

**Analytical report  
based on the results of the internal analysis of the corruption risks  
in "EIC "KazakhExport" JSC**

**Nur-Sultan city**

**«24» May 2021**

In order to fulfill paragraph 116 of the National Action Plan for the implementation of the Address of the Head of State dated September 1, 2020, instructions of the Office of the Prime Minister of the Republic of Kazakhstan No. № 23-14/01-82//413 p. 116 dated March 19, 2021, the «EIC «KazakhExport» JSC (hereinafter referred to as the Company) issued the Order of the Acting Chairman of the Management Board Zhaksybaev R.O. No. 20-Θ dated April 6, 2021, “On conducting an internal analysis of corruption risks in the «EIC «KazakhExport» JSC (hereinafter referred to as the Order).

According to the Order, the Working Group has been established at the «EIC «KazakhExport» JSC (hereinafter referred to as the Company) to conduct the internal analysis of corruption risks in the following composition:

1) Head of the working group - Head of the Compliance Service Kabsamatov K.A.;

working group members:

2) A.S. Abykaev, Chief Compliance Controller of the Compliance Service;

3) Head of the Internal Audit Service A.S. Tangisheva;

4) Chief Manager of the Legal Department Dosalin B.K.;

5) Director of the Procurement Department A.R. Valeev;

6) Risk Manager of the Risk Management Department Dairova A.A.

Responsible for organization and implementation of the internal analysis of corruption risks in the Company is the Deputy Chairman of the Management Board of the Company Bektybayeva A.E.

In accordance with paragraph 16 of the Company's Anti-Corruption Policy (approved by the decision of the Company's Management Board dated June 13, 2018, Protocol No. 414), the internal analysis of corruption risks is carried out in the following areas:

1) Identification of corruption risks in the internal regulatory documents of the Company;

2) Identification of corruption risks in the organizational and managerial activities of the Company.

The internal analysis of corruption risks is carried out in accordance with the Model Rules for Conducting an Internal Analysis of Corruption Risks (approved by the Order of the Chairman of the Agency of the Republic of Kazakhstan for Civil Service Affairs and Anti-Corruption dated October 19, 2016 No. 12), Methodological recommendations for conducting an internal analysis of corruption risks of the Agency

of the Republic of Kazakhstan for Anti-Corruption Policy (hereinafter referred to as the Methodological Recommendations), the Anti-Corruption Policy of the Company. The period for conducting the internal analysis of corruption risks is 2019-2020.

### **Paragraph 1.**

#### **Analysis of internal regulatory documents regulating the activities of the Company and its organizational and managerial activities for the presence of corruption risks**

In the course of analysis of internal regulatory documents regulating the activities of the Company and its organizational and managerial activities, the following corruption risks or norms that create conditions for corruption were identified.

##### **1. Regulations on the Underwriting Council of the Company**

According to clause 7) of paragraph 2 of clause 25 of the Methodological Recommendations, the absence of requirements for the settlement of conflicts of interest in the documents regulating the activities of collegiate bodies is the indicator of corruption risks.

In this regard, an addition should be made to the Regulations, providing for the obligation of members of collegiate bodies to notify of a conflict of interest that has arisen and take measures to resolve it in accordance with the internal regulatory documents of the Company and the legislation of the Republic of Kazakhstan.

##### **2. Rules of the Voluntary Loan Insurance of the Company**

Clause 18. By agreement between the Insured, the Insurer and the Beneficiary, on the basis of these Rules of Insurance and by decision of the collegiate body of the Insurer, Insurance Contracts may be concluded that provide for the change, exclusion of certain provisions of these Rules of Insurance, as well as additional conditions determined when concluding the Insurance Contract.

This paragraph refers to the decision of the collegiate body, however, the document does not contain the concept of "collegiate body", respectively, the interpretation of who exactly is authorized to make decisions on the conclusion of Insurance Contracts with the above changes is not limited.

In this regard, paragraph 18 of the Rules should include a clause clearly explaining which collegial body is authorized to make decisions on making the mentioned changes to the insurance contract. We also consider it appropriate to add that these changes should not contradict the law.

##### **3. Rules for voluntary insurance of the Company's project financing**

Clause 79. By Agreement of the Parties, on the basis of these Rules of Insurance and by decision of the collegiate body of the Insurer, Insurance Contracts may be concluded that provide for the change, exclusion of certain provisions of the Insurance Rules, as well as additional conditions determined when concluding the Insurance Contract.

This paragraph refers to the decision of the collegiate body, however, the document does not contain the concept of "collegiate body", respectively, the

interpretation of who exactly is authorized to make decisions on the conclusion of Insurance Contracts with the above changes is not limited.

In this regard, paragraph 79 of the Rules should include a clause clearly explaining which collegial body is authorized to make decisions on making the mentioned changes to the insurance contract. We also consider it appropriate to add that these changes should not contradict the law.

#### **4. Rules of the Company for Voluntary Insurance of Financial Leasing**

Clause 16. By Agreement between the Insured and the Insurer, on the basis of these Rules of Insurance and by decision of the collegiate body of the Insurer, Insurance Contracts may be concluded that provide for a change, exclusion of certain provisions of the insurance rules, as well as additional conditions determined when concluding an insurance contract.

This paragraph refers to the decision of the collegiate body, however, the document does not contain the concept of "collegiate body", respectively, the interpretation of who exactly is authorized to make decisions on the conclusion of Insurance Contracts with the above changes is not limited.

In this regard, paragraph 16 of the Rules should include a clause clearly explaining which collegial body is authorized to make decisions on making the mentioned changes to the Insurance Contract. We also consider it appropriate to add that these changes should not contradict the law.

#### **5. Rules of the Company for insurance of losses of the Exporter related to the performance of works/provision of services**

Clause 18. By agreement between the Insured and the Insurer, on the basis of these Rules of Insurance and by decision of the collegiate body of the Insurer, Insurance Contracts may be concluded that provide for the change, exclusion of certain provisions of the insurance rules, as well as additional conditions determined when concluding an insurance contract.

This paragraph refers to the decision of the collegiate body, however, the document does not contain the concept of "collegiate body", respectively, the interpretation of who exactly is authorized to make decisions on the conclusion of Insurance Contracts with the above changes is not limited.

In this regard, paragraph 18 of the Rules should include a clause clearly explaining which collegial body is authorized to make decisions on making the mentioned changes to the insurance contract. We also consider it appropriate to add that these changes should not contradict the law.

#### **6. Rules of the Company on Insurance of Export Letters of Credit**

Clause 25. By Agreement between the Insured and the Insurer, on the basis of these Rules and by decision of the collegiate body of the Insurer, Insurance Contracts may be concluded that provide for the change, exclusion of certain provisions of the Rules, as well as additional conditions determined when concluding an insurance contract.

This paragraph refers to the decision of the collegiate body, however, the document does not contain the concept of "collegiate body", respectively, the

interpretation of who exactly is authorized to make decisions on the conclusion of Insurance Contracts with the above changes is not limited.

In this regard, paragraph 25 of the Rules should include a clause clearly explaining which collegial body is authorized to make decisions on making the mentioned changes to the Insurance Contract. We also consider it appropriate to add that these changes should not contradict the law.

## **7. Rules of the Company for Insurance of Bank Guarantees Issued by Foreign Banks**

1) Clause 26. By Agreement between the Insured and the Insurer, on the basis of these Rules of Insurance and by decision of the collegiate body of the Insurer, Insurance Contracts may be concluded that provide for the change, exclusion of certain provisions of the insurance rules, as well as additional conditions determined when concluding an insurance contract.

This paragraph refers to the decision of the collegiate body, however, the document does not contain the concept of "collegiate body", respectively, the interpretation of who exactly is authorized to make decisions on the conclusion of Insurance Contracts with the above changes is not limited.

In this regard, paragraph 26 of the Rules should include a clause clearly explaining which collegial body is authorized to make decisions on making the mentioned changes to the insurance contract. We also consider it appropriate to add that these changes should not contradict the law.

2) Clause 40. If the Insured Event occurred before the payment of a certain insurance premium, the Insurer shall pay the insurance payment only after the Insured has paid the full amount of the insurance premium. The Insurer has the right to make an insurance payment offsetting the amount of the unpaid part of the insurance premium.

In accordance with paragraph 38 "In case of non-payment of the Insurance premium in full before the period specified in the Insurance Policy, the insurance coverage under the Insurance Policy is suspended unilaterally by the Insurer from the day following the day of the overdue payment of the next insurance premium. At the same time, the Insurer shall not be liable for Insured Events that occurred during the period of suspension of insurance coverage.

According to subparagraph 5 of paragraph 23 of the Methodological Recommendations, the ability of a Body (Official) to make several types of decisions in the presence of the same grounds is a corruptogenic norm.

In this regard, paragraph 40 of the Rules must be amended to exclude the possibility of a Body (Official) to make several types of decisions in the presence of the same grounds.

## **8. Rules of the Company for Insurance of Civil Liability of the Exporter on the return of advance payments**

Clause 25. By agreement between the Insured, the Insurer and the Beneficiary, on the basis of these Insurance Rules and by the decision of the collegiate body of the Insurer, Insurance Contracts may be concluded that provide for the change, exclusion

of certain provisions of the Insurance Rules, as well as additional conditions determined when concluding the Insurance Contract.

This paragraph refers to the decision of the collegiate body, however, the document does not contain the concept of "collegiate body", respectively, the interpretation of who exactly is authorized to make decisions on the conclusion of Insurance Contracts with the above changes is not limited.

In this regard, paragraph 25 of the Rules should include a clause clearly explaining which collegial body is authorized to make decisions on making the mentioned changes to the insurance contract. We also consider it appropriate to add that these changes should not contradict the law.

#### **9. Regulations on the Committees of the Board of Directors of the Company**

According to clause 7) of paragraph 2 of clause 25 of the Methodological Recommendations, the absence of requirements for the settlement of conflicts of interest in the documents regulating the activities of collegiate bodies is the indicator of corruption risks.

In this regard, the addendum should be made to the Regulations, providing for the obligation of members of collegial bodies to notify of a conflict of interest that has arisen and take measures to resolve it in accordance with the Policy for the settlement of corporate conflicts and conflicts of interest of the Company and the Legislation of the Republic of Kazakhstan.

#### **10. Regulations on the Council for the Management of Assets and Liabilities of the Company**

According to clause 7) of paragraph 2 of clause 25 of the Methodological Recommendations, the absence of requirements for the settlement of conflicts of interest in the documents regulating the activities of collegiate bodies is the indicator of corruption risks.

In this regard, the addendum should be made to the Regulations, providing for the obligation of members of collegiate bodies to notify of a conflict of interest that has arisen and take measures to resolve it in accordance with the internal regulatory documents of the Company and the Legislation of the Republic of Kazakhstan.

#### **11. Code of Business Ethics of the Company**

Subparagraph 8 of paragraph 40. In case of doubts about the legitimacy of the assignment received for execution, the employee must immediately inform his immediate supervisor and the supervisor who gave the instruction about this in writing. In the event that a higher-ranking manager confirms this order in writing, the employee is obliged to execute it, if its execution does not entail actions that are criminally punishable acts. Responsibility for the consequences of the execution by the employee of an illegal order is borne by the manager who confirmed this order.

According to paragraph 25 of the Guidelines, the authority of an official and/or object of analysis, from the content of which it is impossible to determine the limits of this authority, is an indicator of the presence of wide discretionary powers.

In this regard, it is necessary to amend the Code of Business Ethics to exclude the possibility of an Official to confirm the execution of an illegal order, as well as the

obligation of an employee to execute an illegal order, on the basis of a written order from the immediate supervisor and the manager who gave the illegal instruction.

## **12. Policy for the settlement of corporate conflicts and conflicts of interest of the Company**

According to subparagraph 4) of paragraph 25 of the Guidelines for the Settlement of Conflicts of Interest, the presence of contradictions between administrative regulations, job descriptions on the one hand and planned indicators - on the other hand, is one of the indicators of corruption risks.

In this regard, the current version of the Policy on Settlement of Corporate Conflicts and Conflicts of Interest of the Company is currently subject to revision.

In particular, it does not take into account the changes that have taken place in the organizational structure of the Company and the formation of the Compliance Service, the Secretary of the Management Board.

In addition, the text of this Policy provides that the functions of monitoring and resolving conflicts of interest are assigned to the Corporate Secretary, who must keep records and register relevant applications (inquiries).

Meanwhile, the Regulations on the Cooperative Secretary of the Company do not provide for such a task.

In addition, the text of the above Policy does not contain an indication of the need to notify the Compliance Service of an emerging situation that has signs of a conflict of interest, which is accountable to the Board of Directors and should also be involved in order to reduce compliance risks and corruption risks in the process of resolving a conflict of interest .

Instead, the Employee or the Official notifies the structural subdivision for legal support, which is accountable to the Executive Body and the Supervising Member of the Management Board of the Company, which entails a possible conflict of interest for the Employees of the object of analysis in the performance of their official functions, in particular for the Employees of the Department of the Legal Support of the Company.

In addition, the Corporate Secretary, in accordance with the Regulations on him, does not organize the convocation and meeting of the Management Board of the Company.

These tasks are entrusted to the Secretary of the Board of the Company.

Thus, the Corporate Secretary cannot act alone in the Company as a responsible Employee for recording, monitoring and resolving corporate conflicts and conflicts of interest.

This contradicts subparagraph 6) of paragraph 25 of the Guidelines.

Therefore, there is a need to prepare and approve a new version of the Policy on the settlement of corporate conflicts and conflicts of interest.

**Paragraph 2.**  
**Identification of corruption risks**  
**in the organizational and managerial activities of the Company**

**1. Personnel management**

As of January 1, 2019, the staff of the Company was 65 people and as of December 31, 2019, it was 81 people.

Personnel turnover in 2019 amounted to 19.7% of the Company's staff.

As of January 1, 2020, the staff of the Company was 81 people and as of December 31, 2020, it was 98 people.

Personnel turnover in 2020 amounted to 10.8% of the Company's staff.

The procedure for selection and appointment to positions in the Company is regulated by the Rules for the Selection of Candidates for vacant positions in the Company (approved by the decision of the Management Board of the Company dated March 26, 2021, Protocol No. 21).

The search for candidates includes the following steps:

1) internal search from among the participants enrolled in the Unified Personnel Reserve of the Holding and the Presidential Personnel Reserve (hereinafter referred to as the Personnel Reserve), who have a priority right to consider their candidacies;

2) in the absence of candidates from among the employees enrolled in the Personnel Reserve, an internal search is carried out among the employees of the Company, including employees of the outsourcing sector, by means of a vacancy announcement on the internal portal, electronic document management system or other channels of internal communication;

3) in the absence of internal candidates, the search for external candidates is carried out through:

- placement of an announcement on the search for a candidate on the corporate website and pages in the Company's social/professional networks;

- addresses to recruiting agencies and/or to the relevant authorized body on employment issues.

The following methods are used to evaluate candidates:

1) testing of professional knowledge within the framework of functional duties (knowledge of legislation and knowledge in the professional field);

2) (optional) assessment of business skills (analysis of numerical information, analysis of verbal information, personal and business competencies) of candidates;

3) interviews with representatives of the Company (with an Employee of the Human Resources Management Department (hereinafter referred to as HRMD), the Head of the structural Unit in which the vacancy has arisen, and/or the Supervising Manager, as well as other representatives of employees, if necessary).

The results of the assessment of professional knowledge have a numerical value on a scale from 0% to 100%, where the level of 0-64% is unacceptable, 65-74% is medium, 75-84% is high, 85-100% is very high.

Candidates who score over 65% in the Professional Knowledge Assessment and over 50% in the Business Knowledge Assessment are invited to participate in interviews with the Company's representatives.

In the event of a positive decision on hiring, further registration of the admission of a candidate for a vacant position is carried out in accordance with the Labor Regulations of the Company (approved by the decision of the Company's Management Board dated June 28, 2019, Protocol No. 23).

The HRMD informs all candidates who participated in testing and (or) interviews about the results of the selection at the contact phones or (e-mail) addresses indicated in the CV, and also posts the results of the selection on the corporate website indicating the total number of CVs received that meet the qualification requirements, successfully passed the test and the selected candidate indicating the last name, first name and patronymic.

Ensuring measures to resolve conflicts of interest among persons making decisions on hiring candidates is regulated by the Company's Corporate Conflicts and Conflicts of Interest Resolution Policy (approved by a decision of the Company's Board of Directors dated March 5, 2015, Protocol No. 89).

The procedure for remuneration and bonuses for employees of the Company is regulated by the Rules for remuneration and bonuses for employees of the Company (approved by the decision of the Management Board of the Company dated May 3, 2018, Protocol No. 408); Rules for remuneration and bonuses, performance evaluation of employees of the Internal Audit Service, the Corporate Secretary, the Compliance Controller reporting to the Board of Directors of the Company (approved by the decision of the Board of Directors of the Company dated April 24, 2019, Protocol No. 3); Rules for remuneration, performance evaluation and remuneration of the Company's executives (approved by the decision of the Board of Directors of the Company dated April 24, 2019, Protocol No. 3).

The System of Remuneration of Employees of the Company consists of a constant part of remuneration (official salary) and a variable part of remuneration (bonus).

The amount of the employee's official salary is established in accordance with the staffing table and the official salary scheme according to the grade corresponding to the position occupied by the employee.

lower zone (min) - can be set for employees who are hired by the Company for whom a probationary period is set, as well as for employees with a low level of performance according to the assessment of performance based on the results of the reporting period;

medium zone (med1, med2, med3) - can be set for employees who are hired by the Company for whom a probationary period is not set, or for employees of the Company who have successfully passed the probationary period, as well as for employees with an average level of performance according to the assessment of performance according to the results of the reporting period;

upper zone (max) - can be set for employees of the Company whose skill level significantly exceeds the qualification requirements for the position, as well as



employees with a high level of performance according to the assessment of performance based on the results of the reporting period.

Official salaries of the Company's employees are determined on the basis of the grading structure and are established in accordance with the official salary scheme and the staffing table approved by the Company's Management Board.

The amount of bonuses to the Company's employees for the achievement of key performance indicators is determined based on the results of the reporting period in accordance with the Rules for assessing the effectiveness of the Company's employees (approved by the Decision of the Company's Management Board dated December 24, 2020, Protocol No. 83). and cannot exceed the amount of 1.5 of the salary of the Employee being awarded.

In order to increase motivation, an Employee may be paid a bonus for a public holiday in accordance with applicable law; award for the development and implementation of measures aimed at saving costs, increasing profitability, as well as introducing innovative solutions and rationalization proposals.

The bonus based on the results of performance evaluation at the end of the reporting period is not paid:

- if the final performance of the key performance indicators of the structural unit is less than 75 percent;
- the final effectiveness of the individual key performance indicators of the employee is less than 75 percent;
- for the period and during the term of the disciplinary sanction;
- for the period and during the trial period;
- upon termination (removal) of the employment contract on the grounds provided for in subparagraphs 4), 7) -13), 15-18), 21), 22), 25) of paragraph 1 of Article 52, as well as subparagraph 2) of paragraph 1 of Article 57 of the Labor Code of the Republic of Kazakhstan.

In 2019, for the development and implementation of measures aimed at saving costs, increasing profitability, as well as introducing innovative solutions and rationalization proposals, 18 Employees were awarded by order of the Chairman of the Management Board of the Company, 7 Employees of the Company were awarded in 2020.

For violation of labor, performance discipline, failure to perform or improper performance of labor duties, disciplinary sanctions may be applied to Employees.

The procedure for applying disciplinary sanctions is regulated by the Internal Labor Regulations of the Company (approved by the decision of the Company's Management Board dated June 28, 2019, Protocol No. 23).

In 2019, disciplinary sanctions were applied to 6 Employees of the Company, including: severe reprimand - 1, reprimand - 4, admonishment - 1.

In 2020, disciplinary sanctions were applied to two Employees of the Company in the form of admonishment.

The facts of employment of persons who have previously committed corruption offenses, as well as the facts of a conflict of interest when hiring in the Company in 2019-2020, were not registered.

There are no facts of holding a position that is directly subordinate to a position occupied by close relatives, spouses, in-laws.

## **2. Settlement of conflict of interest**

Settlement of the conflict of interest in the Company is carried out in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Policy for the settlement of corporate conflicts and conflicts of interest of the Company (approved by the decision of the Board of Directors of the Company dated March 5, 2015, Protocol No. 89), the Rules for the Prevention and Counteraction of Fraud and corruption in the Company (approved by the decision of the Management Board of the Company dated March 31, 2020, Protocol No. 16).

The functions of monitoring and resolving conflicts of interest are carried out by the Corporate Secretary, the Legal Support Department and the Compliance Service of the Company.

In accordance with the requirements of Article 67 of the Law of the Republic of Kazakhstan "On Joint Stock Companies" and Article 15-1 of the Law of the Republic of Kazakhstan "On Insurance Activities", the Company maintains a register of the Company's affiliates and a register of persons associated with the Company by special relations.

The register of affiliated persons of the Company and the register of persons related to the Company by special relations are posted on the Internet resource of the Financial Statements Depository represented by Information and Accounting Center JSC, as well as on the corporate Internet resource of the Company in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies" on a quarterly basis.

In order to resolve the conflict of interest, the Company takes the following measures:

- 1) removal of an Official from the performance of official duties and entrusting another person with the performance of official duties on an issue in connection with which a conflict of interest has arisen or may arise;
- 2) change of official duties;
- 3) taking other measures to eliminate the conflict of interest.

The Corporate Secretary of the Company monitors and takes measures to resolve conflicts of interest in relation to members of the Board of Directors of the Company.

For the period 2019-2020, the Board of Directors of the Company decided to conclude 16 transactions in which the Company had an interest.

For the above transactions, the Company took measures to prevent the occurrence of a conflict of interest in accordance with paragraph 1 of Article 73 of the Law of the Republic of Kazakhstan "On Joint Stock Companies", paragraph 1 of Article 15-1 of the Law of the Republic of Kazakhstan "On Insurance Activities".

The Legal Support Department monitors and takes measures to resolve conflicts of interest in relation to the Management Board and Employees of the Company.

For the period of 2019-2020, no facts of a conflict of interest among the members of the Management Board and Employees of the Company in the performance of their official functions were registered by the Department of Legal Support of the Company.

The Compliance Service of the Company monitors and takes measures to resolve conflicts of interest in relation to the Company's counterparties, officials of the Company's counterparties and beneficial owners of the Company's counterparties.

For transactions in which the Company has an interest, the Compliance Service of the Company prepares a Compliance Report indicating the presence or absence of a conflict of interest and the necessary measures to resolve it in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Law of the Republic of Kazakhstan "On Insurance Activities" » and internal regulatory documents of the Company.

Contradictions between internal regulatory documents, job descriptions of the Company, on the one hand, and planned indicators, on the other hand, have not been identified.

### **3. Organization of anti-corruption work**

The organization of anti-corruption work is carried out by the Compliance Service of the Company, on the basis of the Law of the Republic of Kazakhstan "On Struggling Corruption", the Company's Anti-Corruption Policy (approved by the decision of the Company's Management Board dated June 13, 2018, Protocol No. 414), the Rules for Preventing and Struggling Fraud and Corruption in the Company (approved by the decision of the Management Board of the Company dated March 31, 2020, Protocol No. 16).

The approved Regulations on the Compliance Service and the job descriptions of its employees set out the tasks for the implementation of anti-corruption compliance.

Measures to struggle corruption are carried out on the basis of the Work Plan (Compliance Program) of the Compliance Service of the Company for the corresponding year, which contains the following measures:

- conducting anti-corruption monitoring;
- conducting an internal analysis of corruption risks;
- formation of an anti-corruption culture, questioning, conducting explanatory work, conducting training events and testing knowledge on struggling corruption and fraud;
- familiarization of officials and employees with the anti-corruption standards of the Company;
- conducting anti-corruption expertise of internal regulatory documents (drafts);
- monitoring the observance by the Company's officials of anti-corruption restrictions;
- control over the observance by the Company's Officials and their spouses of financial control measures;
- checks of the Company's Counterparties for affiliation and reliability;

- submission to the Anti-Corruption Agency of the Republic of Kazakhstan of a Report on the work done to struggle corruption.

The Company operates hotline channels "Senim" - telephone line and e-mail.

Through these channels, anyone has the opportunity to report information about illegal actions, as well as facts of corruption and fraud done by the Officials or Employees of the Company.

Information about the channels of the Senim hotline is available on the Company's corporate Internet resource in the Compliance Service and Anti-Corruption and Fraud section.

For the period of 2019-2020, reports, complaints and written appeals from individuals and legal entities about illegal actions of a corrupt nature of Officials or Employees of the Company, through the Senim hotline, were not reported to the the office of the Company and Baiterek NMH JSC, neither reported to the media.

No facts of bringing the Officials or Employees of the Company to administrative or criminal liability for committing corruption offenses in 2019-2020 have been established.

#### **4. Development and distribution of budgetary and financial resources**

The procedure for the formation, revision (adjustment), monitoring of the implementation of the Annual Budget and budgetary control over the spending of the Company's funds is carried out in accordance with the Company's Budgeting Regulations (approved by the decision of the Company's Management Board dated December 24, 2020, Protocol No. 83), based on the Company's Development Plan.

Approval of the annual budget of the Company, as well as budgetary control over the expenditure of funds, is carried out by the Management Board of the Company.

Personal liability, as well as procedures for resolving conflicts of interest of Members of the Management Board of the Company, are regulated by the Regulations on the Management Board of the Company (approved by the decision of the Board of Directors of the Company dated September 8, 2017, Protocol No. 8) and the Policy for Settling Corporate Conflicts and Conflicts of Interest of the Company (approved by the decision of the Board of Directors Company dated March 5, 2015, Protocol No. 89).

The risk management system in the Company operates in accordance with the Company's Risk Management Policy (approved by the decision of the Board of Directors of the Company dated May 28, 2019, Protocol No. 4) and consists of a risk management structure, the main components of the risk management system, ensuring a systematic and consistent approach to the implementation of the process of risk management.

The main element of the Company's risk management process is its integration with the specifics of the organization, the main principles of activity, business processes, and the involvement of each Employee in the risk management process.

The risk management process includes the following steps:

- 1) identification of risks;
- 2) assessment of risk and risk-forming factors (systematic and continuous monitoring, analysis of all possible causes of damage, qualitative assessment of their probability and size);
- 3) classification of risks (study of the specifics of risks and factors that lead to their occurrence, affect their development, expert assessments of historical data, risk map);
- 4) measurement (assessment) of risks, the frequency of which is set at the discretion of the Board of Directors depending on the significance of the risk, but at least twice a year;
- 5) implementation of regular stress testing and risk analysis;
- 6) selection and application of risk management method;
- 7) adjustment of the risk management system.

The structure of the Risk Management System in the Company is represented by risk management at several levels involving the following Bodies and Divisions of the Company: the Board of Directors, the Management Board, collegial advisory bodies, the structural unit responsible for risk management, the Internal Audit Service, and other structural units.

The first level is represented by the Board of Directors of the Company. The Board of Directors determines the short-term and long-term goals and objectives of the Company, as well as risk management policies, the level of tolerance and risk appetite. The Board of Directors reviews the key risks on a regular basis, assesses the management of these key risks and the planned risk management activities.

The second level is the Management Board of the Company, responsible for organizing an effective risk management system and creating a risk control structure to ensure the implementation and adherence to corporate policies.

The third level in the risk management process is the structural subdivision of the Company responsible for risk management.

Internal audit in the Company is carried out by the Internal Audit Service of the Company in accordance with the Rules for the organization of internal audit in the Company (approved by the decision of the Board of Directors of the Company dated September 30, 2019, Protocol No. 8).

The Internal Audit Service annually develops a draft risk-based annual audit plan for the coming year, which specifies business processes, procedures, or types of activities or functions (subdivisions of the Company) subject to internal audit. At the same time, the internal audit of individual business processes (types of activity) is more significant than the internal audit of the activities of a separate division of the Company, since it includes activities at the junctions of various divisions and officials of the Company, because they are internal consumers of services.

The Internal Audit Service on an annual basis assesses the management of operational risk, associated risks and submits to the Board of Directors of the Company a report on the fulfillment of the requirements for managing operational risk, associated

risks, including automation of the Company's activities and documentation, documentation management and document storage.

The Company's internal control system operates in accordance with the Company's Internal Control System Policy (approved by the decision of the Company's Board of Directors dated November 20, 2019, Protocol No. 10) and is an integral part of the risk management system, corporate governance and covers all management levels, all internal processes and operations of the Company.

The organization of the internal control system provides for the construction of a management system by the Company capable of quickly responding to risks, exercising control over the main and auxiliary business processes and daily operations of the Company, as well as immediately informing the participants in the internal control system of the appropriate level about any significant shortcomings and areas for improvement.

The Board of Directors is responsible for organizing, monitoring and evaluating the effectiveness of the Company's internal control system using a risk-based approach.

The first line of defense of internal control is provided by the Company's structural subdivisions themselves. Controls are developed by structural divisions and are an integral part of business processes. Organization, control, monitoring of internal control is carried out by the heads of structural divisions of the Company.

The second line of defense is provided by the following participants in the internal control system:

- 1) Department of Risk Management of the Company;
- 2) Department of Legal Support of the Company;
- 3) Information Security Manager of the Company;
- 4) Compliance Service of the Company.

5) Other structural subdivisions of the Company and employees performing control functions in accordance with their official duties within the framework of the relevant business processes.

The third line of defense is a function of independent confirmation by the Internal Audit Service of the Company of the effectiveness of the internal control environment within the framework of the audit plan, which covers both the first and second lines of defense, providing an assessment of the effectiveness of the internal control system in the Company as a whole.

The Company annually conducts an independent audit of the financial statements, which includes information on profit or loss and other comprehensive income, changes in equity and cash flows for the past year, as well as notes consisting of the main provisions of the accounting policy and other explanatory information.

The financial statements present fairly, in all material respects, the financial position of the Company, as well as its financial results and cash flows for the year ended on the date indicated, in accordance with International Financial Reporting Standards ("IFRS").

The results of an independent audit of financial statements are posted on the Company's corporate Internet resource - <https://kazakhexport.kz> in the "Financial statements" section.

Compliance of the quantity and volume of goods and services purchased by the Company with their actual needs (natural norms) is regulated by an internal normative document - Certain types of standards and other limits of the Company (approved by the decision of the Board of Directors of the Company dated April 24, 2017, Protocol No. 3), which in turn are developed on the basis of and in accordance with the Decree of the Government of the Republic of Kazakhstan dated December 2, 2014 No. 1266 “On setting limits for certain types of administrative expenses of national managing holdings (with the exception of the National Welfare Fund), national holdings and national companies, the controlling stakes of which are owned by the state, and also national companies that are part of national managing holdings (with the exception of national companies that are part of the National Welfare Fund group), national holdings and a mechanism for monitoring them and making changes and amendments to some decisions of the Government of the Republic of Kazakhstan”

Procurement by the Company of goods, works and services is carried out in accordance with the Rules for the Procurement of Goods, Works, Services by National Management Holdings, National Holdings, National Companies and Organizations, fifty or more percent of voting shares (stakes in the authorized capital) of which directly or indirectly belong to the national managing holding, the national holding, the national company, as well as the Instructions for organizing and conducting the procurement of goods, works and services in the Company (approved by the decision of the Company's Management Board dated July 28, 2020, Protocol No. 46).

The Procurement Plan is posted on the Procurement Web Portal and the official Internet resource of the Company within 10 (ten) working days from the date of approval, amendments and (or) supplements to the Procurement Plan.

The Procurement Organizer considers draft qualification requirements, technical specifications (technical assignments) to prevent the establishment of requirements for potential suppliers that are not provided for by the Rules, as well as in terms of not establishing characteristics that determine the belonging of the purchased goods, works, services to individual potential suppliers. If there are comments on the draft qualification requirements, technical specification (technical assignment), the Procurement Organizer returns the specified draft documents for revision.

For the period 2019-2020, there were no facts of revision or cancellation of purchases based on the results of in-house control by the state audit bodies.

In 2019-2020, there were no audits by the Company, state audit and financial control bodies.

For the period 2019-2020, for improper fulfillment of the terms of supply contracts, penalties in accordance with the concluded procurement contracts were applied to two counterparties of the Company:

1) Contract for the purchase of goods (SSL Security Certificate) No. 030840002763EEP2007005/00 dated July 16, 2020 - delivery terms were violated, a penalty was applied;

2) Contract for the purchase of goods (Systems of protection against cyber attacks) No. 030840002763EEP2006004/00 dated 06/05/2020 - delivery terms were violated, a penalty was paid.

The procedure for placing temporarily free cash on current accounts of banks is carried out in accordance with the Rules for managing temporarily free cash of the Company (approved by the decision of the Board of Directors of the Company dated September 30, 2019, Protocol No. 8).

The placement of temporarily free funds is carried out in accordance with the legislation of the Republic of Kazakhstan in compliance with the established limits and restrictions, in accordance with the internal regulatory documents of the Company.

In order to diversify financial risks, the Company places temporarily free funds on accounts of at least 3 (three) banks, the amount of deposits and current or correspondent accounts in each of them should not exceed 30 (thirty) percent of the total volume of temporarily free funds of the Company.

The list of financial instruments of the Company allowed for investment is determined by Attachment No. 2 to the Rules for managing temporarily free cash of the Company (approved by the decision of the Board of Directors of the Company dated September 30, 2019, Protocol No. 8). Investing in securities of specially created project companies (SPV and others) is prohibited.

In order to comply with the basic principles of managing the Company's temporarily free cash, investing in shares is prohibited.

The Company provides information on planned placements of funds, redistribution between existing accounts and investment/placement in financial instruments (REPO operations, overnight, securities, deposits, current accounts, etc.) to Baiterek NMH JSC on a weekly basis (no later than 18:00 of the last working day of the week) in the automated treasury operations management system.

Speculative operations with foreign currency, i.e. transactions with foreign currency that are not caused by financial - economic/core activities are strictly prohibited.

Placement of funds not specified in the information on planned placements is prohibited.

## **5. Conclusion of contracts with individuals and legal entities**

The conclusion of contracts by the Company with individuals and legal entities on the purchase of goods, works and services is carried out according to standard forms in accordance with the Rules for the Procurement of Goods, Works, Services by National Management Holdings, National Holdings, National Companies and Organizations, fifty or more percent of voting shares (shares in the authorized capital) which are directly or indirectly owned by the national managing holding, the national holding, the national company, as well as the Instructions for organizing and conducting the procurement of goods, works and services in the Company (approved by the decision of the Company's Management Board dated July 28, 2020, Protocol No. 46) .

The conclusion by the Company of Insurance Contracts with clients is carried out in accordance with the approved Insurance Rules of the Company.



The structure of Insurance Contracts concluded by the Company with individuals and legal entities does not provide for anti-corruption clauses.

According to paragraph 25 of the Guidelines, the absence of anti-corruption clauses in contracts is an indicator of corruption risks.

In this regard, in order to eliminate corruption risks, it is necessary to introduce anti-corruption clauses into Insurance Contracts concluded by the Company with customers.

Procurement by the Company of goods, works and services is carried out using competitive procedures through the web portal <https://mitwork.kz>, of MITWORK LLP, which is officially the Procurement Operator of the quasi-public sector in the Republic of Kazakhstan.

Summing up the results of the procurement of goods, works and services carried out by means of a tender, is carried out by the tender commission by entering data into the forms of the web portal <https://mitwork.kz>. The results of the review are formed and published on the procurement web portal within the time limits established by the Rules for the Procurement of Goods, Works, Services by national managing holdings, national holdings, national companies and organizations, fifty or more percent of voting shares (stakes in the authorized capital) of which are directly or indirectly belong to the national managing holding, national holding, national company.

When making purchases by requesting quotations, the results of the tender are formed and published on the procurement web portal automatically.

Purchases by the Company of goods, works and services from a single source are carried out in accordance with the grounds established by the Rules for the Procurement of Goods, Works, Services by national management holdings, national holdings, national companies and organizations, fifty or more percent of voting shares (stakes in authorized capital) which are directly or indirectly owned by the national managing holding, the national holding, the national company.

For the period 2019-2020, the Company did not purchase goods, works and services from affiliated companies, no facts of non-application or reduction of penalties against counterparties for the specified period were established.

The Company's claims and claims activities are carried out on the basis of the Instruction on Claims and Claims Work to Collect Overdue Accounts Receivable and Unfulfilled Accounts Payable (approved by the decision of the Company's Management Board dated June 28, 2019, Protocol No. 23).

No facts of untimely filing of claims against counterparties for violations of contractual obligations, as well as unjustified refusals of claims or litigation, in case of violation of contractual obligations by counterparties for the period 2019-2020 were established;

Verification of counterparties in order to prevent conflicts of interest and affiliation is carried out by the Compliance Service of the Company. The results of the inspection are reflected in the compliance report, which indicates the registration data of the counterparty, information on the presence/absence of signs of the counterparty being associated with special relations or affiliation with the Company, as well as

information on the reliability of the counterparty, which includes the following information:

- 1) business reputation of the counterparty;
- 2) business reputation of the first head of the counterparty;
- 3) state of debt of the first head of the counterparty;
- 4) presence/absence of matches of the counterparty with the persons listed in the List of unreliable potential suppliers of the Samruk-Kazyna JSC;
- 5) the presence/absence of matches between the counterparty and the persons listed in the Register of Unfair Participants in Public Procurement;
- 6) information on the state of debt of the counterparty to the budget for taxes and fees;
- 7) information on enforcement proceedings initiated against the counterparty.
- 8) a recommendation to refuse or establish business relations with the counterparty.

## **6. Ensuring transparency and publicity of activities**

Publication of information about the activities of the Company: procurement plans, development of budgetary and financial resources, legal acts and internal documents regulating the functions of interaction with individuals and legal entities are posted on the corporate Internet resource of the Company at: <https://kazakhexport.kz>

The information content of the Company's corporate Internet resource is carried out in accordance with the requirements of the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Law of the Republic of Kazakhstan "On Insurance Activities", regulatory legal acts of the National Bank of the Republic of Kazakhstan and other authorized Governmental Bodies.

Terms for providing and posting information, requirements for posted information, etc. are regulated by the Regulations on the operation of the corporate Internet resource of the Company (approved by the decision of the Management Board of the Company dated September 27, 2018, Protocol No. 430).

The Department of Information and Communications of the Company also posts information about the activities of the Company in Internet social resources and networks (YouTube, Instagram, Facebook, etc.).

The Department of Information and Communications of the Company, together with the Compliance Service, regularly monitors possible negative publications in relation to the Company about its Officials and Employees in order to take appropriate measures.

In addition, taking into account the requirements of the legislation on insurance activities, the Company publishes on the Internet resource of the Depository of Financial Statements represented by "Information and Accounting Center" JSC the State Register <https://www.gosreestr.kz> of information about corporate events that have occurred in accordance with the established by the National Bank Republic of Kazakhstan list of corporate events.

### **Recommendations:**

1. Based on the results of the internal analysis of corruption risks in the internal regulatory documents of the Company, the responsible structural divisions of the Company, no later than November 30, 2021, eliminate the identified corruptogenic norms specified in Paragraph 1 of this Analytical Report in the following internal regulatory documents of the Company:

1) Regulations on the Underwriting Board of the Company (approved by the decision of the Board of Directors of the Company dated September 8, 2017, Protocol No. 8);

2) Rules of the Voluntary Loan Insurance Company (approved by the decision of the Board of Directors of the Company dated July 10, 2020, Protocol No. 6);

3) Rules for voluntary insurance of the Company's project financing (approved by the decision of the Board of Directors of the Company dated July 9, 2020, Protocol No. 5);

4) Rules of the Company for Voluntary Insurance of Financial Leasing (approved by the decision of the Board of Directors of the Company dated July 10, 2020, Protocol No. 6);

5) Rules of the Company on insurance of losses of the Exporter related to the performance of work/provision of services (approved by the decision of the Board of Directors of the Company dated July 9, 2020, Protocol No. 5);

6) Rules of the Export Letters of Credit Insurance of the Company (approved by the decision of the Board of Directors of the Company dated July 25, 2019, Protocol No. 6);

7) Rules of the Company for Insurance of Bank Guarantees issued by foreign banks (approved by the decision of the Board of Directors of the Company dated July 10, 2020, Protocol No. 6);

8) Rules of the Company for Insurance of Civil Liability of the Exporter on the return of advance payments (approved by the decision of the Board of Directors of the Company dated July 10, 2020, Protocol No. 6);

9) Regulations on the Committees of the Board of Directors of the Company (approved by the decision of the Board of Directors of the Company dated September 8, 2017, Protocol No. 8);

10) Regulations on the Assets and Liabilities Management Council (Attachment No. 1 to the amendments to the Regulations on the organizational and functional structure of the Company's management, approved by the decision of the Board of Directors dated September 08, 2017, Protocol No. 8);

11) Code of Business Ethics (approved by the decision of the Board of Directors of the Company dated May 31, 2019 No. 5);

12) Policy for the settlement of corporate conflicts and conflicts of interest (approved by the decision of the Board of Directors of the Company dated 05.03.2015 No. 89).

2. Based on the results of the internal analysis of corruption risks in the organizational and managerial activities of the Company, the responsible structural divisions of the Company, no later than November 30, 2021, introduce anti-corruption

clauses into insurance contracts concluded by the Company with individuals and legal entities.