

In Q4 2019 Internal Audit Service of EIC KazakhExport JSC audited evaluation of corporate governance at EIC KazakhExport JSC (hereinafter the ‘Company’) and prepared Report of Compliance of Corporate Governance Level with Best Global Practice based on results of diagnostics of the corporate governance system.

The evaluation was carried out based on Method of Diagnostics of Corporate Governance at Export Insurance Company KazakhExport Joint Stock Company. The report contains description of results of the conducted diagnostics of corporate governance (hereinafter ‘CG’). Based on results of CG diagnostics carried out in 2017 aggregate parameter of compliance of CG level with requirements of the best practice made 80.1%, in 2019 it was 78.6%.

Component	2017	2019
Structure	85	85.8
Processes	76.8	78
Transparency	79.9	73.8
Final result of compliance	80.1%	78.6%

Among positive changes in the internal control system (hereinafter the ‘ICS’) for the covered period, we mention BD approval (Minutes N 3 dated 30.03.2018) of the ICS Regulation, introduction of 24/7 hotline, introduction of an information security manager in the corporate structure.

In the covered period, insignificant improvement in components ‘Structure’ and ‘Processes’ is witnessed along with a decrease in parameter of ‘Transparency’ component. Below is detailed information in the breakdown of each component which affected change of parameters.

	2017	2019
Structure	7	9
Corporate governance structure	80	87.5
Total commitment to corporate governance principles	81.3	87.5
Rights of financially interested parties	85.7	67.9
Conflict of interests	90	95
Delineation of competences	93.8	100
Total:	85	85.8

In 2017-2019, parameters for 4 out of 5 elements in the ‘Structure’ component demonstrated an improvement, along with that total compliance with the best corporate governance practice was achieved in the area of delineation of competences. Decrease in the parameter ‘Rights of financially interested parties’ down to 67.9% is attributed to weakening internal control in the field of suppression of fraud and failure to comply with prescribed requirements for training of employees in suppression of corruption and also delayed payment of dividends and absence of regulation of a procedure of attraction of independent appraisers.

	2017	2019
Processes	7	9
Efficiency of the board of directors	91.7	97.9
Corporate social responsibility and sustainable development	40	30

Remuneration and succession	89.3	87.5
Risk management	65	77.5
Planning and monitoring	81.3	71.9
Total:	76.8	78

Parameter in efficiency of the Board of Directors also improved, failure to reach compliance with the best practice is attributed to a failure to evaluate 2018 performance of the Board of Directors.

There is also an improvement in parameter in risk management which is connected with conducted work to update documents in the risk management system and their application in current activities.

With general insignificant improvement of parameter in the ‘Processes’ component, parameter ‘Corporate social responsibility and sustainable development’ declined down to 30% in connection with unavailability in the Company of internal policies and key performance indicators in sustainable development (corporate social responsibility) and also absence of projects and programs carried out in sustainable development. Also, parameter ‘Planning and monitoring’ declined in connection with development of the Development Strategy during the covered period by an outside company without proper involvement of concerned parties (stake holders) and also absence of proper automation of planning and monitoring processes.

Transparency	2017	2019
Information policy	75	37.5
Disclosure of financial information	78.6	78.6
Disclosure of non-financial information	65.9	61.4
Audit process	100	90
Internal audit	85.7	85.7
Total:	79.9	73.8

Component ‘Transparency’ in the covered period fell from 79.9% down to 73.8% which is caused by a two-fold decrease in the parameter ‘Information Policy’ attributed to late preparation of an Annual Report and improper disclosure of information on web-site of the Company and irrelevance of posted information and also mismatch between information in the Kazakh, Russian and English versions of the website. There is also an insignificant deterioration in parameters ‘Disclosure of Nonfinancial Information’ and ‘Audit Process’ due to non-disclosure of detailed information about an external auditor to general public, and also insufficient involvement of the audit committee in the process of selection of the external auditor.

In compliance with clause 120 of the Rules for Arrangement of Internal Audit at EIC KazakhExport JSC approved by decision of the Board of Directors dated 30 September 2019 (Minutes N 8), system of internal control and risk management is rated as ‘Adequate’ based on audit findings which witnesses that design and degree of implementation of controls to a reasonable extent mitigate inherent risks of audited business processes. Overall, control environment provides for sufficient/ adequate confidence with respect to reliability of financial data, validity and efficiency of operations, integrity of assets and compliance with policies of the Company, laws and regulatory acts. Identified discoveries do not entail financial and operating risks for the Company and require adoption of

adjustment measures at the level of holders of business processes.

Decision of the Board of Directors dated 19 December 2019 (Minutes N 11):

1. Approved Report of Report of Compliance of Corporate Governance Level with Best Global Practice based on results of diagnostics of the corporate governance system.

2. Approved an Action Plan to Improve Corporate Governance at EIC KazakhExport JSC.