- Strategic Planning Committee.

Strategic Planning Committee

Activities of the Audit Committee are aimed at elaborating recommendations for the Board of Directors for the organization of an effective system of control over financial and economic operations of the Holding (including the completeness and reliability of financial statements), monitoring of the reliability and efficiency of internal control and risk management systems, and also compliance with the corporate governance documents, and supervision of independence of external and internal audits.

In 2019, the Audit Committee held 3 in-person meetings and 3 meetings in absentia at which 38 issues were addressed.

Composition and attendance of members of the Audit Committee at meetings in 2019

Committee member	Position	Meetings	%	Period of membership in the Committee
Thomas Mirow	Independent Director, Chairman of the Audit Committee	6/6	100	01.01.2019–31.12.2019
Klaus Mangold	Independent Director, member of the Audit Committee	6/6	100	01.01.2019–31.12.2019

The Audit Committee addressed the following important issues:

Internal audit

- reports of the Internal Audit Service, including information on audit findings and the results of monitoring of implementation of corrective actions based on the internal and external auditors' recommendations, were reviewed and preliminary approval on a quarterly basis. The Management Board of the Holding was recommended to ensure the correction of material violations revealed as a result of the internal audit of the corporate finance system of Baiterek NMH JSC during the year;
- the term of office of the Internal Audit Service was preliminarily approved; candidates for the positions of head and internal auditors of the Internal Audit Service of Baiterek NMH JSC, and the size of their remuneration were approved;
- the Audit Plan of the Internal Audit Service for 2020–2022 was approved;
- KPI scorecards of employees of the Internal Audit Service of Baiterek NMH JSC for 2020–2022 were approved.

External audit

- a recommendation was provided to the Board of Directors to appoint KPMG Audit LLP an audit organization to audit the financial statements of Baiterek NMH JSC for 2019–2021, as well as to determine the amount of payment for the auditor's services;
- the annual financial statements (consolidated and separate) of the Holding for 2018 were preliminarily reviewed and approved;
- a meeting was held with the external auditor of the Holding – KPMG Audit LLP on the basis of the results of auditing the consolidated and separate annual financial statements of Baiterek NMH JSC for the year ended December 31, 2018, as well as the status of implementing the recommendations of the Audit Committee by the external auditor – KPMG Audit LLP was reviewed;
- unaudited consolidated and separate interim condensed financial statements of Baiterek NMH JSC as of June 30, 2019 were reviewed.

Internal control and risk management

- reports on the Holding's risks were preliminary reviewed and approved on a quarterly basis. The Management Board of Baiterek NMH JSC was given recommendations to ensure the preparation of information on cyber-attack risks by an independent auditor – KPMG Audit LLP, allocation of funds, cooperation with second-tier banks with a rating of not lower than 'B-';
- the matrix of business processes, risks and controls of the Holding for 2020 was preliminarily reviewed and approved. The Management Board of the Holding was recommended to ensure consideration of the Matrix of business processes, risks and controls of Baiterek NMH JSC by the Internal Audit Service of Baiterek NMH JSC on an annual basis;
- the Holding's risk appetite for 2020 was preliminarily reviewed and approved;

- the candidate for the position of head of the Centralized Procurement Control Service of Baiterek NMH JSC was preliminarily approved; a recommendation was provided to the Board of Directors to appoint head of the Service from January 1, 2020 and determine an official salary in accordance with the employee salary scheme of the Centralized Procurement Control Service of Baiterek NMH JSC (on a grading basis).

Corporate governance

- the report of the Ombudsman of Baiterek NMH JSC was preliminarily reviewed and approved. At year-end 2018, the Ombudsman's activities were assessed as effective;
- the Report on compliance with the principles and provisions of the Corporate Governance Code of Baiterek NMH JSC was preliminarily reviewed and approved.

Composition and attendance of members of the Personnel, Remuneration and Social Issues Committee at meetings in 2019

Committee member	Position	Meetings	%	Period of membership in the Committee
Klaus Mangold	Independent Director, Chairman of the Personnel, Remuneration and Social Issues Committee;	7/7	100	01.01.2019–31.12.2019
Philip Yeo	Independent Director, member of the Personnel, Remuneration and Social Issues Committee;	7/7	100	01.01.2019–31.12.2019
Thomas Mirow	Independent Director, member of the Personnel, Remuneration and Social Issues Committee.	7/7	100	01.01.2019–31.12.2019

The Personnel, Remuneration and Social Issues Committee addressed the following important issues:

- recommendations were given to the Board of Directors regarding early termination of powers of members of the Management Board of Baiterek NMH JSC, appointment of members of the Management Board of Baiterek NMH JSC and determination of the term of office of the Management Board as a whole, as well as the size of official salaries and conditions of remuneration and bonus payment to the Chairman and members of the Management Board of the Holding;
- the adjusted KPI scorecards for the Chairman and members of the Management Board of the Holding with target indicators for 2019 and 2020 were preliminarily reviewed and approved;
- the activities of the Chairman and members of the Management Board of Baiterek NMH JSC at year-end 2018 were preliminarily reviewed and found to be satisfactory. The Board of Directors

Personnel, Remuneration and Social Issues Committee

Activities of the Personnel, Remuneration and Social Issues Committee are aimed at improving the performance efficiency of the Board of Directors through in-depth elaboration and monitoring of issues attributed to the competence of the Board of Directors in the area of HR policy, appointment and remunerations system, as well as performance assessment of members of the Management Board of the Holding and the Corporate Secretary.

In 2019, the Personnel, Remuneration and Social Issues Committee held 4 in-person meetings and 3 meetings in absentia at which 20 issues were addressed.

was given a recommendation to approve the actual efficiency of KPI scorecards of the Chairman and members of the Management Board for 2018 and decide on the payment of remuneration;

- the report on activities of the Ombudsman of Baiterek NMH JSC for 2018 was preliminarily reviewed and approved. At year-end 2018, the activities of the Ombudsman of Baiterek NMH JSC were assessed as effective;

- recommendations on making amendments and additions to the Code of Business Ethics of Baiterek NMH JSC were preliminarily reviewed and provided;
- information on the approval of the 2019–2021 Unified Personnel Policy of Baiterek NMH JSC and legal entities, more than fifty percent of voting shares (participating interests) of which directly belong to Baiterek NMH JSC on the right of ownership or trust management, was reviewed and taken into account.

Strategic Planning Committee

Activities of the Strategic Planning Committee are focused on the development and provision of recommendations to the Board of Directors of the Holding on elaboration of priority areas of activities of the Holding and the strategy of its development, including the issues of development of activities to enhance the performance efficiency of the Holding in the medium and long term.

In 2019, the Strategic Planning Committee held 4 in-person meetings and 2 meetings in absentia at which 10 issues were considered.

Attendance of members of the Strategic Planning Committee at meetings in 2019

Committee member	Position	Meetings	%	Period of membership in the Committee
Philip Yeo	Independent Director, Chairman of the Strategic Planning Committee;	6/6	100	01.01.2019–31.12.2019
Thomas Mirow	Independent Director, member of the Strategic Planning Committee;	6/6	100	01.01.2019–31.12.2019
Zhenis Kasymbek	Member of the Strategic Planning Committee;	0/1	0	01.01.2019–28.02.2019
Roman Sklyar	Member of the Strategic Planning Committee;	1/3	33	16.04.2019–19.09.2019
Beibut Atamkulov	Minister of Industry and Infrastructure Development of the Republic of Kazakhstan, member of the Strategic Planning Committee;	0/1	0	17.10.2019–31.12.2019
Aidar Arifkhanov	Member of the Strategic Planning Committee	6/6	100	05.02.2019–31.12.2019

Changes in the composition of the Strategic Planning Committee in 2019:

By decisions of the Board of Directors of the Holding:

- terminate the powers of, and remove from the composition of the Strategic Planning Committee a member of the Board of Directors Zhenis Kasymbek

as well as to elect Roman Sklyar as a member of the Strategic Planning Committee of the Board of Directors of the Holding;

- terminate prematurely the powers of a member of the Board of Directors of the Holding Roman Sklyar and elect a member of the Board of Directors of the Holding Beibut Atamkulov as a member of the Strategic Planning Committee of the Board of Directors of the Holding a term of office until the expiration of his term of office as a member of the Board of Directors of the Holding.

The Strategic Planning Committee addressed the following important issues:

- Approaches to updating the 2014–2023 Development Strategy of Baiterek NMH JSC were reviewed and taken into account. The Management Board of the Holding was given recommendations to set more realistic goals, reduce the share of non-public sources in fund raising when submitting the updated 2014–2023 Development Strategy of Baiterek NMH JSC to the Board of Directors for consideration in July 2019;
- information on public-private partnership projects was reviewed and taken into account at the meeting with representatives of state bodies;
- the 2017–2021 Development Plan of Baiterek NMH JSC adjusted with respect to the period of 2019–2021, the adjusted Annual Budget of Baiterek NMH JSC for 2019 and the Annual Budget of Baiterek NMH JSC for 2020 were preliminarily approved;
- information on activities of Baiterek NMH JSC in the field of sustainable development was preliminarily reviewed and taken into account;
- the report on the implementation of the 2017–2021 Development Plan for 2018 and the report on implementation of the Annual Budget of Baiterek NMH JSC for 2018 were approved;
- information on the implementation of the requirements of the Investment Policy of Baiterek NMH JSC for 2018 was preliminary reviewed and approved;
- the assessment of the results of implementation of the 2017–2021 Development Plan of Baiterek NMH JSC for 2018 based on the Report on the implementation of the 2017–2021 Development Plan of Baiterek NMH JSC as approved by the Board of Directors for 2018, and the results of monitoring of the Ministry of Investment and Infrastructure Development of the Republic of Kazakhstan was taken into account.

Corporate Secretary

The Corporate Secretary is an employee of Baiterek NMH JSC, who is not a member of the Board of Directors or the Management Board of the Holding. The Corporate Secretary is appointed by, and is accountable to the Board of Directors of Baiterek NMH JSC.

The legal status of the Corporate Secretary is determined by the legislation of the Republic of Kazakhstan, the Charter of the Holding, the Regulations on the Corporate Secretary of the Holding and other internal documents of the Holding.

In accordance with the Regulations on the Corporate Secretary of Baiterek NMH JSC and pursuant to the decision of the Board of Directors of the Holding, the duties of the Corporate Secretary of the Holding may be assigned to the Head of the Prime Minister's Office

of the Republic of Kazakhstan, who is not an employee of the Holding, who is not subject to labour relations and who is not paid remuneration. At the same time, the Head of the Prime Minister's Office of the Republic of Kazakhstan may not participate in the management of the Holding.

The main objective of the Corporate Secretary Service of the Holding is to ensure the effective execution of functions assigned to the Corporate Secretary. The Service is headed by the Deputy Corporate Secretary – Head of the Corporate Secretary Service Maira Turganova. The Corporate Secretary Service is a business unit of the Holding and is accountable directly to the Corporate Secretary.

The main tasks of the Corporate Secretary include:

- provision of compliance of the bodies and officials of the Holding with the corporate governance rules and procedures that guarantee the implementation and protection of the Sole Shareholder's rights and interests;
- ensuring the implementation of activities to prepare decisions of the Board of Directors in accordance with the requirements of the legislation of the Republic of Kazakhstan and internal documents of the Holding;
- ensuring the effective activities of the Board of Directors of the Holding and its committees;
- ensuring the storage, disclosure and provision of necessary information about the Holding;
- ensuring a clear and effective interaction between the bodies of the Holding.

By the decision of the Board of Directors of the Holding No.03/19 dated April 16, 2019, Galymzhan Koyshybayev, the Head of the Prime Minister's Office of the Republic of Kazakhstan, was appointed the acting Corporate Secretary of Baiterek NMH JSC.



Galymzhan
Koishybayev

Head of the Prime Minister's Office
of the Republic of Kazakhstan

Date of birth: April 12, 1968 in the city of Kyzylorda.

Citizenship: Republic of Kazakhstan

Education: G. Koishybayev graduated from Moscow State University named after M. Lomonosov

Recent work experience:

- ▶ In 2012–2016 — Ambassador Extraordinary and Plenipotentiary of the Republic of Kazakhstan to the Republic of Finland and concurrently Ambassador Extraordinary and Plenipotentiary of the Republic of Kazakhstan to the Republic of Estonia.
- ▶ Since 2016 — Deputy Minister of Foreign Affairs of the Republic of Kazakhstan.
- ▶ On March 26, 2019, by the Decree of the Government of the Republic of Kazakhstan G. Koishybayev was appointed Head of the Prime Minister's Office of the Republic of Kazakhstan.
- ▶ On September 18, 2019, by the Order of the Government of the Republic of Kazakhstan G. Koishybayev was appointed Head of the Prime Minister's Office of the Republic of Kazakhstan.

Management Board

The Management Board is a collegial executive body of the Holding that manages the current activities of the Holding, acts in the best interests of the Holding and its Sole Shareholder and is accountable to the latter and to the Board of Directors of the Holding. The Management Board is authorized to make decisions on any issues of the Holding's activities, which are not attributed by the legislative acts of the Republic of Kazakhstan and the Charter to the competence of other bodies and officials of the Holding, including issues attributed to its competence by the legislation and the Charter of the Holding. The Management Board adopts preliminary decisions on issues submitted to the Board of Directors of the Holding for consideration.

The Chairman of the Management Board performs general management of activities of Baiterek NMH JSC in accordance with the legislation of the Republic of Kazakhstan, the Charter and internal documents of the Holding. The Chairman of the Management

Board organizes the fulfillment of decisions of the Sole Shareholder, the Board of Directors and the Management Board of the Holding.

The Chairman of the Management Board is appointed by the decision of the Sole Shareholder. Members of the Management Board are appointed by the decision of the Board of Directors on the proposal of the Chairman of the Management Board.

The main criterion used to assess the performance of the Chairman and members of the Management Board is the achievement of KPIs approved by the Board of Directors of the Holding. The Chairman of the Management Board submits proposals for the motivational KPIs of members of the Management Board to the Board of Directors for consideration.

Composition of the Management Board

As of December 31, 2019, the Management Board of the Holding was composed of seven members.



Aidar
Arifkhanov

Chairman of the Management Board
of Baiterek NMH JSC,
member of the Board of Directors

Date of birth: November 28, 1974

Citizenship: Republic of Kazakhstan

Education: A. Arifkhanov graduated from Kazakh State Academy of Management, Diplomatic Academy of the Ministry of Foreign Affairs of the Republic of Kazakhstan and Columbia University (USA) under Bolashak presidential program majoring in Management of Economic Politics.

Recent work experience:

- ▶ From 2011 to 2015 — Deputy Chairman of the Management Board of NAC Kazatomprom JSC, Acting Chairman of the Management Board (since March 31, 2015).
- ▶ From 2015 to 2017 — Vice Minister of National Economy of the Republic of Kazakhstan.
- ▶ From January to December 2017 — Deputy Chairman of the Management Board of Baiterek NMH JSC.
- ▶ Since December 2017 — Chairman of the Management Board of Baiterek NMH JSC.



Rustam
Karagoishin

Deputy Chairman
of the Management Board

Responsibilities: risk management, asset management, corporate finance, strategy and corporate development, analysis and research issues.

Date of birth: September 6, 1983.

Citizenship: Republic of Kazakhstan

Education: R. Karagoishin graduated from Kazakh Institute of Management, Economics and Strategic Research majoring in Accounting and the International Academy of Business with a degree of Master of Business Administration.

Recent work experience:

- ▶ From 2013 to 2015 — General Director of Sberbank Leasing LLP.
- ▶ From 2015 to 2018 — Deputy Chairman of the Management Board of KazAgroFinance JSC.
- ▶ From February to May 2019 — General Director of Grain Consortium of Kazakhstan LLP.
- ▶ Since May 3, 2019 — Deputy Chairman of the Management Board of Baiterek NMH JSC.



Anuar
Omarkhojayev

Deputy Chairman
of the Management Board

Responsibilities: issues of innovative projects development and introduction of information technologies, legal support and construction.

Date of birth: October 31, 1973.

Citizenship: Republic of Kazakhstan

Education: A. Omarkhojayev graduated from the Kazakh State Agrarian University majoring in Mechanical Engineering and Bremen Institute (Germany) majoring in Industrial Engineering.

Recent work experience:

- ▶ From 2012 to 2014 – Chief of the Secretariat of the Head of the Presidential Executive Office of the Republic of Kazakhstan.
- ▶ From April 2014 to October 3, 2016 – Deputy Head of the Prime-Minister’s Office of the Republic of Kazakhstan.
- ▶ Since October 3, 2016 – Deputy Chairman of the Management Board of Baiterek NMH JSC.



Yersain
Khamitov

Managing Director – member
of the Management Board

Responsibilities: economy, accounting and reporting, treasury issues.

Date of birth: September 5, 1983.

Citizenship: Republic of Kazakhstan

Education: Yersain Khamitov graduated from A. Baitursynov Kostanai State University with a degree of Financial Economist and Lomonosov Moscow State University majoring in Executive Master of Business Administration (EMBA)

Recent work experience:

- ▶ From 2013 to 2014 – Director of the Corporate Finance Department of Baiterek NMH JSC.
- ▶ Since 2014 – Managing Director of Baiterek NMH JSC.
- ▶ Since February 2016 – member of the Management Board of Baiterek NMH JSC.



Timur
Zhanke

Managing Director – member
of the Management Board

Responsibilities: risk and housing construction assets management.

Date of birth: December 30, 1977.

Citizenship: Republic of Kazakhstan

Education: T. Zhanke graduated from Al-Farabi Kazakh National University majoring in International Relations, Satpayev Kazakh National Technical University majoring in Development of Oil and Gas Deposits, and Maastricht School of Management, the Netherlands, with a degree of Master of Business Administration (MBA).

Recent work experience:

- ▶ From 2008 to 2014 – General Director of KazMunaiGas – Service Compass LLP.
- ▶ From 2014 to April 2019 – Deputy Akim of the Zhambyl region.
- ▶ Since 2019 – Managing Director of Baiterek NMH JSC.
- ▶ Since May 2019 – member of the Management Board of Baiterek NMH JSC.



Marat
Omarov

Managing Director – member
of the Management Board

Responsibilities: strategy, assets management, analysis and research issues.

Date of birth: September 20, 1988.

Citizenship: Republic of Kazakhstan

Education: M. Omarov graduated from the British University of York under Bolashak program and London School of Economics and Political Science (LSE) with a degree of Master of Social Sciences.

Recent work experience:

- ▶ From 2014 to 2016 – Deputy Director of the Tariff and Institutional Policies Formation Department at the Ministry of National Economy of the Republic of Kazakhstan.
- ▶ From 2016 to 2017 – Managing Director of Kazakhtelecom JSC.
- ▶ From April 2017 to May 2019 – Chairman of the Management Board of the National Agency for Technological Development JSC (after transformation QazTech Ventures JSC).
- ▶ Since 2019 – Managing Director of Baiterek NMH JSC.
- ▶ Since May 2019 – member of the Management Board of Baiterek NMH JSC.



Ainur Kumatova

Managing Director – member of the Management Board

Changes in the composition of the Management Board in 2019

In 2019, the powers of the following members of the Management Board were terminated: Yeszhan Birtanov (from March 28, 2019), Galymzhan Tajiyakov (from May 13, 2019), Nurzhan Nurlanov (from February 22, 2019).

From May 25, 2019, the following members were elected to the Management Board: Rustam Karagoishin, Timur Zhanke, Marat Omarov.

Performance Results of the Management Board in 2019

In 2019, the Management Board held 62 meetings, including 44 in-person meetings and 18 meetings in absentia. Most important issues addressed by the Management Board:

- on approval of the grading structure of Baiterek National Managing Holding JSC;
- on approval of the PR Strategy of the Holding for 2019–2023;
- on approval of the Unified Personnel Policy of the Holding;
- on approval of the Action Plan for the sustainable development of Baiterek NMH JSC for 2020;

Responsibilities: investor relations, project financing and public private partnership issues.

Date of birth: October 13, 1973

Citizenship: Republic of Kazakhstan

Education: A. Kumatova graduated from Kazakh State Academy of Management and Middlesex University (UK).

Recent work experience:

- ▶ From 2014 to 2015 – Deputy Chairman of the Management Board of NC Astana EXPO-2017 JSC.
- ▶ From 2015 to 2016 – Deputy Chairman of the Management Board for Strategy and Business Transformation of NAC Kazatomprom JSC.
- ▶ Since 2016 – Managing Director of Baiterek NMH JSC.
- ▶ Since July 2016 – member of the Management Board of Baiterek NMH JSC.

- on approval of the Action Plan for 2019 for implementation of the Digitalization Strategy of the Holding for 2018–2023;
- on submission for consideration of the Board of Directors of the issue "On submitting amendments and additions to the Corporate Governance Code of Baiterek NMH JSC for approval of the Sole Shareholder of Baiterek NMH JSC";
- on submission for consideration of the Board of Directors of Baiterek NMH JSC of the issue "On approval of the Action Plan for improving the corporate governance of Baiterek NMH JSC for 2019–2020";
- on approval of amendments and additions to the corporate governance codes of subsidiaries of the Holding;
- on making amendments and additions to the Charter of the Holding, the Borrowing Rules of the Holding, standard internal documents on the issue of internal audit in subsidiaries of Baiterek NMH JSC and others.

Attendance of members of the Management Board at meetings in 2019

Member of the Management Board	Attendance at meetings	%	Period of membership in the Management Board
Aidar Arifkhanov	61/62	98	01.01.2019–31.12.2019
Anuar Omarkhojayev	55/62	89	01.01.2019–31.12.2019
Rustam Karagoishin	28/34	82	15.05.2019–31.12.2019
Galymzhan Tajiyakov	21/24	88	01.01.2019–13.05.2019
Yersain Khamitov	54/62	87	01.01.2019–31.12.2019
Ainur Kumatova	56/62	90	01.01.2019–31.12.2019
Timur Zhanke	29/34	85	15.05.2019–31.12.2019
Marat Omarov	33/34	97	15.05.2019–31.12.2019
Nurzhan Nurlanov	9/12	75	01.01.2019–22.02.2019
Yeszhan Birtanov	13/15	87	01.01.2019–28.03.2019

Committees of the Management Board of the Holding

To prepare advisory decisions, the Management Board of the Holding operates consulting and advisory bodies – committees.

The Committee for Planning and Assessment/Budget Commission is a permanent consulting and advisory body of the Management Board of the Holding, which coordinates the business planning and budgeting process for the Holding Group.

In 2019, the Committee for Planning and Assessment held 18 meetings. The Committee addressed the proposals from administrators of budget programs and provided recommendations on the redistribution of budget funds; preliminarily considered the draft Development Plan/Annual Budget of the Holding/subsidiaries and adjustments thereto; provided recommendations to the Management Board; preliminarily considered draft KPIs for members of the Management Board of subsidiaries and adjustments thereto (in case of adjustments to the Development Plan).

The Committee for Assets and Liability Management is a permanent consulting and advisory body of the Management Board of the Holding. The aim of the Committee's activity is to develop recommendations to improve the efficiency of asset and liability management in the Holding and subsidiaries in order to observe the principles of diversification of assets and liabilities, optimize risks (financial, operational, strategic, legal), and ensure financial sustainability.

In 2019, the The Committee for Assets and Liability Management held 37 meetings. The Committee addressed issues of financial risk management in the companies of the Holding Group, financial analysis of counterparties of the Holding Group, consolidated management reporting, and gave recommendations to subsidiaries in terms of improving efficiency of asset and liability management.

The Committee for Strategy and Corporate Development is a collegial consulting and advisory body established to review and make recommendations on the strategy and corporate development of the Holding and its subsidiaries, enhance the effectiveness of implementation of the Development Strategy, improve the corporate governance system, provide analytical support and ensure sustainable development in activities of the Holding and its subsidiaries.

In 2019, the Committee on Strategy and Corporate Development held 16 meetings. The Committee addressed issues of determining approaches to forming KPIs for business units of the Holding, approaches to evaluating the activities of the Board of Directors and committees of the Holding's subsidiaries, new initiatives for the Holding's development strategy, reports on the implementation of development strategies of the Holding's subsidiaries, reports on the execution of action plans for implementing the development strategies of subsidiaries and other.

System of Remuneration to Members of the Board of Directors and the Management Board

According to the Regulations of the Board of Directors of Baiterek NMH JSC and in accordance with the procedure established by the legislation of the Republic of Kazakhstan and the Charter of Baiterek NMH JSC, independent directors who are members of the Board of Directors of Baiterek NMH JSC may be paid remuneration for the performance of their functions as members of the Board of Directors of the Holding and/or reimbursed for expenses incurred in connection with the performance of their functions as members of the Board of Directors of the Holding.

The procedure, amount and terms of payment of remuneration, reimbursement of expenses and granting of bonus payments to members of the Board of Directors, including independent directors, for the performance of their duties are established by the decision of the Sole Shareholder of the Holding.

The Chairman of the Board of Directors concludes an agreement with independent directors on behalf of the Holding, the wording of which is given in Appendix to the Regulations of the Board of Directors of the Holding, which sets out the amount and terms of remuneration and reimbursement for independent directors. If an independent director participates in half or less than half of all in-person meeting and meetings in absentia of the Board of Directors and its Committees, the remuneration is reduced,

except when an independent director is absent due to illness or being on leave at the primary place of employment.

In 2019, the remuneration for the performance of functions of members of the Board of Directors of the Holding was paid only to independent directors – members of the Board of Directors of Baiterek NMH JSC.

The system of remuneration for members of the Management Board of the Holding is regulated by the Rules for Remuneration and Performance Assessment of the Chairman and members of the Management Board of Baiterek NMH JSC. Salary rates for members of the Management Board are set by decision of the Board of Directors. Remuneration is paid on the basis of the performance results for the reporting period and its annual amount should not exceed six official salaries in accordance with the Decree of the Government of the Republic of Kazakhstan No. 1266 dated December 2, 2014. The year-end remuneration to members of the Management Board is intended to stimulate performance efficiency, has a number of restrictions on the minimum achievement of established indicators and a period of service, and is paid depending on the results of achieving strategic KPIs and the results of performance assessment by the decision of the Board of Directors.

Internal Audit Service

The mission of the Internal Audit Service of the Holding (hereinafter – the IAS), whose employees are current members of the global Institute of Internal Auditors, is to ensure and add value to the organization by conducting objective internal audits using a risk-based approach, providing recommendations and sharing knowledge. To ensure independence and fairness of the internal audit, the IAS is functioning as the Holding's body which is accountable directly to the Board of Directors, the Audit Committee of the Board of Directors, and regularly provides its progress reports to the Board of Directors and the Audit Committee.

Changes in the composition of the IAS in 2019

On October 31, 2019, a three-year term of office of the IAS expired. The Board of Directors determined by its decision dated September 19, 2019, a new term of office of the IAS from November 1, 2019, and appointed a new composition based on the results of competitive selection:

- *Head of the IAS – D. Nauanova, a certified internal auditor (CIA), MBA for the Global Energy Industry (Warwick Business School, UK), 26 years of professional experience.*
- *Internal auditor – D. Zhussupova, a degree of Master of Economics and Business obtained at Kazakh Engineering and Technical Academy, competence in the fields of information technology and information security, 17 years of professional experience.*
- *Internal auditor – A. Burabayeva, graduated from Zhezkazgan University named after O. Baikonurov majoring in Economics and Management, auditor of the Republic of Kazakhstan, professional accountant of the Republic of Kazakhstan, 17 years of professional experience, including experience in Big 4.*

In accordance with the legislative requirements of the Republic of Kazakhstan, the Charter, the Corporate Governance Code of the Holding, the Regulation on the IAS and the Rules for organization of internal audit in the Holding, the IAS is guided by the International Professional Practices Framework of Internal Auditing (IPPFIA) recommended by the global Institute of Internal Auditors.

Performance Results in 2019

In 2019, according to the IAS work plan approved by the Board of Directors, the IAS conducted comprehensive audits of the processes of investing public funds allocated from the Republican Budget and the National Fund of the Republic of Kazakhstan, the processes of ensuring the implementation of the State Program of Industrial and Innovative Development for 2015–2019, the implementation of privatization plans, the Development Strategy of Baiterek NMH JSC for 2014–2023, the remuneration system and reliability of actual KPI values of the Holding's executive body, the human resources management systems, asset management processes, investor relations, the implementation of the investment policy and coordination of activities of the Holding Group companies in the field of investments, components of the treasury system and compliance with the limits of certain types of administrative expenses. In addition, the IAS provided advisory services to a subsidiary with respect to information technology and information security.

Following the results of work completed by the IAS, 113 recommendations were given to minimize risks, improve the design of business processes, enhance the effectiveness of internal control and develop the corporate governance in the Holding. The average timeliness of implementing the approved corrective action plans based on the IAS recommendations in the reporting periods of 2019 amounted to 64%.

According to the results of the internal self-assessment of the performance results of 2019 carried out in accordance with the IPPFIA requirements, the rate of compliance of the IAS activities with the International Professional Standards of Internal Audit amounted to about 98%.

The IAS has elaborated a development plan aimed at using the opportunities for improvement, including further improvement of audit approaches and procedures, updating internal documents that regulate the internal audit activities, automation of processes and document flows of the IAS, improving interaction with the internal audit services of the Holding's subsidiaries and continuing professional development, including qualifying internal auditors as a certified internal auditor (CIA) and/or a certified information system auditor (CISA).

Plans for 2020

The IAS Audit Plan for 2020 approved by decision of the Board of Directors dated November 21, 2019, provides for the effectiveness assessment of internal control, risk management, anti-corruption and anti-fraud systems, information systems and IT infrastructure, as well as audits of planning and budgeting processes, office management and electronic document management systems, analytical and PR-activities, confirmation of the reliability of actual KPI values of the executive body and compliance with the limits of certain types of administrative expenses of the Holding. It is also planned to provide consulting services regarding the merger of the Holding's subsidiaries, formation of a balanced scorecard, cascading and decomposition of strategic key performance indicators of Baiterek NMH JSC, and various aspects in the field of information technology and information security of the Holding Group.

Corporate Ethics and Settlement of Conflicts of Interests

To prevent and resolve corporate conflicts and conflicts of interest in the Holding as well as to coordinate activities of all bodies and officials, the Board of Directors has approved the Policy for settlement of corporate conflicts and conflicts of interest. The Policy regulates the order and procedures for prejudicial settlement of conflicts as well as actions of bodies, officials and employees of the Holding within the scope of such processes.

The principles and standards of corporate ethics to be followed by the Holding's officials and employees are stipulated in the Code of Business Conduct of Baiterek NMH JSC approved by the Board of Directors of the Holding.

By decision of the Board of Directors of the Holding No. 10/19 dated October 17, 2019, amendments were made to the Code of Business Conduct of the Holding with the aim of observing the principles of meritocracy, ensuring the legality and fairness of decisions made,

and strengthening the Ombudsman institution in resolving corporate conflicts. The fundamental values set forth in the Code of Business Conduct of the Holding are responsibility, professionalism, team, honesty and social responsibility.

Compliance with the Code of Business Conduct is mandatory for all employees of the Holding, regardless of their positions.

Every year, employees of the Holding successfully undergo assessment of knowledge of provisions of the Code of Business Conduct of Baiterek NMH JSC.

Ombudsman

The Ombudsman of the Holding collects information on non-compliance with the provisions of the Holding's Code of Business Conduct, initiates consideration of disputes related to its violation and participates in the settlement of disputes.

In case of violation of any provisions of the Code of Business Conduct, employees of Baiterek NMH JSC have the right to appeal to the Ombudsman both in writing and orally. The Ombudsman, in turn, maintains records of appeals from employees, officials, business partners and stakeholders on issues of non-compliance with the provisions of the Code of Business Conduct. Within five business days, the Ombudsman provides clarifications of the provisions of the Code of Business Conduct to employees of the Holding in case of their appeal, ensuring the anonymity of an employee or official who has applied in respect of violations of the Code of Business Conduct of Baiterek NMH JSC.

As for corporate conflicts and conflicts of interest, the Ombudsman's actions are coordinated with persons responsible for resolving corporate conflicts and conflicts of interest according to the Policy for settlement of corporate conflicts and conflicts of interest of the Holding.

By decision of the Board of Directors of the Holding dated July 22, 2019, the powers of the Ombudsman of the Holding, Maira Turganova, Deputy Corporate

Secretary — Head of the Corporate Secretary Service of the Holding, were extended for two years.

In accordance with the provisions of the Corporate Governance Code of the Holding, the Activity Report of the Ombudsman of Baiterek NMH JSC for 2018 was reviewed and approved by the Personnel, Remuneration and Social Issues Committee of the Board of Directors and the Audit Committee of the Board of Directors.

In the reporting year, the Ombudsman did not receive any appeals regarding the provisions of the Code of Business Conduct and/or ethical issues that arose during the work, as well as regarding violations of the provisions of the Code of Business Conduct, internal regulations of the Holding and the laws of the Republic of Kazakhstan, including corruption and other illegal actions.

Anti-Corruption

The Holding implements the Anti-Corruption Policy, the main goal of which is to strengthen control over the prevention and detection of corruption, as well as to form a strict anti-corruption atmosphere in the Holding. Apart from the requirements of the Law of the Republic of Kazakhstan “On Combating Corruption,” the Holding has developed its own approaches to prevent corruption.

In 2019, the Holding conducted an internal analysis of corruption risks relating to the activities of its Operations Department, as a result of which no risks were identified due to the preventive measures taken to combat corruption. In particular, draft technical specifications for the procurement of IT services are agreed upon with the Compliance Service in order to exclude corruptogenic norms that can reduce the number of potential suppliers.

The Holding conducts ongoing anti-corruption monitoring by reviewing publications in the media, reports of the Internal Audit Service of the Holding and appeals from individuals and legal entities regarding anti-corruption issues.

A responsible business unit of the Holding conducts an anti-corruption examination of draft internal documents of the Holding and decisions of its governing bodies.

A register of affiliates of the Holding and its officials is kept on a permanent basis to identify, resolve and prevent conflicts of interest in the Holding.

The Holding has established and operates feedback channels (“hot line”, electronic and postal communication channels), which can be used by individuals and legal entities to report on possible or actual facts of corruption in the Holding.

Official investigations/inspections of potential facts of corruption are conducted in the Holding in order to take further measures, including sending materials to law enforcement authorities.

In 2019, the Holding checked 115 contracting parties, who have applied for participation in the procurement of goods, works and services, for the purpose of preventing conflicts of interest, and 56 contracting parties, who have applied for obtaining sponsor support, for the purpose of preventing conflicts of interest and establishing their business reputation (trustworthiness).

In order to form an anti-corruption culture across the Holding group, due attention is paid to informing and raising awareness among employees



of the Holding and its subsidiaries. According to the Code of Labour Conduct of the Holding, newly hired employees must be familiarized with the Anti-Corruption Policy of the Holding. In 2019, 21 employees were familiarized with the Anti-Corruption Policy of the Holding.

Also, according to the Rules for selection of candidates for vacancies in the Holding, candidates for administrative positions shall be tested for knowledge of the Law of the Republic of Kazakhstan “On Anti-Corruption”. In 2019, all the candidates were tested for knowledge of anti-corruption legislation.

Also, in the reporting year, a business breakfast was held with the participation of a representative of the National Security Committee of the Republic of Kazakhstan to clarify legislative norms in the field of information security. Separate training in the field of information security was held for all employees of the Holding. The Competence Center and a meeting with representatives of the Agency of the Republic of Kazakhstan for prevention of corruption offenses were organized for employees of compliance services of subsidiaries of the Holding.

In 2019, no facts of corruption and fraud were revealed in the Holding.

In 2020, the Holding and its subsidiaries will continue to work to strengthen control over the prevention and detection of corruption, as well as to form a strict anti-corruption atmosphere in the Holding.

“Hot Line”

One of the main tools to combat corruption and fraud is the “hot line” information channel. According to the Association of Certified Fraud Examiners, about 50% of fraud cases, including corruption, are detected through the “hot line” channel. The anti-corruption “hot-line” of the Holding is operated by the Compliance Service, which can receive calls around the clock. At the same time, all calls are automatically recorded and the records are sent to the Compliance Service email address. The received records are heard out, and complaints regarding corruption and fraud are transferred to the Word format and submitted to the Documentation Support Service of the Holding for registration. Subsequently, the appeals received on the “hot line” channel are reviewed in a direct manner.

In 2019, the Compliance Service of the Holding received 17 complaints from individuals and legal entities regarding procurement, labor conflicts and corruption violations. All complaints received in 2019 were processed and applicants were provided with feedback.

External Auditor

In accordance with the laws of the Republic of Kazakhstan, determination of an audit organization to audit Baiterek NMH JSC and the amount of payment for its services falls within the exclusive competence of the Board of Directors.

An external auditor of the Holding for the period of 2019–2021 is KPMG Audit LLP. The Policy for the organization of external audit in Baiterek NMH JSC does not imply the auditor rotation. In accordance with the Policy and on the basis of the international practice, an external auditor should follow the rotation principle of the project partner (who is primarily responsible for the audit), which implies rotation every five years.

According to the audit services agreement, the cost of audit services for 2019 amounted to KZZT 42,560 thous., including VAT.

If an external auditor provides non-audit services to the Holding, the Holding should review all services for the possibility of a risk/threat of a conflict of interest (a situation when the interest of an external auditor may affect its opinion regarding the reliability of financial statements), which may affect the external auditor’s independence. During 2019, an audit organization KPMG Audit LLP did not provide consulting services not related to the audit of financial statements.



05

RISK MANAGEMENT AND INTERNAL CONTROL

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Risk management in the Holding is an ongoing, dynamic and continuous process that consists of the following components: identification, assessment, control and monitoring

Components of the risk management and internal control systems

Risk management is an important component of the managerial process and an integral part of the well-established corporate governance system. The main element of the Holding's risk management process is its integration with the specifics of the organization, fundamental principles of operations, business processes and involvement of each employee into the risk management process.

The Holding applies the Risk Management Policy, which stipulates the main principles of the risk management process such as integrity, openness, structuredness, awareness, continuity and recurrence.

The purpose of the risk management process is to achieve a balance between the maximum use of opportunities and prevention of losses.

The structure of the risk management system in the Holding is composed of several levels involving the following bodies and subdivision of the Holding: the Board of Directors, the Management Board, a business unit responsible for the risk management and other business units, as well as the Internal Audit Service.

The Board of Directors plays a key role in supervising the corporate risk management system. The main functions of the Board of Directors include: setting of the long- and short-term goals of the Holding, approval of basic documents regulating risk management processes in the Holding, and review of reports on the risk management system efficiency. The Board of Directors has established the Audit

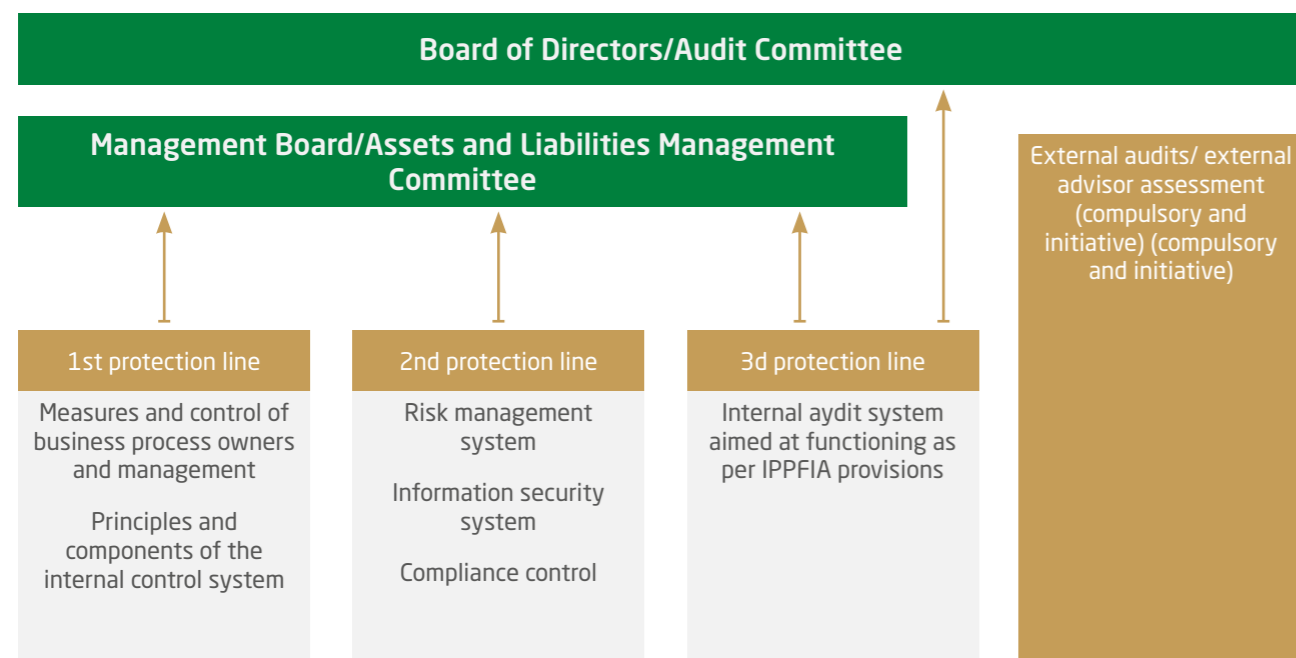
Committee, which is a consulting and advisory body providing recommendations to the Board of Directors concerning the control over financial and economic activities of the Holding, reliability and efficiency of the risk management system, execution of documents in the field of corporate governance, independence of external and internal audit.

The Management Board is responsible for the organization of an efficient risk management system and creation of a risk control structure to ensure the fulfillment and observance of the corporate policies. To ensure efficient risk management, the Management Board has established the Committee for Assets and Liability Management, which is responsible for elaborating recommendations for improving the efficiency of asset and liability management in the Holding and its subsidiaries with the aim of achieving the principles of asset and liability diversification, optimizing risks and ensuring the financial stability.

An essential component aimed at achieving the strategic goals set by the Holding and mitigating risks in achieving such goals is an effectively functioning internal control system. The organization of the internal control system in the Holding involves the formation of a management system, which should be able to promptly respond to risks, exercise control over main and auxiliary business processes and daily operations of the Holding, as well as to immediately communicate any significant deficiencies and areas for improvement to the internal control system participants at an appropriate level. The reliable and efficient operation of the internal control system requires the involvement and constant interaction of the Holding's officials and employees at all levels in the framework of internal control.

The corporate risk management and internal control system of the Holding covers all levels and activities, business processes, types of reporting/information and operations. This system is organized in accordance with generally accepted principles, rules and best practice and is presented on the model below.

The control procedures represent a documented system of measures and actions aimed at ensuring effective internal control over the fulfillment of goals, objectives and plans of the Holding, identifying and executing non-standard operations, as well as preventing, limiting and avoiding risks and possible illegal actions of officials and employees of the Holding. The control procedures are carried out at all levels of the Holding and shall be observed by the bodies, business units and employees of the Holding.



Risk management in the Holding is an ongoing, dynamic and continuous process that consists of the following components: identification, assessment, control and monitoring.

In 2019, the Board of Directors and the Management Board of the Holding on a quarterly basis considered consolidated risk reports containing a description of core risks of the Holding Group and action plans for their management, as well as monitored and updated the key risk indicators, risk register, risk map and action plans for management of critical risks.

In 2019, with the aim of developing a risk-oriented culture, training seminars on the risk management system were conducted for employees of the Holding in order to effectively identify the risks and risk types inherent in the Holding's activities, identify components and understand the principles of risk management in accordance with the COSO standards.

Plans for 2020

To ensure further improvement and development, the Holding sets the following tasks for 2020 and for the mid-term:

- *improvement of the Holding's risk culture and its integration into the Holding's corporate governance system;*
- *integration and unification of the existing risk identification and assessment approaches in the Holding Group in the field of risk management and internal control systems in accordance with the Basel and COSO concepts;*
- *automation of the risk management and internal control system as part of introducing the management reporting system in the following areas: timely risk identification, effective assessment of risks and control procedures, minimization of risks of all types and consolidation of the Holding's risk reports.*

Key risks of the Holding

During the process of key risk assessment and identification, the Holding adheres to a single standard within the framework of the centralized risk management model developed with the assistance of an external consultant. The model involves the assessment of the key types of risk (liquidity risk, market risk, credit risk, operational risk, business risk and real property risk), as well as their aggregation and assessment of sufficiency of available financial resources to cover the aggregate size of risks calculated for normal and stressed situations. The methodology of the centralized risk management system also provides for the identification of strategic risks inherent in achieving the mission and strategic key performance indicators of the Holding and is aimed at achieving the strategic goals and objectives and minimizing relevant risks.

Credit risk

The Holding is exposed to the credit risk which is the risk of financial instrument counterparty's failure to fulfil its obligations.

The purpose of the credit risk management system is to prevent the risk occurrence and reduce the probability of financial losses due to the borrower's failure to fulfill its financial obligations.

In the reporting period, the following risk management activities were implemented in the Holding:

Business processes was performed in the Holding before the risk identification process. Business processes are determined in the Holding on the basis of the following two key approaches: description and regulation of a business process. The phase-by-phase application of these approaches is aimed at comprehensive definition of the essence of any business process and its continuous monitoring in the future.

Amatrix of business processes, risks and controls for 2020 was approved. The matrix is a tool of the internal control and risk management system, which allows analyzing the core business processes of the Holding and is aimed at evaluating their risk exposure and forming control procedures to manage such risks.

Risk appetite for various components and metrics was approved. Risk appetite represents the possibility of changes in the performance results on both a short-term and long-term basis, which the Holding and its managers are ready to accept as part of their business development strategy.

The work was carried out to analyze the distribution of identical financial instruments by stages across the Holding Group in accordance with IFRS 9 in order to form a unified approach.

The credit risk management process involves the following successive steps:

- *identification – defining and documenting the credit risk factors that can have an adverse influence on the financial performance of the Holding;*
- *qualitative assessment – qualitative analysis of credit risks and defining the reasons for their occurrence in order to assess their influence on the financial performance of the Holding;*
- *quantitative assessment – quantitative analysis of the probability of credit risk occurrence and the influence of its consequences on the financial performance of the Holding;*
- *response – defining the procedures and methods for mitigation of adverse credit risk consequences;*
- *monitoring and control of exposure – monitoring of the credit risk and execution of procedures for its timely management; evaluation of the efficiency of measures undertaken to minimize the Holding's exposure to credit risks.*

The Holding and its subsidiaries pay special attention to the credit risk and determine the credit risk level on a regular basis by setting maximum limits per one borrower and/or a group of related borrowers. In setting limits, the Holding uses the minimum credit ratings of its counterparties assigned by international rating agencies and evaluates the financial circumstances based on the available information disclosed in financial statements. Monitoring and control over this type of risk is carried out on a consolidated basis by the authorized body of the Holding.

Liquidity risk

The liquidity risk occurs when the maturity dates of assets and liabilities do not coincide, which, in turn, affects the Holding having sufficient liquid funds at reasonable price to timely respond to its balance and off-balance sheet commitments.

The Holding manages the liquidity with the aim of ensuring the constant availability of funds necessary to repay all of its obligations as they fall due.

The liquidity management procedures of the Holding include:

- *cash flow projection and calculating the required level of liquid assets;*
- *support of a diversified structure of financing sources;*

- *management of the concentration and structure of borrowed funds;*
- *development of debt financing plans;*
- *maintenance of highly liquid asset portfolio, which can be freely used as a protective measure in case of a cash liquidity gap;*
- *development of reserve plans to maintain liquidity and a given level of funding;*
- *control over compliance of the Holding Group's balance-sheet liquidity ratios with statutory standards.*

Market risk

The Holding is exposed to the market risk associated with open positions in currency, interest and other financial instruments that are exposed to the risk of general and specific market changes.

The purpose of the market risk management systems is to maintain the aggregate risk assumed by the Holding at the level consistent with its own strategic objectives. The priority is to ensure the maximum safeguard of assets and equity of the Holding through the minimization of the level of exposure to market risks that can lead to unexpected financial losses.

The market risk management process involves the following successive steps:

- *management planning – identification of the relevant approaches for effective management of market risk exposure;*
- *identification – defining and documenting the types of exposure to market risks that can have an adverse influence on the financial performance of the Holding;*
- *qualitative assessment – qualitative analysis of market risks and identification of the reasons for their occurrence in order to assess their influence on the financial performance of the Holding;*
- *quantitative assessment – quantitative analysis of the probability of market risk occurrence and the influence of their consequences;*
- *response planning – defining the procedures and methods for mitigation of adverse market risk consequences;*
- *monitoring and control of exposure – monitoring of market risks and implementation of procedures for their timely management; evaluation of efficiency of measures undertaken to minimize market risk exposure.*

Operational risk

The Holding is exposed to the operational risk of losses resulting from inadequate or erroneous internal processes, functioning of systems and actions of employees, as well as losses resulting from the occurrence of external events.

The aim of operational risk management is to optimize the Holding's operating efficiency by reducing operating losses, optimizing costs, decreasing time and improving the adequacy of response to events that are beyond the control.

The Holding manages the operational risk using the following tools:

- *classification of events related to the category of operational risks by filling in a log of operational risk events with the involvement of a responsible business unit, which provides recommendations for operational risk management for each particular event;*
- *calculation of the capital reserve for operational risk, including the comparison of actual losses resulting from the occurrence of operational risks;*
- *monitoring of reporting on operational risks;*
- *ensuring business continuity management at the proper level.*

The results of monitoring of the operational risk level are communicated to the relevant collegial bodies.



2,538

PEOPLE

the average number of employees of the Holding Group

112

PEOPLE

are enrolled in the personnel reserve of the Holding Group

80%

the level of the Holding Group's staff involvement

63,4%

the share of local content in the volume of purchases for the Holding Group

06

SUSTAINABLE DEVELOPMENT ACTIVITIES

Implementation of the principles and initiatives of sustainable development in the activities of the Holding and its subsidiaries is a top priority for achieving the goals set in the strategy "Kazakhstan-2050". As part of its activities, the Holding strives to follow the principles of sustainable development laid down in the Holding's corporate governance Code, as well as international initiatives in this area: the principles of UN Global Compact, the UN Principles for Responsible Investment, and the Equator Principles.

The Holding has identified initiatives in the field of sustainable development that correspond to the practices of international development institutions and national priorities.

The Holding and its subsidiaries have approved sustainable development policies. On an annual basis, the Holding develops measures in the field of sustainable development, which are included in the motivation system of the Holding's management.

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Sustainable development management system

Baiterek Holding, as a key financial development institution of the Government of the Republic of Kazakhstan, recognizes the importance of its influence on the environment (as broadly understood) and strives to keep a balance of interests of all stakeholders.

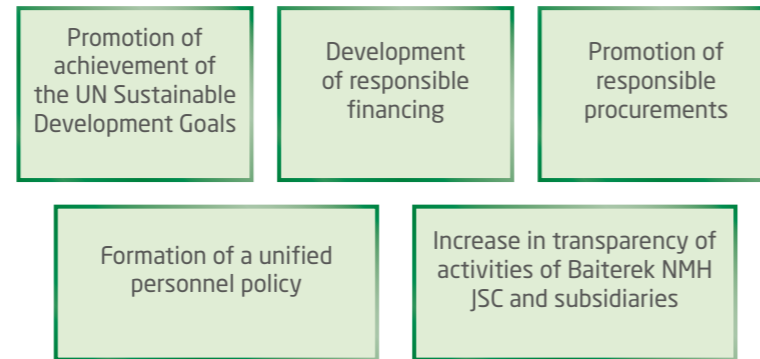
The Sustainable Development Policy of the Holding includes a number of principles and obligations followed by the Holding in its relations with stakeholders and in the course of assessment and management of the impact on the national economy, social sphere and ecology.

In the course of its activities, the Holding ensures the consistency between the economic, environmental and social goals, including: growth of investments in the creation and development of more advanced technologies; growth of the manufacturing industry; increase in export of non-resource industries; enhancement of labor productivity; creation of new jobs; optimal use of limited resources; ensuring transparent competitive procedures and equal opportunities for employment; ensuring occupational and health safety for workers, etc.

In carrying out its activities, the Holding adheres to the following principles of sustainable development as set forth in the Corporate Governance Code of the Holding: openness, accountability, transparency, ethical behavior, observance of stakeholders' interests, legality, respect for human rights, intolerance to corruption, and avoidance of conflict of interests. In the course of its activities, the Holding also adheres to the principles of the UN Global Compact in the field of human rights, labor relations, environmental protection and fight against corruption. In more detail, the goals, objectives and principles are set forth in the Sustainable Development Policy.

Sustainable development management is a strategic line of activity of the Holding. The implementation of the principles and initiatives of sustainable development in the activities of the Holding and its subsidiaries is the highest priority in achieving the goals set forth in the Kazakhstan-2050 Strategy. In this regard, the Holding identified priorities in the field of sustainable development, which were revealed as a result of analysis of activities of similar international development institutions and state priorities.

Priority areas of the Holding's activities in the field of sustainable development



Holding, the KPI "Ensuring Sustainable Development of the Holding" was included in the motivation system of the Holding's top managers. At year-end 2019, the KPIs of members of the Management Board were implemented in full.

Heads of respective business units of the Holding bear personal responsibility for the implementation of measures and achievement of KPIs in the field of sustainable development within the framework of their competencies.

The main department responsible for coordination of sustainable development issues of the Holding is the Department for Strategy and Corporate Development, which performs the following work:

- *planning of activities in the field of sustainable development,*
- *coordination of activities of business units of the Holding in the field of sustainable development,*
- *preparation of a report on the implementation of the action plan and KPIs in the field of sustainable development,*
- *preparation of the annual report of the Holding, including a sustainable development section,*
- *interaction with the Holding's subsidiaries and international organizations on issues relating to sustainable development.*

Officials of the Holding and its subsidiaries adhere to the principles of sustainable development when performing their activities and duties, and contribute to the involvement of all employees. Special attention is paid to advanced training in the field of implementation of sustainable development in the Holding. Thus, in 2019, the Holding held round-table discussions on sustainable development issues with the participation of employees of the Holding and its subsidiaries.

Organizational structure of sustainable development management

Management of sustainable development in the Holding is carried out as part of the general corporate governance system and is an integral part thereof.

The Strategic Planning Committee of the Holding previously included the consideration of sustainable development issues in the circle of its competence. On an annual basis, a report on the sustainable development of the Holding over the past year is submitted to the Committee for consideration.

The Management Board of the Holding ensures the formation and introduction of a proper sustainable development management system, and also approves an appropriate action plan in the field of sustainable development.

By decision of the Personnel, Remuneration and Social Issues Committee of the

Key events in the field of sustainable development of the Holding in 2019

In 2019, the Holding was assigned for the first time a sustainable development rating (ESG rating). This rating implies an assessment of the organization's activities in the following three key segments of sustainable development: ecology, society, corporate governance (ESG principles).

In 2019, the ESG rating was assigned to the Holding at 'D+' level, which corresponds to an average value among similar development institutions (the highest rating was assigned to the Asian Development Bank at 'B' level).

Based on the assessment results, experts of the international rating agency affirmed the Holding's commitment to the principles of social responsibility, corporate governance and business ethics (ESG). The need to consider the environmental principles in the framework of project activities, including environmental risk management, was noted by experts as an area for development. In general, assignment of the ESG rating indicates the Holding's success in integrating the ESG principles into the strategy and business processes of the Holding, as well as in improving the quality of disclosure of information about its activities to stakeholders.

In the reporting year, the Holding conducted a comparative analysis of activities of leading development institutions in the field of sustainable development, as well as an analysis of the key global trends in this area among financial organizations. On the basis of the analysis results, the Holding elaborated sustainable development initiatives, which were included in the draft Development Strategy of the Holding for 2014–2023. The draft of the updated Strategy also includes the Holding's KPI in the field of sustainable development – ESG rating. The goal by the year 2023 is to increase the rating by 2 points to the reference value.

To ensure the successful sustainable development and solving common problems, partnership relations should be arranged both within and outside the country. In 2018, the Holding took part in the development of principles of the International Finance Corporation (hereinafter – the IFC) on managing the social and environmental impacts of funded projects "Investing for Impact": Operating Principles for Impact Management" (hereinafter – the principles of impact investment) based on such initiatives as the Equator Principles and the UN Principles for Responsible Investment. The aim of the principles of impact investment is to ensure a comprehensive assessment of the funded project impact on the environment and society, as well as to manage potential negative consequences of the project. In April 2019, the Holding took part in the official launch of these principles during the spring meetings of the World Bank Group and the International Monetary Fund held in Washington. In order

to meet the requirements of the initiative and ensure further accession, the Holding is planning to develop in 2020 the IFC environmental and social requirements and adapt them to the procedures for project selection in the Holding and its subsidiaries.

By the reporting year, the Holding had already performed work to incorporate ESG factors into the investment process, which were formalized in the Investment Policy of the Holding. In the framework of the Policy, a tool was introduced to prioritize potential projects – the Development Index, which makes it possible to highlight the most significant socio-economic projects that can promote and influence the development of the country.

In 2019, a collaborative work was initiated between the AIFC and the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan to determine the criteria for "green" projects and priority "green" industries. The Holding intends to use the developed criteria for the potential issue of "green" bonds in the future.

With the aim of carrying out systematic work to implement the principles of sustainable development across the Holding Group, sustainable development policies were approved in 11 subsidiaries of the Holding. To monitor and control the implementation of the policies, subsidiaries develop and approve action plans in the field of sustainable development.

The Holding is actively working to increase the transparency of information disclosed, which is confirmed by external experts. Thus, according to the results of the IX Annual Report Competition held by QRA, the largest rating agency, the annual report of Baiterek Holding for 2018 was ranked second in the "Best Annual Report in the Financial Sector" nomination. In the overall rating of Kazakhstan's annual reports, the annual report of the Holding has risen by 73 positions – from the 82nd position in 2017 to 9th position in 2019. In particular, experts note that the quality of information disclosure for a wide range of stakeholders has improved.

Plans for 2020

With the aim of increasing the ESG rating, the Holding has developed a sustainable development action plan for 2020, which includes the following activities:

- *determination of the criteria of "green" projects for the potential issue of "green" bonds;*
- *development of environmental and social requirements, as well as procedures for applying such requirements as part of providing financial support to meet the requirements of international investors;*
- *holding of the Competence Center with the participation of international financial organizations/AIFC to determine the criteria of "green" projects;*
- *conduct of training in the area of sustainable development/ implementation of ESG standards for members of the Management Board and employees of the Holding, etc.*

Contribution of the Holding to the achievement of the UN Sustainable Development Goals

The Holding's management supports the 17 Sustainable Development Goals (hereinafter – the SDGs) adopted by the UN General Assembly in 2015 for the purpose of eradicating poverty, preserving the resources of the planet and ensuring universal well-being.

The Holding assists in achieving the SDGs through the application of responsible approaches to its activities. Thus, during the formation of the project portfolio, the Holding gives priority to projects that comply with the SDGs and have a significant impact on the sustainable socio-economic development of the Republic of Kazakhstan, including projects that promote:

- *comprehensive and sustainable industrialization;*
- *openness, safety, resilience and environmental sustainability of cities and settlements;*
- *diversification of the economy of the Republic of Kazakhstan and individual regions/cities.*

In the reporting year, the Holding took part in round-table discussions and seminars organized by the UN to promote the SDGs in Kazakhstan.



Objectives of the Holding in achieving the UN Sustainable Development Goals

UN Sustainable Development Goals	Activities of the Holding
SDG 3: Ensuring a healthy lifestyle and promoting well-being	support of projects aimed at maintaining public health and promoting a healthy lifestyle; creation of safe working conditions for employees.
SDG 4: Ensuring comprehensive and quality education, promoting opportunities for lifelong learning	provision of non-financial support to entrepreneurs, including the organization of training programs; implementation of internal training programs; support of charitable educational projects
SDG 5: Ensuring gender equality and empowerment of all women and girls	creation of equal working conditions and career opportunities; ensuring an equal system of performance appraisal and remuneration.
SDG 8: Promoting progressive, inclusive and sustainable economic growth, full and productive employment and decent work	support of large businesses and development of SMEs by providing financial instruments of the Holding; implementation of initiatives aimed at increasing customer focus;
SDG 9: Creation of sustainable infrastructure, promotion of industrialization and innovations	support of projects aimed at increasing labor productivity in the manufacturing industry; promoting domestic producers of non-resource goods and service providers in foreign markets and enhancing their competitiveness; support of housing construction; development of technological entrepreneurship and private equity infrastructure.
SDG 10: Reducing inequality within and between countries	development of products for young people and first-time entrepreneurs; development of products for socially vulnerable populations; provision of support to people with disabilities in the regions of the Holding's operations through the implementation of charity projects.
SDG 11: Ensuring openness, safety, resilience and environmental sustainability of cities and settlements	support of major infrastructure and industrial projects; comprehensive support of SMEs.
SDG 12: Ensuring a transition to rational patterns of consumption and production	support of "green" projects; use of resource-saving technologies in the office of the Holding; responsible consumption of resources.
SDG 16: Promoting the formation of a peaceful and open society to ensure sustainable development, providing access to justice for all people and creating effective and accountable institutions extensive participation at all levels	implementation of state programs aimed at the socio-economic development of the country; participation in the development and updating of regulatory documents that affect the interests of the Holding.
SDG 17: Strengthening the means of implementation and activation of work as part of the global partnership to ensure sustainable development	cooperation with international institutions and financial organizations on issues relating to sustainable development; participation in conferences, forums, round-table discussions for the promotion of the SDGs in Kazakhstan.

Stakeholder engagement

The Holding pays great attention to the establishment of effective and balanced relationships with all stakeholders.

In identifying stakeholders, the Holding and its subsidiaries apply relevant international standards. The Stakeholder Map approved by the Holding determines the list of key stakeholders and the degree of their influence. The Stakeholder Map makes it possible to systematize and visualize information about the environment of the Holding and its subsidiaries for the purpose of elaborating an adequate strategy of working with each of the stakeholders.

Identification of stakeholders and interaction with them is one of the tools used to improve the business reputation and capitalization of the company and to establish effective and balanced relations with all stakeholders.

Stakeholder engagement is achieved by observing the following three principles:

- 1. Significance.** The Holding clearly identifies its stakeholders and is aware of their essential interests.
- 2. Completeness.** In the course of its activities, the Holding pays attention to stakeholders' concerns, namely, the Holding appreciates their views, needs and expected results of activities, as well as opinions on significant issues.
- 3. Response.** The Holding consistently responds to all significant issues of stakeholders.

In assessing the significance of stakeholders, the Holding ranks the stakeholders by two factors: a degree of support/counteraction of a stakeholder and assessment of the strength of stakeholders' influence on the Holding. Based on the assessment of stakeholders' significance, business units of the Holding determine areas of interaction with stakeholders depending on a specific nature of activities.

The main forms of stakeholder engagement are: joint programs and projects, memoranda of cooperation, joint working groups, performance reporting, meetings, publications, interviews, etc.

The process of organizing the interaction between the Holding and stakeholders is based on the principle of engagement, which involves consideration of stakeholders' interests at all stages of managing the Holding's activities and involvement of stakeholders in the discussion of significant topics and important issues, potential risks and limits of responsibility.

To organize management of stakeholder relations, the Holding focuses its activities on the following basic principles:

- *respect for and consideration of interests of all stakeholders;*
- *commitment to actively inform target audiences about activities of the Holding;*
- *ensuring objectivity, reliability, independence and a high level of information transparency in terms of implementation of state programs, certain internal procedures (procurement, competitive selection among external candidates for employment, provision of financial and non-financial services), as well as the use of financial resources;*
- *ensuring open and efficient collaboration with all stakeholders;*
- *fulfillment of assumed obligations to stakeholders;*
- *provision of feedback from stakeholders on a regular basis.*

Main groups of stakeholders and stakeholder engagement methods

Groups	Engagement mechanisms	Interests	Response
Sole Shareholder	<ul style="list-style-type: none"> • Holding of meetings of the Board of Directors and its committees • Execution of orders of the Sole Shareholder • Participation in the development and updating of regulatory documents that affect the interests of the Holding. • Preparation of responses to incoming requests. • Publication of financial statements and annual reports on the Holding's website, as well as disclosure of other information in accordance with legislation, listing requirements and best practices. 	<ul style="list-style-type: none"> • Observance of the interests of the Holding's Sole Shareholder, • Effective implementation of state programs. 	<ul style="list-style-type: none"> • Ensuring the enforcement of the Sole Shareholder's rights pursuant to the principles of corporate governance. • Provision of reliable information on the results of financial and economic performance. • Implementation of the Development Strategy of the Holding • Implementation of state programs and monitoring of the results.
Personnel	<ul style="list-style-type: none"> • Operation of the "hot line" channel to receive appeals • Operation of internal communication channels • Assessment of the employee engagement level 	<ul style="list-style-type: none"> • Implementation of the provisions of employment contracts • Organization and implementation of training programs • Qualitative labour relations with the employer. 	<ul style="list-style-type: none"> • Implementation of an open, transparent HR policy aimed at forming highly qualified and motivated staff. • Providing all the employees with equal opportunities to realize their potential in the working process; ensuring impartial and fair evaluation of employees' performance results, selection and career growth of employees solely on the basis of their professional abilities, knowledge and skills. • Introduction of the Ombudsman Institute
Subsidiaries	<ul style="list-style-type: none"> • Participation in the management bodies of the Holding • Review of reports on the strategy implementation, action plans for the implementation of the strategy, development plans, annual reports and other materials as part of the meetings of the Board of Directors in subsidiaries • Holding of "round-table" discussions/ centers of competencies with Boards of Directors 	<ul style="list-style-type: none"> • Observance of interests of shareholders/ participants 	<ul style="list-style-type: none"> • Enforcement by the Holding of its rights as a shareholder/participant of a subsidiary.

Groups	Engagement mechanisms	Interests	Response
State bodies	<ul style="list-style-type: none"> Consideration of program documents, draft normative legal documents that affect the interests of the Holding. 	<ul style="list-style-type: none"> Legal compliance 	<ul style="list-style-type: none"> Participation in working groups, forums, conferences. Coordination of core activities of the Holding. Strict compliance with the laws
Clients, consumers	<ul style="list-style-type: none"> Provision of feedback through the Question-Answer mechanism, personal blog of the Chairman of the Management Board of the Holding Assessment of confidence in activities of the Holding Publications in the media, on the Holding's website 	<ul style="list-style-type: none"> Compliance with commercial agreements Social interests 	<ul style="list-style-type: none"> Ensuring compliance with the expectations of consumers of financial/non-financial products and services of the Holding and subsidiaries. Conclusion of contracts, control over their fulfillment. Development of socially oriented services
Suppliers	<ul style="list-style-type: none"> Procurement and conclusion of contracts for the purchase of goods, works and services Provision of feedback through the Question-Answer mechanism, personal blog of the Chairman of the Management Board of the Holding Operation of the "hot line" channel to receive appeals Assessment of confidence in activities of the Holding 	<ul style="list-style-type: none"> Transparent procurement system, Compliance with commercial agreements 	<ul style="list-style-type: none"> Conclusion of contracts, control over implementation of contractual relations. Ensuring a transparent and efficient procurement system. Preventive anti-corruption measures.
Investors	<ul style="list-style-type: none"> Holding of meetings with representatives of foreign organizations Holding of meetings with representatives of foreign organizations Participation in forums, conferences, exhibitions, including as part of visits of the Head of State of the Republic of Kazakhstan, the Prime Minister and Deputy Prime Ministers of the Republic of Kazakhstan Publication of financial statements and annual reports on the website of the Holding 	<ul style="list-style-type: none"> Strong financial position Sustainable development 	<ul style="list-style-type: none"> Implementation of the ESG principles in activities of the Holding and its subsidiaries. Effective financial management. Obtaining credit ratings, ESG rating.

Groups	Engagement mechanisms	Interests	Response
Partners	<ul style="list-style-type: none"> Holding of negotiations and meetings with partners Conclusion of agreements and memoranda of cooperation Publication of financial statements and annual reports on the website of the Holding Assessment of confidence in activities of the Holding 	<ul style="list-style-type: none"> Commercial interests 	<ul style="list-style-type: none"> Mutually beneficial cooperation, improvement and automation of business and technological processes. Conclusion of contracts, control over implementation of contractual relations.
Financial institutions	<ul style="list-style-type: none"> Holding of negotiations and meetings with representatives of financial institutions and rating agencies Conclusion of service agreements Publication of financial statements and annual reports on the website of the Holding 	<ul style="list-style-type: none"> Placement of free cash on deposit accounts, maintenance of special accounts. 	<ul style="list-style-type: none"> Conclusion of contracts, control over implementation of contractual relations. Improving financial performance.
Mass media	<ul style="list-style-type: none"> Development of annual media plans and monthly event media plans Holding of press conferences and meetings with information recipients Publication of information on the Holding's operations in the media, the Internet, on the Holding's website at: www.baiterek.gov.kz and on the official social media pages of the Holding 	<ul style="list-style-type: none"> Publications and informing about the Holding's activities 	<ul style="list-style-type: none"> Organization of information activities through: implementation of PR-programs; communication of strengths and opportunities of the Holding to the target audience; creation of a positive public opinion; ensuring transparency of the Holding's activities through reliable, regular, continuous and timely disclosure of information; maintenance of the Holding's brand recognition; public presentation of the results of the Holding's core activities.

Groups	Engagement mechanisms	Interests	Response
Population	<ul style="list-style-type: none"> Provision of feedback through the Question-Answer mechanism, personal blog of the Chairman of the Management Board of the Holding Operation of the "hot line" channel to receive appeals Publication of information about the Holding's activities in the media Assessment of confidence in activities of the Holding 	<ul style="list-style-type: none"> Transparency of the Holding's activities Observance of public interests Provision of socially-oriented support tools as part of state programs and programs of subsidiaries 	<ul style="list-style-type: none"> Reputation audit, public opinion polls, implementation of the PR strategy. Publication of financial and non-financial reporting on activities of the Holding. Demonstration of practical commitment to the principles of social responsibility, transparent activities and sustainable development. Commitment to generally accepted moral and ethical standards.
	<ul style="list-style-type: none"> Implementation of social projects Participation in joint activities Provision of feedback through the Question-Answer mechanism and personal blog of the Chairman of the Management Board of the Holding Operation of the "hot line" for appeals Publication of information about the Holding's activities in the media 	<ul style="list-style-type: none"> Implementation of public projects 	<ul style="list-style-type: none"> Compliance with legislative requirements, provision of charity and sponsor support. Mutual agreement on general issues. Implementation of joint activities with associations and unions.
Public organizations	<ul style="list-style-type: none"> Implementation of social projects Participation in joint activities Provision of feedback through the Question-Answer mechanism and personal blog of the Chairman of the Management Board of the Holding Operation of the "hot line" for appeals Publication of information about the Holding's activities in the media 	<ul style="list-style-type: none"> Implementation of public projects 	<ul style="list-style-type: none"> Compliance with legislative requirements, provision of charity and sponsor support. Mutual agreement on general issues. Implementation of joint activities with associations and unions.

Information Policy

Information work in the Holding and its subsidiaries is carried out in the framework of the PR Strategy of the Holding for 2019–2023. The PR strategy defines common standards of the Holding's communication policy.

The Holding discloses information through its distribution in the following ways:

- providing access to information (documents) to information recipients in the manner prescribed by the Law, the Charter of the Holding, the Information Disclosure Policy and other internal documents of the Holding;

- publishing in the media;
- posting on the Holding's website at: www.baiterek.gov.kz and on the official Holding's accounts on Facebook, Instagram, Twitter, YouTube, Telegram;
- posting on internal resources of the Holding;
- holding press conferences and meetings with information recipients, as well as other methods stipulated by the legislation of the Republic of Kazakhstan and documents of the Holding.

The Holding develops an annual media plan, which is approved by the Management Board. Besides, a media plan of newsworthy events of the Holding Group is prepared on a monthly basis and approved by the Chairman of the Holding's Management Board with subsequent submission of a report on its execution.

In 2019, the following work was carried out:

- media coverage of 112 events of the Holding;
- preparation of 105 press releases and 58 interviews (including with the participation of the Chairman of the Management Board – 26, members of the Management Board – 17);
- development of 20 thematic infographics in the state and Russian languages;
- preparation of 4 special reports for the broadcast on Atameken Business TV channel;
- creation of 3 presentation video clips for the rotation on republican television channels.

Also, the Holding actively distributes information on its activities on social networks. In 2019, 863 materials of various formats were published on the Holding's accounts: information messages, infographics, videos, reviews, reprints of the most important articles about the Holding. Also, new sections were opened: "Quotes" and "Main Figures".

Increasing the Confidence in Activities of the Holding

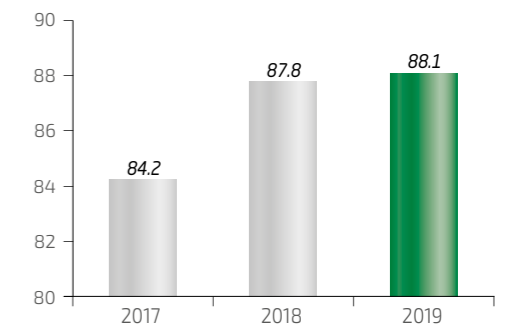
The high-quality implementation of the media plan in 2019 had a positive impact and increased the level of confidence in activities of Baiterek NMH JSC. In 2019, Standard Expo LLP conducted a study to assess the level of confidence in activities of the Holding with the main purpose of determining the level of target groups' awareness about the Holding's activities. According to the study results, the integral index of confidence in the Holding's activities among all target groups in 2019 increased by 3% compared to 2018 and amounted to 88.1%.

To increase the level of confidence in the Holding's activities, 12 meetings with press secretaries of subsidiaries were held in 2019, at which topical issues of information work in the framework of the PR Strategy were discussed.

In particular, a public feedback mechanism was provided in the "Questions and Answers" section of the Holding's website (<https://www.baiterek.gov.kz/ru/vopros-otvet>), where 24 public appeals were received in 2019, the answers to which were promptly provided by the core Holding JVs and posted on the Holding's website. In addition, since October 2019, a personal blog of the Chairman of the Management Board of the Holding has been functioning on the e-Government portal. From October 7 to December 31, 2019, 13 appeals were received via the blog for consideration. They were examined and answered in a timely manner. Also, in order to clarify the main areas of the Holding's activities, in November 2019, the "Frequently Asked Questions" section was created on the website.

Last year, work was carried out to monitor the content of the Holding's website and to increase the efficiency of presenting information materials, as a result of which the website structure will be improved.

Holding Confidence Index, %



Plans for 2020

The media plan of the Holding for 2020 includes information support of the Holding's events, information about the Holding, as well as events involving the Holding's management (briefings and interviews).

In addition, the Management Board of the Holding approved the Plan for further increasing the level of confidence in the Holding's activities among the target groups for 2020, which provides for a number of measures to strengthen and improve the system communication with the Sole Shareholder, subsidiaries and target groups. These include:

- forming and implementing media plans of the Holding and its subsidiaries;
- informing the Sole Shareholder about the implementation of state programs and posting this information on the Holding's website;
- organization and conduct of a press tour involving deputies of the Parliament of the Republic of Kazakhstan to enterprises supported by the Holding;
- organization of an informal meeting of the Holding's management with chief editors and leading media journalists.
- coverage of the Holding's activities through social networks, etc.

Main areas of the Personnel Policy:

- **Strategic HR.** Development of a strategic HR function through the creation of the institution of HR business partners and their active involvement in the development of the organization's business
- **Change management.** Provision of assistance to the management in preparing the staff for changes, managing resistance, and training in the required area of knowledge and skills
- **Employer brand.** Development of HR brand through the brand promotion among the target audience and regular assessment of brand recognition
- **Corporate culture.** Determination of the target corporate culture, adjustment of the key HR processes to maintain the culture, active promotion of corporate values and desired standards of working behavior.
- **Internal communications.** Development of internal communication channels through the creation of sufficient feedback channels between all employees of the organization. Assessment of the employee engagement level
- **Automation and analytics.** Optimization of business processes. Application of a modern software to ensure the maximum automation of routine processes, introduction of "personal account" tools, creation of chat bots, dashboards and other automatic tools. Enhancement of the HR analytics functions through the provision of regular reports to executive officers and other stakeholders, as well as analysis of the current HR trends.
- **Optimization of routine processes.** Reducing the volume of operations and considering the possibility of creating a General Service Center (own center or as part of external similar centers)

Human Resource Management

In 2019, the Management Board of Baiterek NMH JSC approved by its decision the Unified Personnel Policy of the Holding – a corporate standard regulating the effective management of human resources both in the Central Office of the Holding and in subsidiaries. The document provides for significant changes in the personnel management processes in such areas as professional development and certification of employees, construction and promotion of an employer's brand, and value management.

In pursuance of its Development Strategy, Baiterek NMH JSC strives to ensure the formation of a sustainable human capital as one of the competitive advantages of the Holding and its subsidiaries.

Personnel Structure

In 2019, an average headcount of the Holding Group increased by 4% compared to the previous year and amounted to 2,538 people. An average headcount of the Central Office also increased by 7% up to 123 people. The staff turnover rate in the Central Office in 2019 was equal to 4.9%, in the Holding Group – 9.7%.

Average headcount trend

	2017	2018	2019
Central office, persons	106	115	123
Holding Group, persons	2,507	2,431	2,538

Average headcount across the Holding Group in 2019

	2019
Total for the Holding Group, persons, including:	2,538
Central Office	123
DBK JSC	298
Damu Fund JSC	362
KCM JSC	37
MO KMC JSC	184
EIC KazakhExport JSC	81
BD JSC	69
QTV JSC	78
HGF JSC	42
HCSBK JSC	1,178
IFK JSC	67
KPPF JSC	19

Central Office staff turnover by age and gender

	Gender groups		Age groups		
	Men	Women	Up to 30 years	30–50 years	Over 50 years
Central Office, persons	19	6	2	23	0

Staff turnover across the Holding Group in 2019, %

	2019
Overall indicator	9.7
Central Office	4.9
DBK JSC	9.3
DBK JSC	13.2
KCM JSC	0
MO KMC JSC	7.7
EIC KazakhExport JSC	19.7
BD JSC	0
QTV JSC	45
HGF JSC	7.3
HCSBK JSC	9.1
IFK JSC	0
KPPF JSC	0

The Holding avoids discrimination on any social grounds and provides equal career opportunities for all employees. In particular, this is confirmed by the personnel gender structure both in the Holding Group and in the Central Office.

Most of the Holding's staff are employees aged from 30 to 50 years. In 2019, an average age of the staff was 37 years old in the Central Office and 38 years old across the Holding Group.

Central Office personnel structure by gender and age in 2019

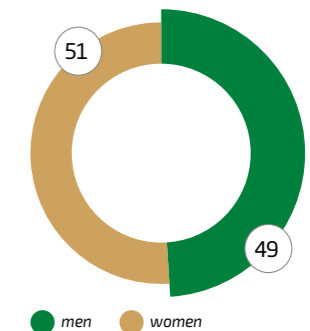
	Up to 30 years	30–50 years	Over 50 years
Men, persons	14	42	1
Women, persons	12	49	5
Total average headcount, persons	26	91	6

Composition of governing bodies of the Central Office in 2019

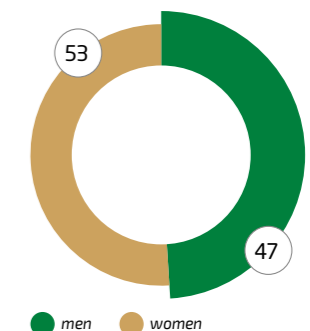
	30–50 years		Over 50 years	
	Men	Women	Men	Women
Board of Directors, persons	5	–	5	–
Management Board, persons	6	1	–	–

Personnel gender structure in 2019

Holding Group



Central Office



In the reporting period, 73% of employees worked on the basis of a permanent employment contract, 27% of employees had a temporary contract (for a fixed term), and the share of full-time employees was 100%.

Staff recruitment

Baiterek NMH JSC applies a three-stage procedure for personnel selection. In case of vacant positions, first of all, candidates from the Unified Talent Pool of the Group of Baiterek NMH JSC are considered. At the next stage, internal candidates are considered. This group includes employees of the Central Office of the Holding and its subsidiaries, as well as employees of the outsourcing sector. In the event that there are no suitable candidates in these two groups, the search for external candidates is announced. Thus, the Holding has established the priority of internal selection

with the aim of retaining key specialists and motivating employees for long-term work in the Holding Group.

Information on searching for external candidates is mandatorily published on the website of Baiterek NMH JSC, on Telegram channel with notification of subscribers, and applications are accepted via e-mail or by registering on the Digital Baiterek platform.

In 2019, no cases of employment discrimination were reported in the Central Office.

Talent management

In 2019, the Holding carried out work to select talented employees to the Unified Talent Pool of the Group of Baiterek NMH JSC. The talent pool allows quick searching for candidates for the key vacancies and ensures the effectiveness of personnel costs, accelerated adaptation to a new role, maintaining the succession, motivation and retention of key specialists.

According to the competition results, succession pool members were selected among employees of Baiterek NMH JSC and its subsidiaries in three categories: Top 100 (future heads of business units), Top 50 (future managing directors and members of the Management Board) and Top 20 (executives who are ready for appointment in the short term).

In 2019, 112 people were enrolled in the talent pool of the Holding Group. The Holding performed work to increase qualifications of succession pool members through the use of training, mentoring, secondment, rotation and practical training programs. In particular, 16 employees across the group of companies, who were included in the Top 20, Top 50 and Top 100 groups of the Unified Talent Pool, started training under modular academic programs (MBA and Master's programs). Also, succession pool members completed training under the MiniMBA Leadership Program at Nazarbayev

University and under the "green" financing program arranged in conjunction with the Asian Development Bank. In December 2019, an international internship was organized in cooperation with Enterprise Singapore for 10 succession pool members from the Top 20 group.

The concept of the Unified Talent Pool promoted the movement of 8 succession pool members in the career hierarchy in 2019.

Employees hired for the Central Office in 2019 by age and gender

	Total	Up to 30 years	30–50 years	Over 50 years
Total number of hired employees, persons	25	5	19	1
Men, persons	10	1	9	–
Women, persons	15	4	10	1

Number of employees enrolled in the Unified Talent Pool of the Holding Group in 2019

	Employees (Top 100)	Heads of business units (Top 50)	Managers (Top 20)
Number of employees	53	39	20

Training and professional development

Personnel training and professional development is provided to update and obtain additional theoretical and practical knowledge, abilities, competencies and skills in the field of professional and managerial activities of employees to ensure effective execution of their duties and tasks determined in accordance with the Development Strategy of the Holding. Organization of training and professional development for employees of the Holding is based on the following principles:

- compliance of the topic and contents of training events with the needs determined in accordance with official duties of an employee, his/her performance results, the goals and objectives assigned to an employee;
- focus of training on specific tasks to ensure the improvement of the Holding's performance and study the best corporate practices and standards;
- systemic, applied, planned nature of training and professional development;
- covering the maximum possible number of the Holding's employees with training and professional development programs.

Training of the Central Office staff

	2017	2018	2019
Average annual training hours per employee, person-hour	110	259	336

Training costs of the Central Office

	2017	2018	2019
Training costs per employee, KZT	41,826	57,579	76,593

In 2019, the Central Office held 74 training and professional development events, of which 70% were aimed at developing soft skills, 30% – hard skills. Training covered 115 employees. On average, one employee completed 2 or more trainings/seminars.

In the field of personal and business competencies, the largest number of training events was aimed at developing such skills as: cross-functional interaction, communication management, critical thinking, leadership, teamwork, stress management, making effective decisions, etc.

At the same time, training sessions/seminars were conducted to develop professional knowledge in the following areas: finance, accounting, personnel management, project management, risk management, compliance control, teaching the state and English language, internal control and audit, etc.

Remuneration and management of staff performance efficiency

On January 1, 2018, employees of Baiterek NMH JSC switched to a fundamentally new performance evaluation system based on the fulfilment of KPIs (on a quarterly basis), which allows the Holding to "cascade" KPIs of executive officers to the level of a business unit and an individual employee, apply sufficient criteria to determine a clear level of achievement of the goal set at the "threshold-goal-challenge" level, and evaluate actual performance of each employee.

In addition, once a year, all employees of Baiterek NMH JSC undergo a comprehensive performance assessment, which considers the overall performance of an employee over the past year and the level of development of employee's soft skills. The assessment results are distributed on a 9-cell talent matrix. Based on the assessment results, no premium is paid. However, the assessment results influence the decisions on further employee motivation and encouragement (training, promotion, enrolment to the talent pool, etc.).

Grading

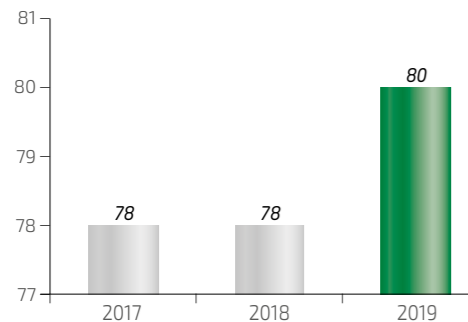
Baiterek NMH JSC group of companies implements a grading system and unifies a remuneration system. The introduction of unified principles ensures the internal fairness of the remuneration system and a correlation with the current situation on the labor market.

The grading system is a system of job grades (hierarchy of job positions), which is based on the complexity and value of work performed by employees in their positions in accordance with the strategic goals of the organization. The methodology used to grade the job evaluation in Baiterek NMH JSC has been successfully applied for more than 70 years in major international companies, and is also used as a basis for reforms in the field of public service remuneration in Kazakhstan.

As a result of the project implementation, the following goals were achieved:

- arrangement of the organization's system of job positions on the basis of grades (the base salary is established by complexity and contribution to the main activity rather by title);
- formation of a competitive remuneration system involving an annual analysis of the current labor market situation in the target economy sector (benchmarking);
- communication of the methodology to HR departments of the Holding Group (certification of specialists, which allows performing job evaluation independently, without involvement of external experts);
- approval of internal regulatory documents (based on the standard methodology) governing job evaluation and remuneration in the Holding Group;

Level of the Holding Group's staff involvement, %



- change in the approach to functional responsibilities – motivation to assume responsibility for a complex scope of work (the harder the work, the higher the grade);
- development of proposals for the remuneration system in subsidiaries taking into account the specific nature of activities.

At the same time, the Holding recognizes the limitations of applicable regulations and intends to amend relevant regulatory acts in order to apply more diverse methods of material incentives in 2020–2021.

Employer brand

To promote the HR brand of Baiterek NMH JSC, increase involvement of the Holding's staff and ensure internal communication and transparency, numerous measures were taken in 2019.

During 2019, more than 75 corporate events were held with the participation of subsidiaries of the Holding, the effectiveness (including the absence of the

need to use the budgetary funds of the organization) and creativity of which were positively evaluated by employees of the Holding and its subsidiaries through an anonymous survey held once a quarter.

As of the end of 2019, the level of involvement of the Holding Group employees was equal to 80%. A 2% growth is mainly associated with an increase in the number of team-building corporate events and measures aimed at improving the employer's image. The indicator increased also due to the holding of round-table discussions, competence centers and training events on a systematic basis.

In 2019, the Compliance Service of the Central Office of the Holding received 3 appeals regarding labor relations through the "hot line" channel. The appeals were processed and resolved.

No cases of discrimination on any grounds were revealed during the reporting year.

Occupational health and safety

An overriding priority for the Holding and its subsidiaries is to ensure occupational health and safety in strict accordance with the legislative requirements of the Republic of Kazakhstan, international and national standards and relevant internal documents of the Holding.

When performing their official duties and during stay in premises of the Holding, employees observe safety rules adopted and developed by the Holding in accordance with its policies and legislative requirement of the Republic of Kazakhstan.

With the aim of complying with occupational health and safety rules, the Holding Group holds annual training events. In 2019, seminars were held for heads of business units on the topic "Occupational Health and Safety at Enterprises and Fire Safety Basics" followed by special examination with the involvement of a state occupational health and safety inspector of Nur-Sultan as a member of the commission. Also, the Holding arranged and held a business breakfast on the topic "Occupational Health and Safety" during which the fundamental principles of labour safety in office and industrial premises were explained.

In the reporting year, the Holding conducted drills to evacuate people from the building in case of emergencies. A memo on fire safety

precautions and evacuation measures in case of fire was developed for employees of the Holding. Also, in 2019, special animated videos were developed and included in the program for the adaptation of new employees.

In 2019, no injuries were reported in the Holding and its subsidiaries.

In 2020, work will be continued to ensure safe working conditions, taking into account the requirements of state standards, standardization norms and guidelines, sanitary norms and regulations. It is planned to involve all employees of the Holding in the active participation in occupational health and safety activities.

Economic performance

Due to its mission, the Holding has a significant impact on the sustainable economic development of the Republic of Kazakhstan and fulfils important socio-economic functions, realizing not only its key tasks, but also positively influencing various population groups.

Distribution of economic value

Indicator, KZT mln	2017	2018	2019
Generated economic value (income)	326,438	366,750	426,578
operating income (interest income)	287,373	301,746	332,040
fee and commission income	5,946	6,116	9,115
other income	33,119	58,887	85,424
Distributed economic value:	282,851	332,032	375,068
wage expenses	19,262	21,465	24,252
tax expenses and payments to the state budget	10,116	20,651	13,305
payments to capital suppliers (interest and dividend payments)	139,932	155,416	175,137
charity and sponsor support	584	798	315
other operating expenses	73,585	58,179	134,597
other non-operating expenses	39,372	75,523	27,461
Economic value for distribution (net income)	43,588	34,718	51,510

Procurement activities

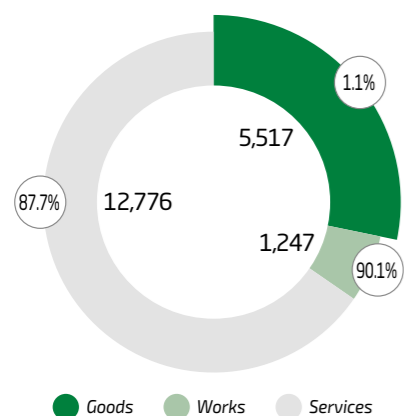
The system of procurement of goods, works and services in the Holding ensures the transparency of procurements and, in general, is in line with the established law enforcement practice and international experience.

Procurements in the Holding are based on the principles of optimal and rational spending of money, increasing efficiency and transparency, minimizing corruption risks, providing potential suppliers with equal opportunities to participate in the procurement process.

In 2019, the Holding carried out its activities in accordance with the Rules for procurement of goods, works and services by Baiterek NMH JSC and organizations fifty and more percent of voting shares (participating interests) of which belong directly or indirectly to Baiterek NMH JSC on the basis of the right of ownership or trust management.

On October 31, 2019, the First Deputy Prime Minister of the Republic of Kazakhstan – the Minister of Finance of the Republic of Kazakhstan issued an order to approve the Rules for procurement of goods, work and

Procurement of goods, works and services and the share of local content across the Holding Group in 2019, KZT mln



services by national managing holdings, national holdings, national companies and organizations, fifty and more percent of voting shares (interest in the charter capital) of which are directly or indirectly owned by the national managing holding, national holding, national company (hereinafter referred to as the restated Procurement Rules), which apply to Baiterek NMH JSC.

The restated Procurement Rules contain a number of amendments, including:

- *an authorized body in the field of procurement identified a central executive body (the Ministry of Finance of the Republic of Kazakhstan) in charge of management and cross-sectoral coordination of procurements of goods, works and services;*
- *introduction of the provision "Preliminary discussion of the draft tender documentation", which implies a mandatory discussion of the draft tender documentation with potential suppliers;*
- *introduction of the concept of an industrial certificate – a document confirming that applicant is included in the register of domestic producers of goods, works and services;*
- *introduction of the provision requiring potential suppliers to bring their bids in line with the qualification requirements and requirements of the tender documentation.*

The restated Procurement Rules will enter into force on January 1, 2020.

Procurement volume in 2019 and share of local content

The total volume of procurement of goods, works and services across the Holding Group in 2019 amounted to KZT 19,540.0 mln, including goods, works and services from domestic suppliers in the amount of KZT 12,395.0 mln with a total share of local content of 63.4%.

Plans for 2020

Next year, the Holding will continue to implement procurement activities in accordance with its corporate values and regulatory legal acts.

Starting from January 1, 2020, the Holding will be guided by the new Rules for procurement of goods, works and services by national managing holdings, national holdings, national companies and organizations, fifty and more percent of voting shares (participating interests) of which are directly or indirectly owned by the national managing holding, national holding or national company.

The total volume of procurement of goods, works and services planned for the Holding Group for 2020 is KZT 29,297.0 mln.

Environmental protection

Due to the specific nature of its activities, the Holding does not have a significant impact on the environment. The main resources consumed by the Holding are electric power, heat energy and water.

The Holding applies the principles and methods of rational use of natural resources that in the best way prevent adverse environmental impacts.

In the course of its activities, the Holding seeks to reduce excessive consumption of resources and minimize the existing negative environmental impact by introducing energy-efficient technologies, reducing water and paper consumption for office needs (in particular, through the introduction of the electronic document management system).

Currently, the Holding is considering a possibility of introducing a "green office" concept, an important component of which is an information campaign aimed at raising the level of environmental awareness among employees.

"Green Office"

"Green office" means an office that uses economically natural resources and cares about the environment, where employees are involved in activities to constantly improve the working conditions, comfort, design and architecture, landscaping, the quality of the living environment, opportunities for rest, as well as to increase labor productivity.

In 2019, the Holding became a winner in the first republican competition "Green Office" in the nomination among state bodies (ministries, akimats, administrations and others) and the quasi-public sector bodies organized by the Coalition for a Green Economy and G-Global Development with the support of the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan and the Office of the OSCE Programs in the city of Nur-Sultan. A special Green Office badge and a winner's diploma were awarded to Aidar Arifkhanov, the Chairman of the Management Board of Baiterek NMH.

A new business center of the Holding Group was built on the basis of the environmentally friendly technology. It is equipped with the systems of working, emergency and maintenance lighting using luminescent illumination sources. The floor-to-ceiling glazing and insulation technology allows saving electricity. Also, in order to save energy, motion sensors are installed in places of temporary stay.

The heating, air conditioning and cold supply system makes it possible to set individual parameters for the temperature regime to provide more comfortable working conditions in the office. To reduce water consumption, toilet facilities of the business center are equipped

with contactless motion-activated mixer taps that automatically turn off the water supply when a user leaves. Used paper and inoperable office appliances are sent for recycling. Bicycle parking spaces are provided near the business center to motivate employees to maintain a healthy lifestyle and reduce a potential negative environment impact of transport vehicles.

Waste paper collection bins are installed in each office to ensure the rational use of paper. As of the end of the reporting year, the Holding transferred 185 kg of paper for recycling.

At the initiative of employees, green spaces are created in offices and workplaces. Every year, employees of the Holding take an active part in citywide volunteer clean-up and environmental events.

In the reporting year, the Holding supported the republican "Birge – Taza Kazakhstan!" eco-challenge, in which 250 employees of the Holding and its subsidiaries took part. Volunteers cleaned the banks of the Yessil and Karasu rivers along the bypass road from the airport towards the Karaganda highway. A friendly team of the Holding headed by Aidar Arifkhanov, the Chairman of the Management Board of the Holding, worked along the river near the village of Talapker.

Initiative projects of the Holding implemented in 2019

- Baiterek Open Hearts charity fairs were held in February and November 2019. The proceeds were spent to treat children with serious illnesses;
- The Holding organized a social team-building event, during which employees of the Holding congratulated veterans of the Great Patriotic War and homefront workers;
- The Holding held the "Road to School" charity campaign, during which 80 children from difficult families received school backpacks with stationery materials by the beginning of the new school year;
- The Holding took part in the annual Burabike charity run;
- The Holding organized the Good Deals of Baiterek charity challenge, during which 10 companies of the Holding Group arranged a number of charity events such as: planting of trees, a visit to the home for elderly people, a visit to the children's oncology center, a visit to the Akmola training and production enterprise of the Kazakhstan Blind Association, assistance to pregnant women got into difficult circumstances, assistance to the Stop Catch animal protection fund, etc.

Sponsorship and charity

In accordance with the Charitable Program of Baiterek NMH JSC for 2019, the Holding provided philanthropic and patronage support. At the same time, the Holding ensures transparency in planning and effective management of charity funds within the framework of the approved annual budget or development plans.

In 2019, 10 projects were implemented to provide philanthropic assistance to applicants in order to improve their living conditions, in particular, to treat children with cancer, infantile cerebral paralysis and other diseases.

The Holding provided patronage support to implement the Mentors project aimed at providing assistance to orphans and children deprived of parental care in unleashing their life potential and developing knowledge and skills of independent living through communication with adult volunteer mentors. Such projects were implemented in the cities of Pavlodar, Uralsk, Karaganda and Nur-Sultan.

In addition, the Holding provided assistance in implementing projects to develop the speech therapy and increase the socio-political activity of people with disabilities. During the reporting year, the Holding provided assistance to people with disabilities, large and low-income families in the rural district, as well as supported the development of a rehabilitation center for children diagnosed with infantile cerebral paralysis and other diseases.





07

APPENDICES

About the Report

The Holding is aware of the significance of its economic and social activities and is seeking to provide a high level of transparency for internal and external stakeholders. Starting from 2013, the Holding has disclosed the results of its activities in annual reports published on the corporate website: https://www.baiterek.gov.kz/ru/resources?field_resource_type_target_id=96

The 2019 Annual Report of Baiterek NMH JSC (hereinafter – the Report) was prepared in accordance with the Global Reporting Initiative Standards in the field of sustainable development (GRI Standards, the “main” disclosure option), provisions of the Corporate Governance Code and other internal documents of the Holding.

This Report reflects the performance results of the Holding from January 1, 2019 to December 31, 2019. The Annual Report of Baiterek NMH JSC for 2018 was published in August 2019. This Report has not been certified by external experts.

In the reporting year, the priority topic of the Report is “Year of Youth”, which reflects the Holding’s approach to supporting youth initiatives in the framework of the Year of Youth in Kazakhstan.

Determining the Report content

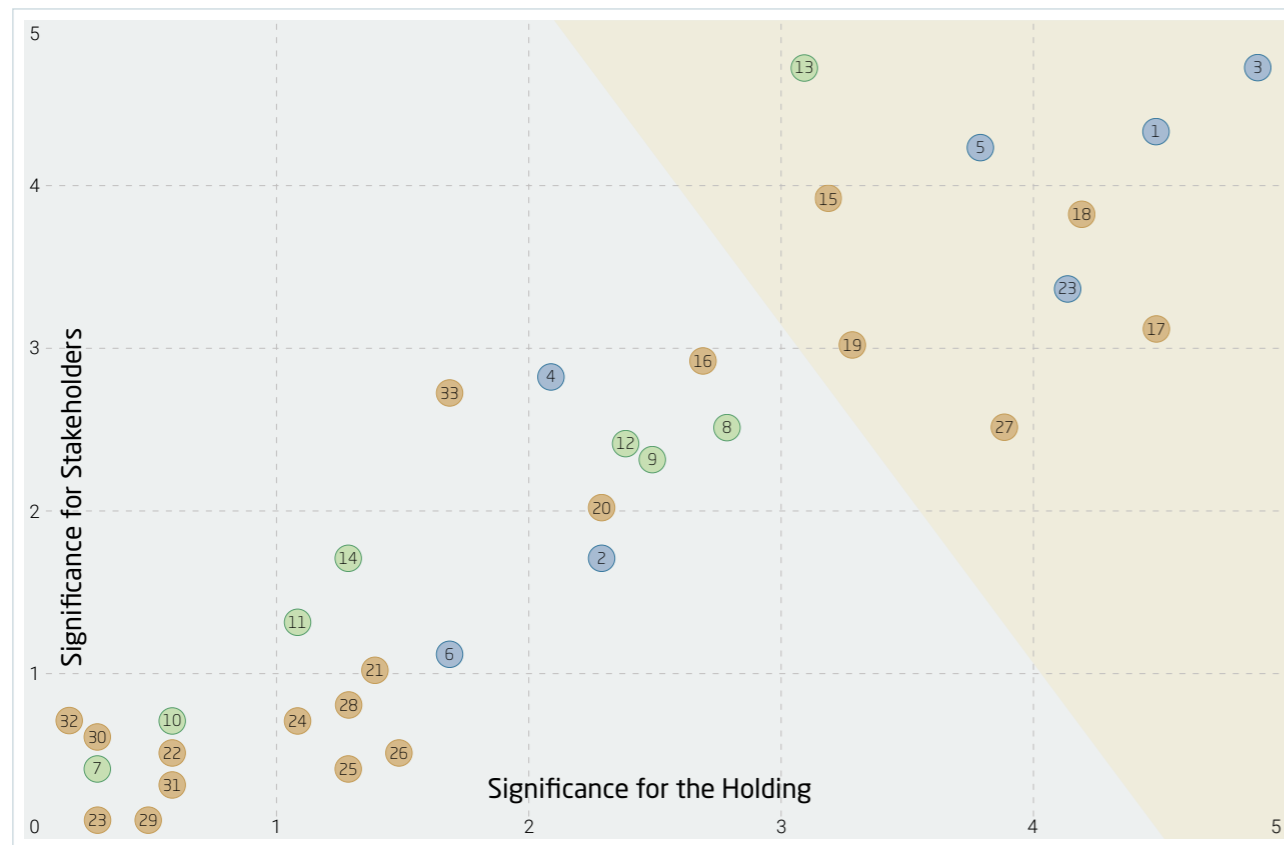
In the reporting year, the Holding carried out work to determine a list of the most significant topics to be disclosed in the Report. The aim of the work was to analyze indicators of the GRI Standards and annual reports of peer companies. Based on the analysis results, a questionnaire including about 30 topics relevant to the Holding’s activities was prepared.

All topics included in the questionnaire were divided into three groups – economic, environmental and social. The questionnaire was distributed among representatives of internal and external stakeholders of the Holding in order to select the most relevant topics from the proposed list. In particular,

employees of business units, top managers, subsidiaries of the Holding, investors, media representatives and other stakeholders took part in the questionnaire survey.

The summary scores of the questionnaire survey were marked on the Significance Matrix. Topics in the upper right corner of the Matrix were considered the most significant and were given a high priority during the Report preparation.

Significance Matrix



Topics (topics considered the most significant are highlighted in yellow)	No.
Economy	
Economic performance	1
Market presence	2
Indirect economic impacts	3
Procurement practices	4
Anti-corruption	5
Anti-competitive behavior	6
Ecology	
Materials	7
Power	8
Water	9
Biodiversity	10
Emissions	11
Effluents and wastes	12
Effluents and wastes	13
Environmental appraisal of suppliers	14
Society	
Employment	15
Employer/employee relations	16
Occupational health and safety	17
Training and education	18
Diversity and equal opportunities	19
Non-discrimination	20
Freedom of association and collective bargaining	21
Child labor	22
Child labor	23
Safety practices	24
Rights of indigenous people and minorities	25
Evaluation of human rights observance	26
Local communities	27
Assessment of suppliers' impact on society	28
State policy	29
Customer health and safety	30
Products and services labeling	31
Consumer privacy	32
Compliance	33

Compliance

This Report contains information on the activities of the Holding Group. Information on 11 subsidiaries of the Holding is provided in more details in Appendix "Activities of Subsidiaries in 2019".

Financial and economic results are disclosed in "Management Report" section in accordance with the IFRS. Other sections of the Report also contain general information of the Holding Group, unless otherwise specified.

Topics on economic performance, indirect economic impacts and compliance with the environmental legislation are mainly relevant beyond the organization. The other topics are of great importance both within and beyond the organization.

Activities of Subsidiaries in 2019



Development Bank of Kazakhstan JSC

The mission of DBK JSC is to promote the sustainable development of the national economy by financing the non-resource sector of the country.

452.8
BN TENGE
 the amount of financed projects under direct lending

Key indicators

Indicators	2017	2018	2019
ROE, %	1.2	0.8	2.7
ROA, %	0.2	0.1	0.4
Debt/Equity	5.3	5.7	5.0
Assets, KZT bn	2,564	2,537	2,591
Assets growth, %	5	-1	2
Net profit, KZT bn	5	3	11

Key performance results

- In 2019, in the framework of direct lending, DBK JSC provided financing for projects in the amount of KZT 452.8 bn, including 15 investment projects worth KZT 315.1 bn and 13 export (pre-export) operations worth KZT 137.7 bn.
- In the reporting year, 8 projects worth KZT 1.8 trln were put into operation with the support of DBK JSC for an amount of KZT 581 bn, under which 1,763 new jobs were created.
- According to the results of 2019, DBK JSC raised KZT 1.17 on market conditions per each tenge allocated from public funds. The borrowings amounted to KZT 329.5 bn, of which 54% (KZT 177.9 bn) were provided from market (off-budget) sources.
- As part of the development of international cooperation, at the end of the year, the Bank signed a number of cooperation agreements with such large German banks as Commerzbank AG, KfW IPEX-Bank, Deutsche Bank AG. This will give a new impetus to the cooperation and practical implementation of mutually beneficial investment projects.



Damu Entrepreneurship Development Fund JSC

The mission of Damu Entrepreneurship Development Fund JSC is to actively promote the sustainable development of micro, small and medium enterprises (MSME) in Kazakhstan by implementing comprehensive and effective support tools.

24.3
THOUS. PROJECTS
 worth more than KZT 600 bn were supported

Key indicators

Indicators	2017	2018	2019
ROE, %	4.1	-13.7	4.8
ROA, %	1.2	-3.8	1.2
Debt/Equity	2.2	3.2	2.9
Assets, KZT bn	320	304	338
Assets growth, %	-8	-5	11
Net profit, KZT bn	4	-12	4

Key performance results

- About 24.3 thous. projects worth more than KZT 600 bn were supported through subsidization, provision of guarantees and conditional placement of funds.
- In 2019, the Fund raised KZT 67.5 bn to support domestic entrepreneurs, including KZT 35.3 bn from the Asian Development Bank under the agreement signed in 2017 to open a credit facility in the amount of KZT 72 bn against a state guarantee for financing MSMEs through STBs and MFOs of Damu Fund JSC.
- In 2019, in order to increase the effectiveness of activities in the field of sustainable development, the Fund updated its internal documents, including standard forms of loan agreements with partners and procurement contracts with suppliers.
- In 2019, the Fund developed a new program of conditional placement of funds to finance MSME transactions for the creation/purchase of intellectual property and the use of franchising schemes.
- Damu Fund JSC participated in the development of the draft Business Roadmap-2025 and Economics of Simple Things programs.



Housing Construction Savings Bank of Kazakhstan JSC

The mission of HCSBK JSC is to provide the families of Kazakhstan with their own housing and strengthen the patriotic feeling towards the homeland.

61%
of all mortgage
LOANS IN THE COUNTRY
were issued by HCSBK JSC

Key indicators

Indicators	2017	2018	2019
ROE, %	18.8	15.0	12.4
ROA, %	3.7	3.0	2.4
Debt/Equity	4.0	4.0	4.5
Assets, KZT bn	762	998	1,353
Assets growth, %	23	31	36
Net profit, KZT bn	26	26	28

Key performance results

- As of the end of 2019, HCSBK JSC became a leader in the mortgage market of Kazakhstan having issued 61% of all mortgage loans in the country.
- As of 31 December 2019, the number of valid housing construction savings contracts was about 1,553 with the savings of KZT 806 bn.
- The share of HCS system participants in the economically active population was equal to 16.9%.
- In 2019, HCSBK JSC launched Bakytty Otbasý program of preferential lending for low-income families. As of the end of 2019, HCSBK JSC issued 4,223 loans totaling to KZT 42.67 bn.
- The Bank continued to implement Askeri Baspana program for military personnel and employees of special state bodies. As of the end of 2019, 4,577 loans were issued to the amount of KZT 69.28 bn. In 2019, a total of 7,880 deposits were assigned with the saved deposit base amounting to KZT 15.3 bn.



Kazyna Capital Management JSC

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

The program of preferential financing in the amount of up to **50 BN TENGE** was launched

Key indicators

Indicators	2017	2018	2019
ROE, %	2.3	2.7	2.6
ROA, %	2.1	2.2	1.9
Assets, KZT bn	145	187	190
Assets growth, %	3	29	2
Net profit, KZT bn	3	4	4

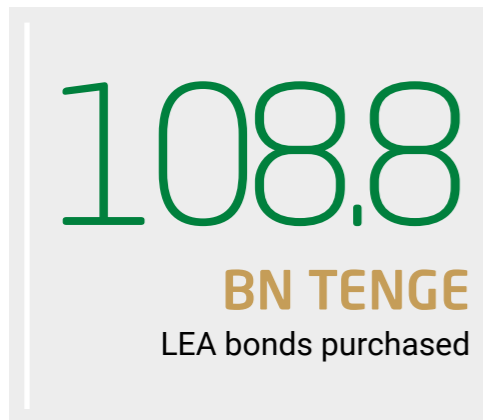
Key performance results

- The program of preferential financing in the amount of up to KZT 50 bn was launched in two directions: financing through captive funds and joint financing with STBs.
- A private equity fund – KCM Sustainable Development Fund I was created in the amount of KZT 25 bn, and Baiterek Venture Fund was additionally capitalized by KZT 20 bn up to KZT 38.8 bn.
- A record-breaking portfolio growth was observed in 2019 – 17 domestic projects were financed by KCM JSC's captive funds in the amount of KZT 38.2 bn (taking into account the share of the Development Bank of Kazakhstan JSC).
- In Beijing, as part of Nurly Zhol state program and the Chinese "One Belt – One Way" state program, constituent documents were signed to establish the Eurasian Nurly (Bright) Investment Fund up to USD 500 mln (75% of investments in RoK projects)
- KCM JSC together with KPMG prepared the Kazakhstan's first ever public report on the private equity market for 10 years.



Baiterek Development JSC

The mission of Baiterek Development JSC is to ensure the availability of financial resources for the construction industry of the Republic of Kazakhstan.



Key indicators

Indicators	2017	2018	2019
ROE, %	5.5	17.0	18.9
ROA, %	1.1	3.2	3.8
Debt/Equity	4.3	4.4	3.6
Assets, KZT bn	322	379	450
Assets growth, %	6	18	19
Net profit, KZT bn	3	11	16

Key performance results

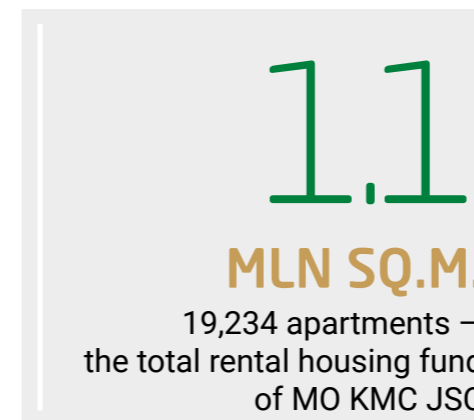
- LEA bonds worth KZT 108.8 bn were purchased to finance the construction of mortgage housing.
- The amount of KZT 20 bn was allocated to an authorized organization of Akimat of the city of Nur-Sultan to complete troubled shared construction projects.
- Bonds worth KZT 65 bn were issued for the purpose of financing investment projects in the construction industry.
- The housing investment project was financed through the redemption of bonds of Fincraft Group LLP using borrowed funds in the amount of KZT 65 bn for the purpose of housing construction in the city of Almaty.
- As of the end of 2019, as part of the sale of real estate objects in a multi-apartment residential complex in the territory of EXPO-2017, 1,133 apartments and 680 parking lots worth KZT 35.2 bn were sold.



KAZAKHSTAN
MORTGAGE
COMPANY

Mortgage Organization "Kazakhstan Mortgage Company" JSC

The mission of MO "Kazakhstan Mortgage Company" JSC is to implement the state policy in the field of providing affordable housing for the population of Kazakhstan through the mortgage lending instrument and to improve housing affordability by providing rental housing to the general public.



Key indicators

Indicators	2017	2018	2019
ROE, %	6.7	7.7	13.1
ROA, %	1.5	1.8	3.2
Debt/Equity	3.3	3.3	2.9
Assets, KZT bn	250	267	273
Assets growth, %	-2	7	2
Net profit, KZT bn	4	5	9

Key performance results

- The total rental housing fund of MO KMC JSC amounted to KZT 1.1 mln sq.m. (19,234 apartments).
- 3 thous. mortgage loans worth KZT 23.7 bn were acquired.
- Within the framework of its own Orda mortgage program, the Company issued 768 loans worth KZT 9.6 bn.
- As part of provision of rental housing for doctors and teachers, agreements were signed for the purchase of 567 apartments (31.4 thous. sq.m.). Also, at the expense of its own funds, the Company purchased 84 apartments (5.2 thous. sq.m.) for employees of Eurasian Group LLP.



Investment Fund of Kazakhstan JSC

The mission of IFK JSC is to promote the sustainable development of the country by recovering troubled projects.

FOR 3.2 BN TENGE
Property for 3 projects was sold

Key indicators

Indicators	2017	2018	2019
ROE, %	-9.2	2.1	-82.3
ROA, %	-1.6	0.7	-35.7
Debt/Equity	5.2	0.7	2.8
Assets, KZT bn	84	63	57
Assets growth, %	-7	-25	-9
Net profit, KZT bn	-1	1	-21

Key performance results

- The debt amounting to KZT 21.4 bn was repaid.
- The property under three projects (4 assets) was sold for a total amount of KZT 3.2 bn.
- In the framework of the project of Textiles Group of companies, part of textile plants was transferred into trust management of Alliance Textile Manufacturers' Association of Light Industry of the Republic of Uzbekistan, during which the former spinning mill of Utex JSC was launched (stage 1).
- Liabilities of 5 debtors to IFK JSC were terminated with the completion of the bankruptcy/liquidation procedures.



QazTech Ventures JSC

The mission of QazTech Ventures JSC is to promote the development of technological entrepreneurship through the use of venture financing and business incubation tools and provision of expert and technological support.

73.9 MLN TENGE
co-financing of selected business incubators

Key indicators

Indicators	2017	2018	2019
ROE, %	-12.8	0.8	5.7
ROA, %	-11.0	0.7	5.2
Debt/Equity	0.2	0.2	0.01
Assets, KZT bn	28	25	20
Assets growth, %	-13	-9	-20
Net profit, KZT bn	-3	0.2	1

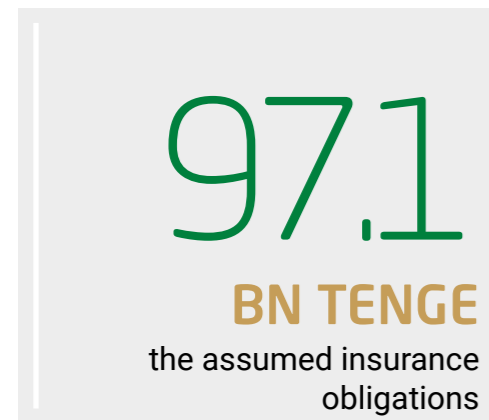
Key performance results

- The transformation was completed and certain functions, assets and liabilities related to the issuance of innovative grants worth KZT 8.320 bn were transferred.
- A 100% interest of CETT JSC in the authorized capital of Alatau Technopark LLP was transferred to the Akimat of Almaty.
- Distressed assets were transferred to IFK JSC.
- The Company signed an agreement on joining the 500th Startups V Global Venture Fund (USA) for an amount of USD 10 mln subject to further reinvestment of USD 2 mln in startup project in Kazakhstan.
- Previous investments in venture funds in the amount of KZT 2,589 mln were repaid.
- Co-financing of three selected business incubators in the amount of KZT 73.9 mln was provided.
- Technological expertise of 29 projects was carried out, including in the framework of the National Champions 2.0 program.
- 5 analytical reviews of venture financing, business incubation, expert and technological support were prepared.
- New measures of state support were included in the State Program of Industrial and Innovative Development of the Republic of Kazakhstan for 2020–2025.
- The Company, jointly with ADB JSC, held the first foresight session "Development of Long-Term Competitiveness of Kazakhstan" with the participation of the Prime Minister of the Republic of Kazakhstan A. Mamin.
- 3 master classes with the participation of leading business incubators of the Republic of Kazakhstan were held in the cities of Uralsk on September 13, 2019, Karaganda – September 20, 2019, Shymkent – September 26, 2019.
- Sessions and master classes were held as part of AEF and Digital Bridge forum, as well as Baiterek Hackathon in the field of Fintech.



**Export Insurance Company
KazakhExport JSC**

The mission of EIC KazakhExport JSC is to promote domestic producers of non-resource goods and service providers in foreign markets and to enhance their competitiveness by providing effective financial measures to support exports.



Key indicators

Indicators	2017	2018	2019
ROE, %	6.3	3.7	3.8
ROA, %	5.7	3.3	3.4
Debt/Equity	0.1	0.1	0.1
Assets, KZT bn	46	49	88
Assets growth, %	61	5	81
Net profit, KZT bn	2	2	2

Key performance results

- The assumed insurance obligations amounted to KZT 97.1 bn.
- Trade financing amounted to KZT 10.4 bn, pre-export financing – KZT 11.8 bn.
- In 2019, six foreign representatives were appointed and commenced to work in the Republic of Uzbekistan (Tashkent – 2), the Republic of Tajikistan (Dushanbe – 1), the Kyrgyz Republic (Bishkek – 1), and the Russian Federation (Yekaterinburg – 1, Novosibirsk – 1).
- The capitalization of EIC KazakhExport JSC was carried out for a total amount of KZT 34 bn.
- Amendments were made to the Budget Code with respect to the introduction of a state guarantee mechanism for export support.
- On December 27, 2019, an export support guarantee agreement was concluded with the Ministry of Finance of the Republic of Kazakhstan.



**HOUSING
GUARANTEE
FUND**

Housing Guarantee Fund JSC

The mission of HGF JSC is to provide housing for the country's population through the development of shared housing construction.



Key indicators

Indicators	2017	2018	2019
ROE, %	5.1	4.6	1.8
ROA, %	5.0	4.5	1.7
Debt/Equity	0.02	0.1	0.1
Assets, KZT bn	24	26	28
Assets growth, %	86	7	10
Net profit, KZT bn	0.9	1	0.4

Key performance results

- In 2019, guarantees for the completion of construction were provided in the amount of KZT 88.8 bn.
- To ensure a wider coverage of guarantees, agents of HGF JSC were appointed in the regions to provide consulting services to developers.
- Together with the MIID RK, the Company continued the accounting automation for equity participation agreements (EPA) on the kazreestr.kz online platform.
- Adoption of amendments to the legislation in the field of equity participation in housing construction in terms of improving the guarantee mechanism.



Kazakhstan Project Preparation Fund LLP

The mission of KPPF LLP is to promote investment in development projects of Kazakhstan by providing services for high-quality development and funding of project documentation, as well as to attract investors.

Six agreements were signed for the development of pre-design documentation with an investment amount more than

900

USD MLN

Key indicators

Indicators	2017	2018	2019
ROE, %	1.1	0.7	-15.0
ROA, %	1.1	0.6	-14.3
Debt/Equity	0.08	0.1	0.03
Assets, KZT bn	2.3	2.0	2
Assets growth, %	5	-4	-18
Net profit, KZT bn	0.02	0.01	-0.3

Key performance results

- Six agreements were signed for the development of pre-design documentation and raising of equity and debt financing for an industrial project with an investment amount of more than USD 900 mln.
- Selection of companies for the National Champions 2.0 program was completed
- Work was carried out to conclude agreements to support industrial projects for the production of titanium, hydrogen peroxide, dairy products and the expansion of gold mining with a total value of about USD 500 mln.
- The I stage of the tender was held to select a private partner for the project "Construction of a Bypass Railway Line at the Railway Junction of Almaty Station" with an investment amount of KZT 80 bn
- Guarantee support of EBRD, which provides technical assistance for the development of a concession project of construction of a university clinic in the city of Almaty, was increased from EUR 1.5 mln to EUR 1.835 mln.

Report on Compliance with the Principles and Provisions of the Corporate Governance Code of Baiterek NMH JSC

No.	Principles of the Code	Observed/ partially observed/ not observed	Measures taken to implement the principles of the Code
1.	Principle of segregation of powers	Observed	<p>The corporate governance system of Baiterek National Managing Holding (hereinafter – the Holding) provides a clear segregation of powers and responsibilities between the bodies of the Holding that ensure the consistency of corporate governance processes. The corporate governance system of the Holding ensures compliance with the procedure hierarchy when reviewing issues and making decisions by the Holding's bodies.</p> <p>The rights, responsibilities and competencies of the Sole Shareholder, the Board of Directors and the Management Board are defined by the laws of the Republic of Kazakhstan and the Charter of Baiterek National Managing Holding.</p> <p>Relationships (interaction) between the state body as the Sole Shareholder and the Holding and its subsidiaries are implemented through the Board of Directors and/or the Management Board of the Holding in accordance with the best corporate governance principles. The role and functions of the Chairman of the Board of Directors and the Chairman of the Management Board of the Holding are clearly delineated and stated in the Charter of Baiterek National Managing Holding Joint-Stock Company, as well as internal regulatory documents of the Holding, including the Regulations on the Board of Directors of Baiterek National Managing Holding approved by the Board of Directors of the Holding on October 11, 2013 (Minutes No. 4), and the Regulations on the Management Board of Baiterek National Managing Holding approved by the Board of Directors of the Holding on October 11, 2013 (Minutes No. 4).</p> <p>To enable the Sole Shareholder to make informed decisions and communicate information about the Holding's activity to all stakeholders, the Holding provides timely disclosure of reliable information about its activities to the Sole Shareholder and stakeholders, including information on its financial position, economic indicators and operational results.</p> <p>The Holding participates in the management of its subsidiaries by implementing the functions of the shareholder, as well as through their Boards of Directors.</p>

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2.	Principle of protection of the Sole Shareholder's rights and interests	Observed	<p>In accordance with paragraph 1-1) of paragraph 1 of Article 36 of the Joint-Stock Companies Act of the Republic of Kazakhstan, the specific features of the Sole Shareholder's competence in national managing holdings are established by the State Property Act of the Republic of Kazakhstan.</p> <p>The segregation of competences, powers and responsibilities between the Holding as a shareholder, the Boards of Directors and the Management Boards of its subsidiaries is clearly formalized taking into account the requirements of the law and recommended best practices.</p> <p>Corporate governance in the Holding and its subsidiaries is based on the protection of, and respect for the rights and legitimate interests of the Sole Shareholder and is aimed at promoting the efficient activities of the Holding and achieving profitability of operations.</p> <p>The rights of the Sole Shareholder set forth in the Charter of Baiterek National Managing Holding and the Code are respected by the Holding and its bodies.</p> <p>Decisions on matters attributed by the legislation of the Republic of Kazakhstan and the Charter of Baiterek National Managing Holding Joint Stock Company to the competence of the Sole Shareholder are made individually and executed by order of the Minister of Industry and Infrastructure Development of the Republic of Kazakhstan. The issued orders stipulate that a decision made is the decision of the Sole Shareholder of the Holding.</p> <p>Each year, the annual financial statements of the Holding (consolidated and separate) are submitted to the Sole Shareholder of the Holding for review and approval.</p> <p>Each quarter, the Holding submits to the Sole Shareholder a report on the utilization of funds allocated from publicly funded loans.</p> <p>Information on the conclusion of related-party transactions and other corporate events is communicated to the Sole Shareholder, including through the publication of financial statements on the Depository's website.</p> <p>The Holding discloses information on any forms and conditions of cooperation, agreements and partnership relations through the media as well as by posting press releases on the Holding's official website.</p> <p>The Minister of Industry and Infrastructural Development of the Republic of Kazakhstan approved by order No. 25 dated January 18, 2019 the Dividend Policy of Baiterek National Managing Holding JSC, which takes into account all the fundamental principles, norms and provisions regulated by the Code.</p> <p>In 2019, pursuant to the decree of the Government of the Republic of Kazakhstan No. 633 dated July 26, 2007 "On dividends on state-owned stakes and income on state participating interest in organizations" and the order of the Minister of Industry and Infrastructure Development No. 482 dated July 5, 2019, the Holding allocated 5% of net income for 2018-2021 to pay dividends on state-owned stakes.</p>

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3.	Principle of effective management of the Holding by the Board of Directors and the Management Board	Partially observed	<p>The size of a dividend was calculated based on the amount of the Holding's net income specified in the annual audited financial statements of the Holding for 2018 prepared in accordance with the requirements of the laws of the Republic of Kazakhstan on accounting and financial reporting, and international financial reporting standards.</p> <p>In 2019, in conjunction with the Corporate Secretary Service, the Holding organized and held two meetings (on August 23, 2019 and November 5, 2019) between representatives of the Sole Shareholder, the Chairman of the Management Board, members of the Management Board and heads of business units of the Holding to address the performance results of the Holding for 2018 and 9 months of 2019, during which the Sole Shareholder gave instructions to the Management Board regarding the implementation of the tasks set in the framework of the Address of the Head of State to the people of Kazakhstan dated September 2, 2019, and the strategic documents of the Holding.</p> <p>In accordance with paragraph 55 of Article 10 of the Charter of Baiterek National Managing Holding Joint-Stock Company, the Board of Directors of the Holding carries out general management of the Holding's activities, except for the resolution of issues attributed by the laws of the Republic of Kazakhstan and/or the Charter to the exclusive competence of the Sole Shareholder.</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, including by providing annual reporting on compliance/non-compliance with the principles and provisions of the Code.</p> <p>In accordance with paragraph 3 of Article 181 of the State Property Act of the Republic of Kazakhstan and the order of the Minister for Investment and Development of the Republic of Kazakhstan "On the composition of the Board of Directors of Baiterek National Managing Holding" No. 877 dated December 26, 2016 as effective in 2019, the Board of Directors of the Holding was formed from among the members of the Government of the Republic of Kazakhstan, the Chairman of the Management Board of the Holding and independent directors. Three out of ten members of the Board of Directors are independent directors.</p> <p>The Board of Directors and its committees keep a balance of skills, experience and knowledge ensuring the adoption of independent, objective and effective decisions in the best interests of the Holding.</p> <p>By decision of the meeting in absentia of the Board of Directors of the Holding No. 3 dated September 25, 2013, the Audit Committee, the Strategic Planning Committee and the Personnel, Remuneration and Social Issues Committee of the Holding's Board of Directors were established.</p> <p>The Committees of the Holding's Board of Directors consist of members of the Board of Directors who have the professional knowledge, competencies and skills necessary to work at the committee. The Committees are chaired by independent directors.</p>

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In 2019, meetings of the Board of Directors were held in accordance with the aforementioned work plan.

At the same time, in 2019, with the planned 7 meetings (5 in-person meetings and 2 meetings in absentia), the Board of Directors organized and held 12 meetings (5 in-person meetings and 7 meetings in absentia).

Thus, the number of meetings in absentia of the Board of Directors for the reporting year exceeded 50% of the total number of meetings.

5 extraordinary meetings were held in absentia form for objective reasons. The reason for this was the resolutions adopted in 2019 by the Government of the Republic of Kazakhstan in respect of the Holding regarding the implementation of the Law of the Republic of Kazakhstan "On the Republican Budget for 2019–2021", decisions of the Council for managing the National Fund of the Republic of Kazakhstan and internal decisions of the Holding, as well as the nationwide action plans to implement the Messages of the Head of State to the people of Kazakhstan, which in turn necessitated the consideration of a significant number of unscheduled issues (the approximate ratio to planned issues is 47/53) through extraordinary meetings of the Holding's Board of Directors.

Due to the specific composition of the Holding's Board of Directors, in 2019, no performance assessment of the Board of Directors, its committees and members was initiated by the Chairman of the Board of Directors, and no assessment was conducted by an independent professional organization.

Also, an independent assessment of corporate governance in the Holding as a whole was not conducted.

At the same time, the Action Plan for improving corporate governance of Baiterek NMH JSC for 2019–2020 approved by the decision of the Holding's Board of Directors on July 22, 2019 (Minutes No. 07/19), provides for an independent assessment of the Holding's corporate governance in the second half of 2020.

Alongside with that, during the in-person meeting of the Audit Committee of the Holding's Board of Directors held on March 1, 2018 (Minutes No. 02/18), when considering the report of the Internal Audit Service on the results of assessment of the corporate governance system, an independent director T. Mirow expressed an opinion regarding the impossibility of assessing the Board of Directors of the Holding, taking into account that the Board of Directors of the Holding is headed by the Prime Minister of the Republic of Kazakhstan and is composed of members who are heads of ministries and departments of the Republic of Kazakhstan.

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The Boards of Directors, committees and members of the Boards of Directors in subsidiaries of the Holding are assessed on an annual basis in accordance with their internal documents. At the same time, in 2019, the performance of the Boards of Directors of subsidiaries of Baiterek NMH JSC was assessed based on the results of their activities in 2018 with the involvement of the International Finance Corporation (IFC) as an independent consultant. During the meeting of independent directors of Baiterek NMH JSC with independent directors of subsidiaries of Baiterek NMH JSC held on September 19, 2019, a summary report on the performance assessment of the boards of directors of the Holding Group of companies was heard.

Following the IFC expert recommendations, the Management Board of the Holding has developed and implements an Action Plan based on the results of the performance assessment of the boards of directors of Baiterek NMH JSC group of companies for 2018 as approved by the decision of the Management Board of Baiterek NMH JSC on December 18, 2019 (Minutes No. 59/19).

In 2019, the Corporate Secretary of the Holding was the Head of Office of the Prime Minister of the Republic of Kazakhstan appointed to this position by decision of the Board of Directors of the Holding No. 03/19 dated April 16, 2019 for a period of 3 years from the date of appointment, without paying salary and remuneration.

The main responsibilities of the Corporate Secretary, including assistance in making timely and informed corporate decisions by the Board of Directors and the Sole Shareholder, acting as an adviser to members of the Board of Directors on all issues relating to their activities and application of provisions of the Code, as well as monitoring over the implementation of the Code and participation in improving corporate governance in the Holding and its subsidiaries, are carried out with the assistance of the Corporate Secretary Service of the Holding established in 2013.

The Corporate Secretary Service of the Holding, which, in turn, ensures the effective implementation of the functions assigned to the acting Corporate Secretary of the Holding, including monitoring over the proper observance of the Code, performs continuous work to identify and eliminate the facts of non-compliance with the provisions and principles of the Code in the Holding and its subsidiaries, as well as advises the Board of Directors and regularly provides the Management Board of the Holding recommendations and suggestions regarding the proper compliance with the Code.

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The results of these activities for 2019 were submitted to the Board of Directors of the Holding by the acting Corporate Secretary of the Holding – the Head of Office of the Prime Minister of the Republic of Kazakhstan at the meeting held on May 14, 2020 (Minutes No. 05/20) as part of the issue of approving the full version of the Report on compliance/non-compliance with the principles and provisions of the Corporate Governance Code of Baiterek National Managing Holding Joint Stock Company for 2019, which had been previously reviewed by the Audit Committee of the Board of Directors of the Holding (Minutes No. 03/20 dated May 14, 2019).

To ensure compliance with the principles of business ethics and optimal regulation of social and labor disputes arising in the Holding, the Board of Directors of the Holding issued a decision on July 22, 2019 (Minutes No. 07/19) to extend the powers of M. Turganova, the Deputy Corporate Secretary – Head of the Corporate Secretary Service appointed the Ombudsman of the Holding by the decision of the Board of Directors of the Holding dated July 24, 2017 (Minutes No. 06/17), who has an impeccable business reputation, high authority, and the ability to make impartial decisions.

The Internal Audit Service is functioning in the Holding to carry out internal audit activities in order to provide independent and objective guarantees and advice aimed at improving the activities of the Holding. The commitment of the Holding's Internal Audit Service to the principles and regulations adopted by the International Institute of Internal Auditors was confirmed in 2018 by an external independent appraiser of the internal audit system – KPMG Tax and Advisory LLP.

A collegial executive body – the Management Board has been established and operates in the Holding. In 2019, pursuant to the decisions of the Board of Directors of the Holding dated July 23, 2013 (Minutes No. 1) and May 15, 2019 (decision No. 04/19), the Management Board of the Holding was composed of 7 persons.

The Management Board of the Holding reports to the Board of Directors, manages the daily operations of the Holding and is responsible for implementing the development strategy and/or development plan and decisions adopted by the Board of Directors and the Sole Shareholder.

The Management Board of the Holding holds mainly in-person meetings. In 2019, 62 meetings of the Management Board were held (including 18 meetings in absentia).

Performance assessment of the Chairman and members of the Management Board of the Holding is conducted by the Board of Directors on an annual basis. The main evaluation criterion is the achievement of the set key performance indicators of the Chairman and members of the Management Board, including corporate and functional key performance indicators that take into account the specific nature of activities of Baiterek NMH JSC and include key financial and non-financial indicators.

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Due to the fact that the Holding did not approve the appointment and continuity rules providing for the procedure for electing the Chairman and members of the Management Board of the Holding, the criteria and qualification requirements for candidates to the position of a member of the Management Board, including the Chairman of the Management Board, the work is in progress to form such rules and subsequently submit them for approval.

The organizational structure of the Holding was approved by the decision of the Management Board of the Holding dated April 19, 2017 (Minutes No. 18/17) (as amended dated August 23, 2017 (Minutes No. 33/17), January 31, 2018 (Minutes No. 3/18), April 4, 2018 (Minutes No. 12/18), August 1, 2018 (Minutes No. 31/18), April 8, 2019 (Minutes No. 17/19), May 29, 2019 (Minutes No. 29/19), June 26, 2019 (Minutes No. 33/19), November 1, 2019 (Minutes No. 52/19).

The existing organizational structure of the Holding is aimed at making effective and prompt decisions, improving the Holding's performance and organizational flexibility

4.	Principle of sustainable development	Partially observed	Despite the fact that the strategic management and control over the implementation of sustainable development is attributed to the competence of the Board of Directors, the Sustainable Development Policy of Baiterek National Managing Holding Joint Stock Company was approved by the decision of the Management Board of the Holding (Minutes No. 52/18 dated November 28, 2018).
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The Management Board of the Holding approved by its decision dated December 18, 2019 (Minutes No. 59/19) the Sustainable Development Plan of the Holding for 2020, which includes a list of measures to improve the sustainable development management practices aimed at improving the Holding's position in the ESG rating.

At the end of 2019, sustainable development policies were approved for 11 subsidiaries of the Holding. At the same time, sustainable development action plans were approved only in 4 of 11 subsidiaries, including Damu Fund JSC, Development Bank of Kazakhstan JSC, QazTech Ventures JSC and Kazakhstan Investment Fund JSC. Approval of the aforementioned plans in other subsidiaries is expected in 2020.

As part of implementing the Corporate Governance Code of the Holding, an Action Plan for improving the corporate governance of the Holding for 2019–2020 was approved by decision of the Board of Directors of the Holding dated July 22, 2019 (Minutes No. 07/19), which includes a section on the implementation of the principle of sustainable development.

In 2019, as part of implementing the Action Plan for improving the corporate governance, the Holding received an international rating of sustainable development at D+ level. A report on assignment of the sustainable development rating (ESG report) was received in August 2019.

By the decision of the Management Board of the Holding dated July 12, 2017 (Minutes No. 29/17), the Stakeholders Map of the Holding was approved to determine the list of stakeholders and the degree of their influence on the stakeholder engagement strategy.

No.	Principles of the Code	Observed/ partially observed/ not observed	Measures taken to implement the principles of the Code
			<p>Each year, the Holding approves and implements an Action Plan to further increase the level of confidence in the activities of Baiterek NMH JSC among target groups, including measures for interaction with the Sole Shareholder, subsidiaries, large companies, small and medium-sized enterprises.</p> <p>To ensure compliance with international standards, as well as to increase the level of information disclosed to stakeholders, the Holding prepares an annual report taking into account the international reporting standard in the field of sustainable development – GRI Standards. The improvement in the quality of information disclosed is annually confirmed by external experts in the framework of the annual report competition held by the Expert-Ra rating agency (currently – QRA). Thus, according to the results of the last competition, the Holding's annual report for 2018 was ranked 9th in the overall ranking of annual reports (for comparison: in 2017 it was ranked 82nd). The annual report of the Holding took second place in the "Best Annual Report of the Financial Sector" nomination.</p>
5.	Principle of risk management, internal control and internal audit	Observed	<p>The Holding implements a Risk Management Policy of Baiterek National Managing Holding Joint-Stock Company (hereinafter – the Risk Management Policy) approved by the decision of the Board of Directors dated October 11, 2013 (Minutes No. 4), as amended on February 15, 2018 (decision of the Holding's Board of Directors No. 02/18 dated February 15, 2018), the main objectives of which are to build an effective integrated system and create an integrated risk management process as an element of the Holding and subsidiaries, as well as to improve continuously activities based on a unified standardized approach to risk management methods and procedures.</p> <p>The structure of the Holding's risk management system includes risk management at several levels with the involvement of the following bodies and units of the Holding: the Board of Directors, the Management Board, a business unit responsible for the risk management and other business units.</p> <p>The Board of Directors plays a key role in supervising the corporate risk management system. The Board of Directors implements part of functions in the field of risk management through the Audit Committee of the Holding's Board of Directors.</p> <p>In carrying out its activities, the Internal Audit Service of the Holding conducts (as part of separate thematic tasks or comprehensively) a performance evaluation of internal control, risk management and corporate governance systems using generally accepted standards in the field of internal audit and corporate standards in accordance with the criteria approved by the Board of Directors and/or the Management Board of the Holding for subsidiaries (which apply by analogy subject to exclusion of double standards), and taking into account the relevant legislative norms of the Republic of Kazakhstan and internal documents, applicable international standards and best practices.</p>

No.	Principles of the Code	Observed/ partially observed/ not observed	Measures taken to implement the principles of the Code
			<p>Information on significant findings and the status of internal control, risk management and corporate governance systems is communicated by the Internal Audit Service of the Holding to the Audit Committee of the Board of Directors of the Holding and the Board of Directors of the Holding on a periodic basis.</p> <p>The Management Board ensures the integrity and functionality of the risk management system by performing its relevant functions.</p> <p>Head of a business unit of the Holding responsible for risk management interacts with the departments and subsidiaries of the Holding, as well as with external and internal auditors of the Holding to ensure the effective implementation of goals and objectives of the risk management system.</p> <p>All employees timely receive risk management assignments from the management of the Holding, clearly understand their roles and the work they should perform, and how they should interact with their colleagues.</p> <p>The corporate risk management system of the Holding is aimed at identifying a wide range of risks and considering them as a whole, which promotes the reflection of the entire situation of the existing risks and improves the quality of a risk analysis.</p> <p>At the same time, the Audit Committee of the Holding's Board of Directors makes a considerable contribution to improve the quality of the risk analysis and risk management system in the Holding through the regular provision of relevant recommendations, including the preparation of risk reports and conduct of analysis aimed at identifying risks that the Holding may encounter in the course of its activities.</p> <p>The Holding monitors current risks and execution of measures to address risks on the basis of the regular risk reporting.</p>
6.	Principle of regulating corporate conflicts and conflicts of interests	Partially observed	<p>Avoidance of a conflict of interest is an essential condition to ensure the protection of interests of the Sole Shareholder, officials and employees of the Holding.</p> <p>To prevent and resolve corporate conflicts and conflicts of interest in the Holding, as well as to coordinate actions of all bodies and officials, the Board of Directors of the Holding approved by its decision dated July 24, 2014 (Minutes No. 06/14) the Policy for the resolution of corporate conflicts and conflict of interests of Baiterek National Managing Holding JSC, which regulates the procedure and processes for pre-trial settlement of conflicts, as well as actions of the Holding's bodies, officials and employees as part of such processes.</p> <p>The fundamental principles of preventing conflicts of interest, methods for their identification, assessment and resolution are set forth in the Code of Business Ethics of Baiterek National Managing Holding Joint Stock Company approved by decision of the Board of Directors of the Holding No. 04/15 dated April 4, 2015.</p>

No.	Principles of the Code	Observed/ partially observed/ not observed	Measures taken to implement the principles of the Code
			<p>Information on the existence of a conflict of interest, if any, was timely communicated by the Corporate Secretary, with the direct assistance of the Corporate Secretary Service, to the Chairman of the Board of Directors.</p> <p>In 2019, no situations related to conflicts of interest were reported in the Holding, and there were no situations related to the need for the Holding bodies to consider corporate conflicts with the assistance of the Corporate Secretary and/or the Ombudsman.</p> <p>Pursuant to paragraph 3 of Article 181 of the State Property Act of the Republic of Kazakhstan, the Board of Directors of the Holding includes representatives of state bodies, including the Sole Shareholder.</p>
7.	Principle of disclosure of transparent and objective information on the Holding's activities.	Observed	<p>In its activities, the Holding adheres to the highest standards of transparency and constantly improves the accessibility, quality and promptness of disclosure of information on the Holding.</p> <p>To provide timely information to stakeholders, the Holding implements the Information Disclosure Policy that defines the principles and approaches to disclosure of information, as well as the timing, procedure and form of information disclosure.</p> <p>Information security in the Holding is regulated by the Information Security Policy.</p> <p>The Holding on an annual basis prepares an annual report of the Holding, which is submitted to the Board of Directors for review and approval. The Annual Report of the Holding for 2017 was approved by the decision of the Board of Directors dated July 19, 2018 (Minutes No. 07/18).</p> <p>Information on the Holding is disclosed on the Holding's website, which is well structured, has easy-to-use navigation and contains information that is necessary for stakeholders. At the same time, information is posted in separate thematic sections of the website and is constantly updated.</p> <p>In accordance with the legislative requirements of the Republic of Kazakhstan and internal documents of the Holding, information on the Holding is disclosed in full and timely manner on the websites of the financial statements depository and the stock exchange.</p>

List of related party transactions

No.	Transaction description	Resolution of the Board of Directors
1.	On concluding a transaction with DBK JSC to finance domestic manufacturers	In-person decision of the Board of Directors No. 02/19 dated February 28, 2019
2.	On concluding a transaction with DBK JSC for long-term lease financing under the Business Roadmap – 2020 program	In-person decision of the Board of Directors No. 05/19 dated May 16, 2019
3.	On concluding a transaction with HCSBK JSC for the subsequent provision of a loan to Damu Entrepreneurship Development Fund JSC.	In-person decision of the Board of Directors No. 05/19 dated May 16, 2019
4.	On concluding a transaction with Damu Entrepreneurship Development Fund JSC to secure the fulfillment of obligation to DBK JSC	In-person decision of the Board of Directors No. 05/19 dated May 16, 2019
5.	On concluding a transaction with DBK JSC to finance the "Saryarka Main Gas Pipeline" project	Absentee decision of the Board of Directors No. 06/19 dated June 11, 2019
6.	On concluding a transaction with Baiterek Development JSC to finance an investment project of development of land plots in the city of Almaty	Absentee decision of the Board of Directors No. 06/19 dated June 11, 2019
7.	On concluding a transaction with DBK JSC to finance the renewal of the passenger car fleet of Passenger Transportation JSC	In-person decision of the Board of Directors No. 07/19 dated July 22, 2019
8.	On concluding a transaction with Damu Entrepreneurship Development Fund JSC to issue preferential loans to small and medium enterprises affected by the events in the city of Arys	Absentee decision of the Board of Directors No. 08/19 dated August 23, 2019
9.	On concluding a transaction with Baiterek Development JSC to finance an investment project of development of land plots in the city of Almaty	Absentee decision of the Board of Directors No. 08/19 dated August 23, 2019
10.	On concluding a transaction with DBK JSC to finance investment projects as part of the State Program of Industrial and Innovative Development of the Republic of Kazakhstan for 2015–2019.	In-person decision of the Board of Directors No. 09/19 dated September 19, 2019
11.	On concluding a transaction with DBK JSC for long-term lease financing under the Business Roadmap – 2020 program	In-person decision of the Board of Directors No. 11/19 dated November 21, 2019
12.	On concluding a transaction with DBK JSC to finance the renewal of the passenger car fleet of Passenger Transportation JSC	In-person decision of the Board of Directors No. 11/19 dated November 21, 2019

Annual Financial Statements

Baiterek NMH JSC prepares and publishes its consolidated financial statements in accordance with the International Financial Reporting Standards on a semi-annual basis. The annual consolidated financial statements are audited by KPMG Audit LLP, an independent auditor selected for 2019–2021.

The full text of the consolidated financial statements for 2019, including the independent auditor's notes and report, is available at the Holding's website: <https://www.baiterek.gov.kz/ru/resources>.

Consolidated Statement of Financial Position

(in thousand KZT)	December 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	414,582,134	644,172,147
Other assets evaluated at fair value through income and loss	129,090,348	130,751,305
Loans to banks and financial institutions	373,726,776	275,164,588
Deposits with banks and financial institutions	153,084,094	153,048,495
Loans to customers	2,746,486,738	2,399,432,616
Investment securities:		
- Investment securities owned by the Holding	735,428,240	601,672,133
- Investment securities pledged as security under guarantees and REPO transactions	45,748,418	—
Finance lease receivables	357,267,765	275,255,229
Investment recognized by equity method	44,665	1,082,556
Investment property	6,143,053	6,630,998
Current income tax prepayment	16,956,072	18,974,333
Deferred income tax asset	4,689,447	3,844,215
Property, plant and equipment	17,208,804	15,206,946
Intangible assets	5,511,838	3,744,006
Long-term assets available for sale	21,873,725	38,318,211
Other financial assets	20,246,200	21,180,419
Other assets	165,958,878	130,368,213
TOTAL ASSETS	5,214,047,195	4,718,846,410
LIABILITIES		
Customer accounts	834,085,159	649,472,345
Debt securities issued	1,649,552,916	1,439,786,546
Subordinated debt	6,516,175	6,074,969
Loans from banks and other financial institutions	652,333,946	837,499,715
Loans from the Government of the Republic of Kazakhstan	283,784,376	208,831,317
Current income tax liability	1,047	356,912
Deferred income tax liability	26,181,150	19,366,974
Insurance contracts liabilities	9,963,449	4,699,589

(in thousand KZT)	December 31, 2019	December 31, 2018
Liabilities directly attributable to disposal groups held for sale	64,318	95,438
Other financial liabilities	26,983,155	47,468,591
State subsidies	456,056,346	411,155,878
Other liabilities	41,388,099	32,857,442
TOTAL LIABILITIES	3,986,910,136	3,657,665,716
EQUITY		
Share capital	917,218,712	846,218,712
Revaluation reserve for investment securities available for sale	(7,224,576)	(12,280,740)
Foreign currency translation difference reserve	—	3,751,446
Business combination reserve and additional paid-in capital	160,093,819	133,682,001
Other reserves	14,007,062	7,964,010
Retained earnings	142,942,619	81,775,074
Net assets owed to the Holding's owners	1,227,037,636	1,061,110,503
Non-controlling interests	99,423	70,191
TOTAL EQUITY	1,227,137,059	1,061,180,694
TOTAL LIABILITIES AND EQUITY	5,214,047,195	4,718,846,410

Consolidated Profit and Loss Statement

(in thousand KZT)	2019	2018
Interest income calculated using the effective interest rate method	294,883,757	271,327,053
Other interest income	37,155,794	30,419,034
Interest expenses	(175,137,177)	(155,415,945)
Net interest income	156,902,374	146,330,142
Provision for loan portfolio impairment	(19,449,740)	(5,349,243)
Net interest income less provision for loan portfolio impairment	137,452,634	140,980,899
Fee and commission income	9,114,861	6,116,458
Fee and commission expenses	(12,123,484)	(4,490,844)
Net fee and commission (expenses)/ income	(3,008,623)	1,625,614
Net (loss)/income from transactions with assets evaluated at fair value changed through income or loss for the period	(4,901,825)	8,627,103
Net loss/(income) from foreign currency transactions	(1,501,167)	1,452,322
Net (loss)/income from transactions with financial assets evaluated at fair value changed through other comprehensive income	(555,077)	222,146
Net loss from discontinued recognition of financial assets evaluated at depreciable cost	(1,550,426)	—
Net insurance premiums earned	2,488,507	1,413,333
Net insurance benefit expenses and changes in insurance contract provisions	(4,960,718)	(1,162,108)
Other operating expenses, net	(12,023,371)	(3,396)
Operating income	111,439,934	153,155,913
Recovery/(creation) of provision for impairment of other financial assets and credit related commitments	1,662,348	(54,858,530)
Administrative expenses	(49,679,995)	(45,879,121)
Share in the profit and loss of investment objects recognized by equity method	(6,226)	(975)
Profit before tax	63,416,061	52,417,287
Income tax expense	(11,905,993)	(17,699,302)
PROFIT FOR THE YEAR	51,510,068	34,717,985
Profit attributable to:		
- Holding owners	51,480,836	34,718,048
non-controlling interest	29,232	(63)
Profit for the year	51,510,068	34,717,985
Basic and diluted earnings per share, KZT	58	41

Consolidated Statement of Comprehensive Income

(in thousand KZT)	2019	2018
PROFIT FOR THE YEAR	51,510,068	34,717,985
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to income or loss:		
Net value of changes in the fair value of equity instruments evaluated at fair value through other comprehensive income	(14)	17,869
Items that may be reclassified subsequently to income or loss:		
Fair value reserve for securities:		
- ities:	5,125,809	(4,025,339)
- Net change in fair value transferred to income or loss	(69,631)	(94,997)
Foreign currency exchange differences on translation to presentation currency	—	(28,989)
Other comprehensive income/(loss) for the year	5,056,164	(4,131,456)
Total comprehensive income for the year	56,566,232	30,586,529
Total comprehensive income attributable to:		
- Holding owners	56,537,000	30,586,592
- non-controlling interest	29,232	(63)
Total comprehensive income for the year	56,566,232	30,586,529

Consolidated Statement of Changes in Equity

(in thousand KZT)	for Holding owners				for Holding owners			Non-controlling interests	Total equity	
	Share capital	Revaluation reserve for investment securities available for sale	Foreign currency translation difference reserve		Business combination reserve and additional paid-in capital	Other reserves	Retained earnings			Total
Balance as of January 1, 2019	846,218,712	(12,280,740)	3,751,446		133,682,001	7,964,010	81,775,074	1,061,110,503	70,191	1,061,180,694
Profit for the year	–	–	–		–	–	51,480,836	51,480,836	29,232	51,510,068
Other comprehensive income	–	5,056,164	–		–	–	–	5,056,164	–	5,056,164
Total comprehensive income for the year	–	5,056,164	–		–	–	51,480,836	56,537,000	29,232	56,566,232
Issue of securities – monetary contribution	71,000,000	–	–		–	–	–	71,000,000	–	71,000,000
Dividends declared	–	–	–		–	–	(1,485,163)	(1,485,163)	–	(1,485,163)
Recognition of the effect of a significant modification of the terms and conditions of issued debt securities, excluding the tax effect of KZT 3,944,261 thous.	–	–	–		–	–	15,777,044	15,777,044	–	15,777,044
Recognition of discount on loans from the Government of the Republic of Kazakhstan, less taxes totaling KZT 6,602,954	–	–	–		26,411,818	–	–	26,411,818	–	26,411,818
Disposal of a subsidiary of QazTech Ventures JSC – Technopark Alatau JSC	–	–	–		–	–	(2,313,566)	(2,313,566)	–	(2,313,566)
Accrual of reserve capital	–	–	–		–	6,043,052	(6,043,052)	–	–	–
Other flows	–	–	(3,751,446)		–	–	3,751,446	–	–	–
Balance as of December 31, 2019	917,218,712	(7,224,576)	–		160,093,819	14,007,062	142,942,619	1,227,037,636	99,423	1,227,137,059
Balance as of January 1, 2018	846,218,712	(8,178,273)	3,780,435		108,407,533	7,169,251	47,851,785	1,005,249,443	691,813	1,005,941,256
Profit for the year	–	–	–		–	–	34,718,048	34,718,048	(63)	34,717,985
Other comprehensive loss	–	(4,102,467)	(28,989)		–	–	–	(4,131,456)	–	(4,131,456)
Total comprehensive income for the year	–	(4,102,467)	(28,989)		–	–	34,718,048	30,586,592	(63)	30,586,529
Changes in non-controlling interest in subsidiaries	–	–	–		–	–	–	–	(621,559)	(621,559)
Recognition of discount on loans from the Government, less taxes totaling KZT 6,318,617 thous.	–	–	–		25,274,468	–	–	25,274,468	–	25,274,468
Accrual of reserve capital	–	–	–		–	794,759	(794,759)	–	–	–
Balance as of December 31, 2018	846,218,712	(12,280,740)	3,751,446		133,682,001	7,964,010	81,775,074	1,061,110,503	70,191	1,061,180,694

Consolidated Cash Flow Statement

	(in thousand KZT)	2019	2018
Cash flows from operating activities			
Interest received		267,178,207	254,129,367
Interest paid		(123,913,657)	(119,537,910)
Fee and commission receipts		11,348,388	7,480,402
Fee and commission expenses		(12,236,224)	(7,518,973)
Net gain from derivative financial instrument transactions		1,887,776	2,035,512
Net foreign exchange (loss)/gain		(166,666)	2,252,136
Net insurance premium receipts		1,902,942	929,285
Net insurance payments		(211,228)	(249,591)
Other operating income receipts		1,275,235	6,539,574
Dividends received		1,147,907	3,688,353
Administrative and other operating expenses paid		(50,236,128)	(42,922,460)
Income tax paid		(12,456,970)	(17,067,590)
Cash flows from operating activities before changes in operating assets and liabilities		85,519,582	89,758,105
Net (increase)/decrease in:			
- assets evaluated at fair value through profit or loss for the year		3,695,316	20,402,745
- cash with banks		(119,275,180)	24,156,151
- cash with banks		(365,416,040)	(274,129,621)
- finance lease receivables		21,602,200	17,658,647
- other financial assets		1,076,814	(820,245)
- other assets		(158,142,953)	(12,721,428)
Net (decrease)/increase in:			
- funds held for customers		184,873,241	111,029,624
- other financial liabilities		(19,756,352)	3,291,205
- other liabilities		23,858,808	(11,784,377)
Net cash flows used in operating activities		(341,964,564)	(33,159,194)
Cash flows from investment activities			
Acquisition of investment securities		(805,803,335)	(397,226,691)
Proceeds from disposal and redemption of investment securities		627,033,140	349,381,044
Acquisition of property, plant and equipment and intangible assets		(5,034,046)	(3,571,535)
Proceeds from disposal of property, plant and equipment		663,061	500,073

	(in thousand KZT)	2019	2018
Acquisition of investment property		–	(6,385,623)
Proceeds from disposal of a subsidiary less retired cash		–	200,000
Proceeds from disposal of associates and joint ventures		10,460	123,138
Net cash flow used in investment activities		(183,130,720)	(56,979,594)
Cash flows from financing activities			
Receipt of loans from banks and other financial institutions		113,576,195	159,589,632
Repayment of loans from banks and other financial institutions		(296,563,822)	(437,557,739)
Loans from the Government of the Republic of Kazakhstan		204,480,359	104,756,067
Repayment of loans from the Government of the Republic of Kazakhstan		(11,899,006)	(29,726,415)
Proceeds from issue of ordinary shares		71,000,000	–
Proceeds from issue of debt securities		215,023,475	293,820,715
Repayment/repurchase of debt securities issued		(4,734,890)	(39,167,030)
Net cash received from financing activities		290,882,311	51,715,230
Effect of changes in currency exchange rates on cash and cash equivalents		4,438,513	11,248,533
Effect of changes in impairment reserve		184,447	(751,094)
Net decrease in cash and cash equivalents		(229,590,013)	(27,926,119)
Cash and cash equivalents at the beginning of the year		644,172,147	672,098,266
Cash and cash equivalents at the end of the year		414,582,134	644,172,147

Information on Adherence to the IFC Principles “Operating Principles for Impact Management”

1 Principle 1
Defining strategic impact objectives that are consistent with the investment strategy:

An organization should set strategic impact objectives for the portfolio or the fund in order to achieve positive measurable social or environmental impacts that are consistent with the sustainable development goals

The Holding, as a key financial institution of the Government of the Republic of Kazakhstan, participates in the implementation of basic socially significant state programs – from providing the population with affordable housing to providing support to major industrial projects. Due to its significant impact on the development of regions, the Holding periodically evaluates the contribution to the country's economy.

2 Principle 2
Management of portfolio-based strategic impact:

An organization should build a process to manage the achievement of positive effects of project implementation. It is also necessary to bring incentive systems in line with the achievement of effects.

The Holding sets target KPIs for each of its strategic areas until 2023. Detailed sub-tasks with annual intermediate target values and activities are set forth in the framework of the Strategy Implementation Plan, which is a working document of Baiterek NMH JSC. At the same time, remuneration of members of the Management Board is paid depending on achieving the strategic KPIs and the performance evaluations results by decision of the Board of Directors.

3 Principle 3
Determining the contribution to the achievement of the effect:

Achieving the effect of project implementation should be documented.

The investment policy of the Holding takes into account ESG factors (environmental, social and corporate governance factors) when making investment decisions. In addition, the policy provides for a tool to prioritize potential projects – the Development Index, which takes into account the impact on the sustainable social development: a project should promote openness, safety, resilience and environmental sustainability of cities and settlements.

4 Principle 4
Assessment of the expected effect of each investment based on a systematic approach:

Each investment should be evaluated in advance to have an idea of a specific positive effect.

Project analysis is carried out by the Holding or subsidiaries for each potential project. Project analysis includes (but is not limited to): analysis for project compliance with fundamental principles and key areas, assessment of financial, economic, technical and technological indicators, assessment of potential risks. In this case, in determining the priority areas of providing financial support, the Holding and its subsidiaries are guided by the directions approved in the Strategy of the Holding and in state programs. The Holding and its subsidiaries do not provide support for such activities as mining (if their further processing is not planned), gambling and other activities prohibited by the laws of the Republic of Kazakhstan.

5 Principle 5
Assessment, elimination, monitoring and management of potential negative consequences:

For each investment, organizations should strive to identify and mitigate possible negative consequences.

The Holding and its subsidiaries apply assessment procedures, including a comprehensive analysis of information on the participants and the nature of their activities. Particular attention is paid to negative factors, upon identification of which the Holding and its subsidiaries conduct an additional audit.

6 Principle 6
Progress monitoring of each investment in achieving the effect

Project monitoring is carried out on a regular basis.

7 Principle 7
Withdrawal from projects taking into account their further sustainable impact

Post-monitoring of projects is carried out to assess the effect on the socio-economic development of the Republic of Kazakhstan and develop recommendations to improve approaches to the provision of financial support.

8 Principle 8
Review, documentation and improvement of decisions and processes based on the results achieved

The Holding consolidates information on potential, ongoing and completed projects sent by its subsidiaries. Forms of consolidated reports are sent to appropriate authorized bodies for subsequent review and making decisions on the provision of recommendations to subsidiaries regarding the prioritization of the key areas of financial support.

9 Principle 9
Publicly disclose compliance with the principles and conduct regular independent compliance checks

The Holding seeks to support projects in accordance with the IFC principles of impact investment and further intends to consider formal joining the initiative.

GRI Index Table

Standard No	Reporting Element	UN Global Compact Principle	Report Section/Comment
GRI 101 (2016): Foundations			
GRI 102 (2016): General disclosure			
Organization profile			
102-1	Organization name		Contact Details, p. 168
102-2	Activities, brands, products and services		Structure and Support Tools of the Holding, p. 32–33
102-3	Location of headquarters		Contact Details, p. 168
102-4	Location of operations		Development Strategy, p.16
102-5	Ownership and legal form		History of Development, p.30
102-6	Markets served		Development Strategy, p. 16
102-7	Scale of the organisation		Key Performance Indicators, p. 2–3. Human Resource Management, p. 114
102-8	Information on employees and other workers	6	Human Resource Management, p. 114
102-9	Supply chain	10	Business Model, p. 28
102-10	Significant changes in the scope, structure and property		<i>In the reporting year, there were no significant changes in the scope, structure and property</i>
102-11	Precautionary principle approach	7	Risk Management and Internal Control, p. 97 <i>The Holding ensures the dissemination of the principles of responsible investment for its subsidiaries in the framework of making investment decisions</i>
102-12	External initiatives		Sustainable Development Management System, p. 102
102-13	Membership in associations		<i>The Holding is not a member of any associations</i>

¹ A year of publication of Standards is specified in brackets.

Standard No	Reporting Element	UN Global Compact Principle	Report Section/Comment
Strategy			
102-14	Statement of a senior decision-making official		Address by the Chairman of the Management Board, p. 12
102-15	Key impacts, risks and opportunities	1-10	Development Strategy, p. 16
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	1, 2, 6, 10	Corporate Ethics and Settlement of Conflict of Interests, p. 93. Anti-Corruption, p. 94
102-17	Mechanisms for advice and concerns about ethics	1, 2	Corporate Ethics and Settlement of Conflict of Interests, p. 93
Corporate governance			
102-18	Corporate governance structure		Holding's Corporate Governance Model, p. 68
Stakeholder engagement			
102-40	List of stakeholder groups		Stakeholder Engagement, p. 109–112
102-42	Identification and selection of stakeholders		Stakeholder Engagement, p. 108
102-43	Approach to stakeholder engagement		Stakeholder Engagement, p. 109–112
102-44	Key topics and concerns raised		Stakeholder Engagement, p. 109–112
Reporting practice			
102-45	Entities included in the consolidated financial statements		Structure and Support Tools of the Holding, p. 32–33
102-46	Defining the Report content and topic boundaries		About the Report, p. 125–127
102-47	List of material topics		About the Report, p. 127
102-48	Restatement of indicators		About the Report, p. 125

Standard No	Reporting Element	UN Global Compact Principle	Report Section/Comment
102-49	Changes in reporting		About the Report, p. 125
102-50	Reporting period		About the Report, p. 125
102-51	Publication date of most recent report		About the Report, p. 125
102-52	Reporting cycle		About the Report, p. 125
102-53	Contact person for questions regarding the Report		Contact Details, p. 168
102-54	Claims of reporting in accordance with the GRI Standards		About the Report, p. 125
102-55	GRI Index Table		GRI Index Table, p. 160–164
102-56	External assurance		About the Report, p. 125
GRI 103 (2016): Management approach			
103-1	Materiality and boundaries		About the Report, p. 127
103-3	Management evaluation		Performance Assessment of the Board of Directors of the Holding, p. 79
Specific elements			
GRI 200 Economic topics			
GRI201 (2016): Economic performance			
103-2	Management approach	10	Economic Performance, p. 119
201-1	Direct economic value generated and distributed	10	Economic Performance, p. 119
GRI203 (2016): Indirect economic impacts			
103-2	Management approach	10	Development Strategy, p. 16-17
203-1	Infrastructure investments and gratuitous services	10	Large Business Support, p. 46
203-2	Significant indirect economic impacts	10	Key Performance Indicators, p. 2. Development Strategy, p. 17

Standard No	Reporting Element	UN Global Compact Principle	Report Section/Comment
GRI205 (2016): Anti-corruption			
103-2	Management approach	10	Anti-Corruption, p. 94-95
205-2	Communication and training about anti-corruption policies and procedures	10	Anti-Corruption, p. 94–95
205-3	Confirmed incidents of corruption and actions taken	10	Anti-Corruption, p. 94–95. <i>No corruption offences committed by the Holding employees were reported in the reporting period.</i>
GRI 300 Environmental topics			
GRI307 (2016): Compliance with environmental requirements			
103-2	Management approach	7, 8, 9	Environmental Protection, p. 121
307-1	Non-compliance with environmental laws and regulations	7, 8, 9	No penalties for non-compliance with environmental laws and regulations were reported in the reporting year
GRI 400 Social topics			
GRI401 (2016): Employment			
103-2	Management approach	1–6, 10	Human Resource Management, p. 114
401-1	Total number and share of newly hired employees and employee turnover by age group, gender and region	6	Human Resource Management, p. 114–115
GRI403 (2016): Health and safety			
103-2	Management approach	1	Occupational health and safety, p. 118–119
403-2	Types and rates of work-related injuries, occupational diseases, lost days and workplace absence, and total number of occupational fatal accidents, by region and gender	1	Occupational health and safety, p. 118–119

Standard No	Reporting Element	UN Global Compact Principle	Report Section/Comment
GRI404 (2016): Training and education			
103-2	Management approach	6	Human Resource Management, p. 116–117
404-1	Average training hours per year per employee by gender and category	6	Human Resource Management, p. 116–117
404-3	Percentage of employees undergoing regular performance and career development reviews by gender and category	2, 6	Human Resource Management, p. 116–117
GRI405 (2016): Diversity and equal opportunities			
103-2	Management approach		Human Resource Management, p. 115
405-1	Composition of management bodies and main personnel categories of the organization by gender, age group, minority group and other diversity characteristic		Human Resource Management, p. 115
GRI413 (2016): Local communities			
103-2	Management approach	1,2	Sponsorship and charity, p. 122
413-1	Business units implementing local community engagement, impact assessment and development programs	1, 2	Sponsorship and charity, p. 122

Glossary

7-20-25	Mortgage program developed in framework of implementation of objectives of the first initiative "New Opportunities to Purchase Housing for Every Family" announced in the Address of the President of the Republic of Kazakhstan, Elbasy Nursultan Nazarbayev to the nation "Five Social Initiatives of the President"
ADB	Asian Development Bank
Baiterek Development JSC	Baiterek Development Joint Stock Company
Baiterek NMH JSC, Baiterek Holding, Holding	Baiterek National Managing Holding Joint Stock Company
BD	Board of Directors
BRICS	A group of five countries: Brazil, Russia, India, PRC and South Africa
BU	Business units
Business Roadmap-2020	Unified business support and development program "Business Roadmap 2020"
CITIC	China International Trust and Investment Corporation
COSO	The Committee of Sponsoring Organizations of the Treadway Commission
Damu Fund JSC	Entrepreneurship Development Fund Damu Joint Stock Company
Development Bank of Kazakhstan JSC, DBK JSC	Development Bank of Kazakhstan Joint Stock Company
Digital Baiterek	"Digital Baiterek" Unified Entrepreneurship Support Portal
EBRD	European Bank for Reconstruction and Development
ESG	Environmental, Social and Governance
EU	European Union
GDP	Gross domestic product
GRI	Global Reporting Initiative
GVA	Gross value added
HEPP	Hydropower plant
Holding Group	Baiterek National Managing Holding Joint Stock Company and organizations more than fifty percent of voting shares (participatory interest in the authorized capital) of which directly or indirectly belong to the Holding on the right of ownership
Housing Construction Savings Bank of Kazakhstan JSC, HCSBK JSC	Housing Construction Savings Bank of Kazakhstan Joint Stock Company
Housing Guarantee Fund JSC, HGF JSC	Housing Guarantee Fund Joint Stock Company
IAS	Internal Audit Service
IFC	International Finance Corporation
IFRS	International financial reporting standards
Investment Fund of Kazakhstan JSC, IFK JSC	Investment Fund of Kazakhstan Joint Stock Company
IPPFIA	International Professional Practices Framework of Internal Auditing
IS	Information system
IT	Information technology

KazakhExport EIC JSC	Export Insurance Company KazakhExport Joint Stock Company
Kazyna Capital Management JSC	Kazyna Capital Management Joint Stock Company
KPI	Key performance indicators
KPPF LLP	Kazakhstan Project Preparation Fund Limited Liability Partnership
LBEs	Large business entities
LEA	Local executive authorities
MFO	Microfinance organization
MIID	Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan
MO Kazakhstan Mortgage Company JSC, MO KMC JSC	Mortgage Organization Kazakhstan Mortgage Company Joint Stock Company
MSME	Micro, small and medium entrepreneurship
National Agency for Technological Development JSC, NATD JSC	National Agency for Technological Development Joint Stock Company
NB RK	National Bank of the Republic of Kazakhstan
Nurly Zher	Nurly Zher State Housing Construction Program (the State Program of Housing and Municipal Development "Nurly Zher" was approved by the Decree of the Government of the Republic of Kazakhstan dated December 31, 2019)
Nurly Zhol	Nurly Zhol State Program of Infrastructure Development for 2015–2019
OECD	Organization for Economic Cooperation and Development
PEF	Private equity fund
PPP	Public-private partnership
QazTech Ventures JSC, QTV JSC	QazTech Ventures Joint Stock Company
RB	Republican budget
RK	Republic of Kazakhstan
ROA	Return on Assets
ROE	Return on Equity
SC MNE RK	Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan
SDG	Sustainable Development Goals – 17 goals and 169 objectives adopted in the framework of the 2030 Agenda for Sustainable Development and aimed to eradicate poverty, preserve natural resources of the planet and ensure well-being for all people
SimBase BPM system	A business process management system that supports BPM concepts and considers business processes as special resources of an enterprise
SME	Small and medium enterprise
SMEs	Small and medium-sized enterprises
SPIID	State Program of Industrial and Innovative Development of the Republic of Kazakhstan for 2015–2019
STB	Second-tier banks
Subsidiaries	Organizations more than fifty percent of voting shares (participatory interest in the authorized capital) of which directly or indirectly belong to the Holding on the right of ownership
UN	United Nations

UN Global Compact Principles	The ten principles of the Global Compact on Human Rights (1,2), labor relations (3–6), environmental protection (7–9) and anti-corruption (10) use a general consensus and are derived from: The Universal Declaration of Human Rights Declaration of the International Labor Organization on fundamental principles and rights at work Rio Declaration on Environment and Development UN Conventions Against Corruption
USA	United States of America
VI	Volume index
VPN	Virtual Private Network
Yenbek	State program for the development of productive employment and mass entrepreneurship for 2017–2021



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