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CODE

on

Corporate Governance

Financial Institutions' Association
of Kazakhstan

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TABLE OF CONTENTS

page

Introduction	3
Chapter 1 Principles of corporate governance	4
Chapter 2. General meeting of shareholders	8
Chapter 3. Board of directors	10
Chapter 4. Executive body	12
Chapter 5. Corporate secretary	13
Chapter 6. Essential corporate events	13
Chapter 7. Disclosure of information	14
Chapter 8. Control of financial-economic activity	15
Chapter 9. Dividend policy	15
Chapter 10. Manpower policy	16
Chapter 11. Environmental protection	16
Chapter 12. Conflicts of corporate governance	17
Chapter 13. Conclusion	17

INTRODUCTION

The present Code on Corporate Governance (hereinafter referred to as “the Code”) is a statute of rules and recommendations, which the Company follows in its activity for provision of high level of business ethics in relations within the Company and other market’s participants.

The Code is based on the existing international experience in corporate governance and provisions of the Recommendation on applying principles of corporate governance by Kazakhstan joint stock companies, which was approved by the Decision of the Expert Council on Equity Market Issues at the National Bank of the Republic of Kazakhstan on September 24, 2002 (Minutes of Proceedings #319).

The Code was developed in compliance with the provisions of the existing legislation of the Republic of Kazakhstan, taking into account practice of corporate behavior, ethical norms, requirements, terms and conditions of business activities of companies on equity market in the present stage of their development in Kazakhstan.

The Company voluntarily accepts and follows provisions of the present Code to reinforce the confidence of present and potential investors.

Chapter 1. PRINCIPLES OF CORPORATE GOVERNANCE

The Corporate governance is based on fairness, honesty, responsibility, transparency, professionalism and competence. The effective structure of Corporate governance supposes respect of rights and interests of all persons interested in the Company's activity, and contributes in successful activity of the Company, including market value increase and maintaining financial stability and profitability.

The principles of corporate governance, set out in the present Chapter, are aimed at gaining trust in relations which may arise for the purpose of governance, and shall serve as a basis of all rules and recommendations, set out in further chapters of the Code.

The basic principles of the present Code are as follows:

- principle of protection of rights and interests of shareholders;
- principle of transparency and objectivity of disclosure of information on the Company's activity;
- principles of legality and ethics;
- principles of effective dividend policy;
- principles of effective manpower policy;
- environmental protection;
- policy of regulation of corporate conflicts.

The structure of corporate governance shall be in accordance with the legislation and clearly define responsibilities of all bodies of the Company.

Observance of the principles of corporate governance shall contribute in taking of the effective approach to an objective analysis of the Company's activity and obtaining of the adequate recommendations from analysts, financial consultants and rating agencies.

1. PRINCIPLE OF PROTECTION OF RIGHTS AND INTERESTS OF SHAREHOLDERS.

The Company shall facilitate that its shareholders may easily exercise the following main rights:

- 1) the right to own, use and dispose shares, belonging to them;
- 2) the right to apply to the Company with written request to provide it with information concerning activities of the Company and to receive motivated answers within the terms established by the Articles of Association of the Company;
- 3) participate and vote in general shareholder meetings;
- 4) the right to participate in election of the managerial bodies;
- 5) the right to receive profits resulting from the Company's activity (dividends).

The Company shall ensure effective participation of the shareholders in making key decisions on the corporate management, such as nomination and election of the members of the Board of Directors. The shareholders shall be entitled to express their opinion concerning remuneration policy for the members of the Board of Directors.

The Company's employees as well as all persons interested in the Company's activity shall be entitled freely inform the Board of Directors on illegal and unethical actions, and their rights shall not be infringed.

The Company shall inform all its shareholders on the Company's activity according to the order provided for by the Articles of Association of the Company.

The Company shall provide its shareholders with true information on its financial and economic activity. Mainly, it concerns transactions in joint stock capital (shares), which shall be to the maximum reasonable and transparent for the Company's shareholders.

If the Company makes changes in its activity, then the Executive Body shall provide with well-grounded reasons for making such changes and shall submit specific perspectives for reservation and protection of rights of the shareholders.

All shareholders shall be treated equally under the same conditions.

The Company shall protect minority shareholders against abuse of controlling shareholders. Shareholders, including institutional investors, may advise each other on issues of observance of main rights of the shareholders.

2. PRINCIPLE OF THE COMPANY'S EFFECTIVE MANAGEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE BODY.

A) Principles of activities of the Board of Directors.

The Board of Directors shall act in the best interests of its shareholders and with the aim to increase of market value of the Company.

The Board of Directors provides the shareholders with clear assessment of achieved results and perspectives of the Company through objective monitoring of the present state of business, and it secures maintaining and functioning of the reliable system of internal control and independent audit in order to preserve shareholders' investments and the Company's assets.

The Board of Directors shall ensure that the Company's risk management system is effective. It shall control corporate conflicts and regulate them.

The Board of Directors shall ensure complete transparency of its activities before the shareholders.

The Board of Directors shall bear responsibility for disclosure of information and informational coverage of the Company's activities, and shall give good reason for classification of information and secure protection and safety of internal (business) information.

The Board of Directors shall include independent directors. The Company shall define its own criteria of independence of directors on the basis of the provisions of legislation. The independent director shall not depend on control shareholder or managerial body of the Company.

The system of job evaluation and equitable remuneration of the members of the Board of Directors shall secure motivation of their work in the interests of the Company and all shareholders.

The Board of Directors shall develop a mechanism of evaluation of its activities and work of definite directors, create and revise methods and criteria of evaluation of the activity of the members of the Board of Directors and the Executive Body as well as carry out control over activity of the Executive Body.

Upon assumption as the member of the Board of Directors, such member shall bear responsibility for the Company's activities.

The text of obligations of the member of the Board of Directors, assumed before the Company, the order of familiarization of the member of the Board of Directors with the Company's activities, the order of termination of authorities of the member of the Board of Directors, the order of voluntarily termination of authorities, the way of bringing to account for non-fulfillment of the undertaken liabilities, the order of calling and holding of the meetings of the Board of Directors are set out in the Company's Articles of Association and internal documents, which are developing by the Board of Directors and approving by the General Meeting of shareholders of the Company.

B) Principles of activities of the Executive Body.

The Executive Body (collegial or sole) shall carry out the Company's daily work in compliance with its financial and economic plan.

The activities of the Executive Body shall be built on the basis of maximal observance of the interests of the shareholders and accountability to the decisions of the General Meeting of shareholders of the Company and its Board of Directors.

3. PRINCIPLES OF TRANSPARENCY AND OBJECTIVITY OF DISCLOSURE OF INFORMATION ON COMPANY'S ACTIVITIES.

- a) Disclosure of information on the Company's activities shall contribute in participation in the share capital of new shareholders and facilitate positive solution of investors.

Informational transparency of the Company shall be based on an appropriate corporate provision, worked out and approved by the Board of Directors.

The shareholder or a potential investor shall have a free access to the Company's information, which is required for making reasonable decision.

The Company shall timely disclose any information on its main results, plans and perspectives of its activities, which may considerably affect property and other rights of the shareholders and investors. Moreover, the Company shall timely and to the full extend respond on the shareholders requests.

The Company shall provide with information on important corporate events in the Company's activities and, at the same time, shall follow strict and reliable mechanism of disclosure and confidentiality of internal (nonpublic) information, determined by the Board of Directors.

- b) Procedure and rules of accounting and audit are aimed at securing trust of the shareholders and investors to the Company's activities.

Accounting procedure and audit shall be based on the following principles:

- 1) completeness and reliability;
- 2) objectivity and independence;
- 3) professionalism and competence;
- 4) regularity and effectiveness

The Executive Body of the Company shall bear responsibility for completeness and reliability of the financial information to be provided.

The Board of Directors shall differentiate the competence of the bodies and persons of the system of control over financial and economic activity depending on their concern to development, approval, application and evaluation of the system of internal control.

4. PRINCIPLES OF LEGITIMACY AND ETHICS.

The Company shall carry out its activities in strict compliance with legislation of the Republic of Kazakhstan, generally accepted principles of business ethics and internal documents. The internal documents of the Company shall be developed in accordance with requirements of legislation and standards of corporate and business ethics.

Relationships between the shareholders, members of the Board of Directors and Executive Body of the Company shall be based on mutual trust, respect, responsibility and control.

5. PRINCIPLES OF EFFECTIVE DIVIDEND POLICY.

The Company shall follow its Provision on Dividend Policy.

The Company's Provision on Dividend Policy shall secure transparency of the mechanism of determination of the amount of dividends and order of their payment. The Provision formulates both the Company's general tasks as to increasing of the shareholders wellbeing and securing of increase of capitalization of the Company, and concrete rules of dividend policy, based on the laws and by-laws.

These rules regulate the order of calculation of the retained income and fixing of the amount of income for paying dividends, including dates, place and form of their payment.

Dividends shall be paid according to true information as to ability to pay them depending on the real state of Company's business.

6. PRINCIPLE OF EFFECTIVE MANPOWER POLICY.

The Company's corporate governance shall be organized on the basis of protection of the rights of employees of the Company in accordance with legislation, and shall be aimed at development of partnership between the Company and its employees in solving social issues and regulating labour conditions.

One of the main moments of manpower policy is keeping of working places, improvement of labour conditions in the Company and observance of the norms of social protection of the Company's employees.

Corporate governance shall stimulate processes of creation of favorable and creative atmosphere in labour collectives, and encourage professional development of the Company's employees.

7. PRINCIPLES OF ENVIRONMENTAL PROTECTION.

The Company shall held environmentally friendly policy in the process of its activities.

8. POLICY OF REGULATION OF CORPORATE CONFLICTS.

The members of the Board of Directors and Executive Body of the Company, as well as the Company's employees shall fulfill their professional functions in a proper way with due care and diligence in the interests of the Company and shareholders, trying to avoid conflicts of interests. They shall secure complete compliance of their activity not only to the requirements of legislation and principles of the present Code, but ethic standards and generally accepted norms of business ethics.

In case of arising of corporate conflicts among participants, then such conflicts shall be settled through negotiations with the aim to ensure effective protection of rights of the shareholder and business reputation of the Company.

In case when it is impossible to settle corporate conflicts through negotiations, then they shall be regulated in accordance with legislation.

Chapter 2. THE GENERAL MEETING OF THE SHAREHOLDERS.

Arrangement and order of holding of the General meeting of the shareholders shall meet the following requirements:

- 1) All shareholders shall be treated equally under the same conditions;
- 2) Any shareholder of the Company may participate in the General meeting of the Company;
- 3) Highest possible organizational and reporting information shall be available to the shareholders;
- 4) The manner of holding of the Company's General meeting of the shareholders shall be clear and transparent.

1. PROCEEDINGS AT GENERAL MEETINGS OF THE SHAREHOLDERS.

- 1) The General Meeting shall be called by a written notice sent sufficient time before the Meeting to enable the Company's shareholder to be acquainted with the order of holding and materials of forthcoming meeting, to prepare questions to be addressed at the meeting and to think over of its own position concerning the Agenda.
- 2) Information and materials which should be submitted to the shareholders before the General meeting as well as the order of their presenting shall provide with complete understanding of the essence of the issues to be discussed, give answer to all questions under consideration and enable the Company's shareholder to make reasonable decisions on all issues of the Agenda.
- 3) The General Meeting shall be convened by such manner of informing, as it may be appropriate for timely notification of all shareholders. In case of necessity, notifications may be repeated or other ways of notifications shall be used. In order to ensure that all

shareholders obtain information on the Company's activity simultaneously and secure equal treatment to them, the General meeting of shareholders shall notify them through a definite Mass media.

- 4) All shareholders shall be able to look through the List of participants of the General meeting. This process enables the Company's shareholders exercising their rights, and excludes possibility to be not included into the List of the participants of the General meeting. The process of familiarization with the List of participants, entitled to receive materials of the General meeting shall be simple and easily done for all shareholders. The List of shareholders entitled to participate in the General meeting of shareholders, shall be made up by the Company's registrar on the basis of the data, containing in the Register of holders of Company's shares with obligatory opening by the nominal holders of shareowners.
- 5) Information distributed at the time of arrangement of the General meeting, shall be systemized according to the Agenda of the General meeting. It should be introduced by quite simple and easy done order of receiving such materials or familiarization with them.
- 6) Along with normative List of information, the participants of the General meeting shall be entitled to receive additional information on plans, achievements and problems of the Company's activity. Disclosure of information shall not place on the Company unnecessary administrative burden or unjustified costs.
- 7) The order of consideration and approval by the General meeting of essential changes to be made in the Company's activity and management shall be supplied by additional materials, where set out sufficient explanation for making such changes.
- 8) In case of necessity, the shareholders shall be provided with analytical research information and materials of other organizations concerning the Company's activity.
- 9) In case of insertion into the Agenda of the General meeting of the issues on election of the members of the managerial body and control, it is necessary to enclose detailed information on the candidates for such positions.
- 10) The items of the Agenda shall be clear and exclude wrong interpretation. It is necessary to exclude from the Agenda any items with wording like "any other business", "other", "others" and etc.
- 11) The process of voting at the General meeting shall be simple and convenient for the shareholder, and shall foresee all possible ways of voting.
- 12) The shareholders' rights to submit offers into the Agenda of the meeting as well as to ask calling of an ordinary or extraordinary meeting of the shareholders shall be easily exercisable provided that they are clearly grounded.

2. HOLDING OF GENERAL MEETING.

- 1) The order of holding of General meeting shall secure to all shareholders equal ability to exercise their rights of participation at the General meeting. The shareholder may vote personally or without his personal attendance (in accordance with vote by proxy, issued by the shareholder to third party or to representative of the nominal holder), at that, votes by personal attendance and votes by proxy shall have equal force.
- 2) The order of the work of the General meeting shall be based on reasonable sufficiency and ability to widely discuss the items of the Agenda and accept reasonable decisions on them.
- 3) The order of speech of the officials of the Company and shareholders shall be determined beforehand.
- 4) All officials, who carry out Company's management and control, shall participate at the General meeting of the Company. In case when the Company's officials due to reasonable cause are not able to participate at the General Meeting, they may authorize

- their deputies and (or) persons, competent in such questions to attend the General Meeting instead of them.
- 5) The period of registration shall be sufficient to enable all participants to register themselves. At that, time of registration shall not be limited by the beginning of the work of the General meeting of shareholders. It means that participants arriving after the beginning of the General meeting may join to the future work of the General meeting.
 - 6) The chairman of the meeting shall make every effort to enable the shareholders to receive answers on all questions being under consideration of the General meeting. In case when the questions are not simple and it is not possible to answer them immediately, the person (or persons) to whom they were addressed, shall provide with written answers in the earliest possible date upon closing of the General meeting.
 - 7) Election of the Board of Directors, Executive Body and other bodies of management and control of the Company shall be transparent and well grounded.
 - 8) The order of counting of votes shall be simple and transparent. The shareholders shall make sure of correctness of the results of voting.
 - 9) The date and time of holding of the General meeting shall be set in such way that at the meeting may participate maximum persons, entitled to attend it. The General meeting of shareholders shall be held at place of location of the Executive Body.

Chapter 3. THE BOARD OF DIRECTORS

1. POWERS AND DUTIES OF DIRECTORS.

- 1) The Board of Directors shall act in the best interests of the shareholders and protect their rights.
- 2) The Board of Directors shall determine priority directions of the Company's development and establish main guidelines of its activities for long-term perspectives.
- 3) The Board of Directors shall review the approved priority directions adjusted to market environment, financial position of the Company and other factors, influencing on the financial and economic activity of the Company.
- 4) The responsibilities of the Board of Directors include approval of the Company's internal procedures in risk management, ensuring compliance to such procedures, as well as analyzing their efficiency and improvement. In accordance with such procedures, the Board of Directors shall be timely notified on existing shortages in risk management system.

Besides, the following shall be considered as belonging in the competence of the Board of Directors:

- 5) approval of the Company's essential transactions;
- 6) preliminary approval of the Company's annual report;
- 7) determination of the size of remuneration of the employees of the internal audit and approval of internal audit provisions.
- 8) approval of the internal administrative control procedures of the activities of the Company's Executive Body, the amount of remuneration of employees of the Executive body. At the time of remuneration of the members of the Executive Body it is necessary to take into account skill levels and contribution of each member of the Executive body in the results of the Company's activities. In such case the amount of remuneration shall depend on the financial results of the Company's activities and cost increase of its shares.

- 9) development of the effective system of nomination of the members of the Executive body, which contribute into the attraction of the skilled professionals to the Company's management.
- 10) development of the provision as to a Corporate secretary and its approval. Controlling the activity of the Corporate secretary.

2. THE BOARD OF DIRECTORS

- 1) The procedure of election of the members of the Board of Directors shall be transparent and clear for all shareholders. For this purpose the Company shall follow provisions elaborated with the aim to regulate the order of selection and appointment of the members of the Board of Directors, to secure that the Company's shareholders exercise their rights and to protect their interests.
- 2) The election of the Board of Directors shall be held taking into consideration opinion and interests of all shareholders, including those who possess minority shares in the capital stock.
- 3) Candidates and members of the Board of Directors shall have positive achievements and good reputation in the business and branch fields.
- 4) The members of the Board shall enjoy confidence of the majority of the Company's shareholders.
- 5) The Board of Directors shall be formed from highly skilled professionals, having experience of managers.
- 6) The Board of Directors shall include independent directors, total number of whom shall not exceed the limit, established by legislation.
- 7) For choosing candidates into members of the Board of Directors it should be developed appropriate provision with clear criteria for choosing of candidates. Under conditions being equal at the time of choosing candidates into the Board of Directors, the candidacy of the independent director will be preferred.

3. ACTIVITY OF THE BOARD OF DIRECTORS.

- 1) The Board of Directors shall act in good faith, responsibility, honestly, with due care, competence and diligence.
- 2) The meetings of the Board of Directors shall be held on the basis of rationality, efficiency and regularity.
- 3) The Board of Directors shall develop and follow internal procedures for arrangement and holding of its meetings. These procedures shall regulate all required parameters of the proceedings of the Board of Directors.
- 4) The Board's meetings shall be held on the basis of actual presence or through absentia manner, grounding why this way of holding of the meeting was chosen.
- 5) In case when the members of the Board of Directors attend the meeting personally, the results of such meeting are more efficient. The members shall attend the meeting without fail when at the meeting will be considered key, strategically important issues concerning the Company's activities.
- 6) In separate cases, combination of both forms of holding of the meeting is possible. Such situation may take place when one or more members of the Board of Directors (less than 30%) are not able participate personally on the Board's Meeting. In such case the member, for whom it is impossible to attend the meeting, may discuss the issues being under consideration, by using technical means of communication, and later it shall provide with its own opinion in writing.

- 7) The Board of Directors shall be entitled to form committees on:
 - Strategic planning;
 - Internal audit;
 - Regulation of corporate conflicts;
 - Ethics and others
- 8) The Committee for regulation of corporate conflicts shall be formed from among the number of independent directors. In case of insufficiency of the number of independent directors, it is recommended to appoint one of the independent directors in the capacity of the head of the Committee.
- 9) The Committee for Ethics shall be formed in order to develop and follow ethical rules in the Company's activities. The main items of such rules are as follows:
 - social responsibility of the Company;
 - business ethics;
 - adherence to standards of quality of goods and services;
 - environmental safety requirements.
- 10) The Company shall disclose for all interested persons any information concerning the amount of remuneration to be received by the members of the Board of Directors in the prospect of authorized stock issue. The amount of remunerations being paid to the members of the Board of Directors for the reporting period shall be reflected in the annual report, prepared for the shareholders, entitled participate at the annual General meeting of the shareholders.
- 11) The members of the Board of Directors shall be entitled to monitor the Company's business situation and maintain permanent contacts with other bodies and officials of the Company.
- 12) The Board of Directors shall specify the period during which the internal (business) information on the Company may not be disclosed by the former members of the Board of Directors upon cessation their activity within the Board of Directors.

4. APPRAISAL OF THE ACTIVITY OF THE BOARD OF DRECTORS.

Appraisal of the result of the activity of the Board of Directors shall be made at the General Meeting of the Shareholders.

CHAPTER 4. THE EXECUTIVE BODY.

1. PRINCIPLES OF THE EXECUTIVE BODY'S ACTIVITIES.

- 1) The Executive Body shall strictly follow internal provisions, approved by the Board of Directors, in regard to appointment of the members of the Company's Executive Body and their activities
- 2) The Executive Body shall act in good faith, honestly, with due care, competence and diligence.
- 3) The main directions of the activities of the Executive Body shall be:
 - determination and approval of the systems and rules of functioning of the Company;
 - planning;
 - determination of the internal labor regulations;
 - motivation and securing of discipline;

- preparation of job instructions and their approval; making of provisions as to the work of subdivisions;
 - imposition of penalties and payment of incentives and etc.
- 4) The Executive Body shall take measure for securing of the Company's internal (nonpublic) information.
 - 5) The important direction of the activities of the Executive Body is to secure adherence to requirements of the legislation, including labor protection legislation and safety rules.

2. THE EXECUTIVE BODY.

- 1) In order to make appointments in the Executive Body, the Board of Directors shall follow to the internal rules, developed for determination of qualification requirements to be met by candidates for these positions.
- 2) Candidates for the positions of the Executive Body shall have positive reputation and enjoy confidence of the majority of the Board of Directors.
- 3) The Executive Body shall consist of highly skilled professionals, being previously worked as managers.
- 4) When the management company is invited to act as an Executive Body, then it is necessary to develop principles and methods of choice of such management company taking into consideration its capital adequacy for compensation of possible losses of the Company itself and third parties, as a result of activities of the management company.
- 5) The members of the Executive body shall be chosen and nominated on the basis of transparent and clear mechanism.

3. THE CORPORATE SECRETARY.

- 1) Strict compliance with the regulations on securing of the rights and interests of shareholders as well as observance of provisions and standards of legislation of the Republic of Kazakhstan, provisions of the Articles of Association and other internal documents of the Company, shall be ensured by introduction of the institute of a Corporate secretary of the Company. When the company is large, this institute may be in the type of a separate position – a Corporate secretary of the Company. In other cases, a Corporate secretary's functions may be delegated to one of independent members of the Board of Directors.
- 2) An important part a Corporate secretary plays in arrangement and holding of the General meeting of shareholders, in the activities of the Board of Directors, as well as in storing, disclosing and provision of information on the Company's activities, since non-observance of these procedures may bring to breach of the rights and interests of the Company's shareholders.
- 3) A Corporate secretary shall be responsible for corporate strategy and corporate processes in the Company. It is the Corporate secretary's responsibility to ensure settling of conflict situations, which may arise in the Company, concerning relationships of the shareholders and other managerial bodies as well as relationships among shareholders themselves.
- 4) A Corporate secretary shall ensure proper consideration by the relevant bodies of the Company of conflicts in relation to breach of the shareholders' rights, as well as their settlement. The Corporate secretary shall be responsible for ensuring that the Company's bodies and subdivisions timely consider such claims.
- 5) Status, powers and duties of the Corporate secretary shall be regulated by the corresponding internal provisions of the Company.

- 6) Appointment of the Corporate secretary shall be within the competence of the Board of Directors.

Chapter 6. ESSENTIAL CORPORATE EVENTS.

Essential corporate events are those events, which may bring to fundamental changes in the Company's activity. The following shall refer to important corporate events: reorganization of the Company, purchase or sale of ten (in joint-stock company of five) and more percents of voting shares, settlement of large transactions, entering of changes into the Articles of Association and etc.

The Executive Body shall develop the Company's Provision of Important Corporate Events and follow its requirements after approval of it by the Board of Directors, where a special attention should be given to the following issues:

- Defining of the mechanisms and procedures of implementation of strategically important events:
- Preliminary approval and evaluation of the important events to be implemented;
- Deep analysis and discussion of essential events.

Before entering of the above-mentioned changes it is necessary to create the atmosphere of transparency and trust as well as to apply simple procedure of their implementation.

1. REORGANIZATION OF THE COMPANY

Taking into account that the process of reorganization of a company is provided by legislation, the Board of Directors and Executive Body of the Company shall additionally work out a mechanism of wide and trust discussion of the event. The Board of Directors shall provide shareholders with the sufficient proof of necessity of the Company's reorganization.

2. LIQUIDATION OF THE COMPANY.

When the Company is liquidated, the Board of Directors and the Executive Body shall provide the shareholders and interested parties with sufficient proof of necessity of liquidation of the Company.

Chapter 7. DISCLOSURE OF INFORMATION

It is expected that disclosure of information shall facilitate creation of the favorable image of the Company in attracting capital, maintaining trust, and shall contribute in growth of production and financial results.

The system of disclosure of information shall meet the requirements of the principles of maximal access to the Company's information and protection of corporate (internal) information of the Company.

1. PUBLIC DISCLOSURE OF INFORMATION

- 1) Information transparency of the Company shall be ensured through free and easy access to public information.
- 2) Public information disclosure shall be on regular basis through means of Mass Media. Besides, the Company may use other ways of informing.

2. INTERNAL INFORMATION PROTECTION.

- 1) Along with public disclosure of information, the Company ensures safety and protection of corporate (internal) information.
- 2) The Company applies a developed and effective system of control of using internal information.
- 3) The Company is responsible for ensuring that all employees to whom the confidential information is disclosed shall keep such information confidential and not to disclose the same to any unauthorized person, during the period of their employment with the Company as well as during the period of limitation upon their retirement.

Chapter 8. CONTROL OF FINANCIAL-ECONOMIC ACTIVITY

1. THE COMPANY'S SYSTEM OF FINANCIAL-ECONOMIC ACTIVITY CONTROL

- 1) The Company's system of control of financial and economic activity shall be regulated by the Board of Directors.
- 2) The Board of Directors shall provide information on results of audit of the Company's financial and economic activity to all shareholders and persons interested in the Company's activity.

2. INTERNAL AUDIT SERVICE

- 1) Effective control of the Company's financial and economic activity may be achieved through the work of the Internal Audit Service of the Company.
- 2) All issues as to holding of audit, appointment of persons responsible for audit, shall be preliminary determined at the meetings of the Company's Internal Audit Service.
- 3) Resolutions at the meetings of the Internal Audit Service shall be adopted by majority of the votes of its members participating at the meeting.
- 4) In order to secure timely audit, it is necessary to specify the dates of it's conducting, in the internal documents of the Company.
- 5) In order to put in good order auditing of the financial-economic activity of the Company, the Board of Directors shall approve its relevant Provision.
- 6) The Company shall apply a corporative format of report provided for by the Internal Audit Service, where opinions of all members are taking into account.

3. EXTERNAL AUDIT

The main purpose of audit, conducted by the independent auditor, is control of the Company's financial statements and obtaining of independent estimation on adequacy and objectivity of making of the Company's financial statements.

Chapter 9. DIVIDEND POLICY

Committee on Strategic Planning shall develop its Provision on Dividend Policy to be approved by the Board of Directors, where principles and mechanisms of dividend policy of the Company are clearly reflected.

One of the main principles of the Provision on Dividend Policy is to ensure with easy and transparent mechanisms of determination of the size of dividends and terms and conditions of their payment.

The Dividend policy shall be quite transparent and easy for familiarization with it by the shareholders and potential investors.

The Company shall inform its shareholders and other interested parties on their dividend policy, taking into account it's significance for making investment decisions.

1. PAYMENT OF DIVIDENDS.

The Company shall develop and approve easy and transparent mechanisms of payment of dividends. The Company shall avoid complicated terms of payment of dividends for its shareholders.

- 7) Provision on Dividend Policy shall reflect the order of determination of the Company's minimal share of net profit to be distributed among the Company's shareholders. The order of payment and minimal size of dividends to be paid on preferred stock shall be determined by prospectus for their issue.
- 8) At the time of determination of the size of net profit of the Company, it should be taken into account that the size of net profit for the purpose of determination of the size of dividends shall not differ from the size of net profit for the purpose of business accounting, as far as otherwise the size of dividends shall be calculated on the basis of low or overstated amount, which brings to significant infringement of shareholders' interests. For this reason, the Company makes calculation of net profit in accordance with the order provided by legislation for the purposes of business accounting.
- 9) Information on making decision (announcing) as to payment of dividends shall be exact in order to understand the order of payment of dividends.
- 10) Payment of dividends in cash shall be deemed as priority.
- 11) At the time of development of the Provision on Dividend Policy a special attention is to be given to the issues as to incomplete and untimely payment of dividends.

Chapter 10. MANPOWER POLICY

- 1) System of Corporate governance shall contribute in strict observance of the Law on Labor in the field of protection of labor and health of an employee, remuneration of labor and social protection.
- 2) One of the priorities of the Company's activity shall be training of its personnel.
- 3) The Company follows the principle of preservation of working places and improvement of working conditions.
- 4) The Company makes every effort to create favorable and creative atmosphere in the work collective.

Chapter 11. ENVIRONMENTAL PROTECTION

Modern development of business activity in the world brings to rising of significance of environmental protection issues. The state of environment became more actual criteria in evaluation of the Company's activity.

- 1) The Company follows to the principles of careful and rational attention to environment in its activities.

- 2) Along with the present Code, the Company shall be governed by policy in relation to environmental protection set out in the internal regulations.

Chapter 12. CONFLICTS OF CORPORATE GOVERNANCE

- 1) Members of the Board of Directors and Executive Body as well as the employees of the Company, shall perform their professional duties in good faith, responsibility, with due care and in the best interest of the Company and its shareholders, trying to avoid conflicts of interests. They shall act in compliance with requirements of legislation, ethic standards and norms of business ethics.
- 2) The Company shall develop mechanism of regulation of corporate conflicts, allowing to make a decision, which to the utmost will fulfill the requirements of the Company and its shareholders, as being legal and well grounded.
- 3) When corporate conflict arises, the participants shall settle it through amicable negotiations in order to secure effective protection both the shareholder's rights and the Company's business reputation.
- 4) In case when it is impossible to settle corporative conflicts through amicable negotiations, they shall be regulated in accordance with the legislation.
- 5) In case of arising corporate conflicts between the shareholders, the Company shall take an active part in their regulation. At the same time, the Company's Executive Body shall assist in settlement of such conflict situations.
- 6) The Manager of the Executive Body shall on behalf of the Company regulate corporate conflicts in all issues, which are not in the competence of other bodies of the Company, as well as independently determine the order of regulation of corporate conflicts.
- 7) The Board of the Directors of the Company shall regulate corporate issues, which belong in its competence. With this purpose the Board of Directors may form its Special Committee for regulation of corporate conflicts, which will consist of a number of its members.
- 8) Definite corporate conflicts, belonging in the competence of the manager of the Executive body of the Company (for example, in cases when the subject of the conflict is activity (inactivity) of the body or other actions, taken by it) shall be passed to the Board of Directors or a Committee for Regulation of Corporate Conflicts, newly formed by the Board of Directors, for their consideration.
- 9) The order of formation and work of the Committee for Regulation of Corporate Conflicts shall be determined by the Board of Directors.

Chapter 13. CONCLUSION

The present Code of Corporate Management is a standard document, developed on the basis of international experience related to the issues of corporate governance, Principles of Corporate Governance of OECD, Recommendations of the National Bank on application of the principles of corporate governance by the Kazakhstan joint stock companies.

On the basis of the present Code, joint stock companies and companies of any forms of ownership, acting both in the financial and real sectors of the economy of Kazakhstan, may develop their own Codes and follow to the world practice of principles of corporate governance.

In order to follow rules and recommendations of the present Code, the Company shall work out and accept additional internal standard documents and provisions directed at adoption and application of the principles of corporate governance, set out herein.

It is planned to work out annotations and comments to the present text of the Code that may be useful for joint stock companies in case when they develop, implement and use own codes of corporate governance.