Approved by
Council of issuers
on July 03, 2007

Approved by:
the Council of
Financial Institutions' Association
of Kazakhstan
on July 25, 2007

Comments

to the Model Code

on

Corporate Governance

Code on Corporate Governance
was approved by the Council of issuers
on February 21, 2005

July, 2007

Disclaimer:

The present document comprises General Comments to the Model Code on Corporate Governance[1], which is based on expert recommendations and standards of appropriate international practice of corporate governance and provisions of the existing legislation of the Republic of Kazakhstan. In case of using of the present comments, a joint-stock company shall take into account current legislation of the Republic of Kazakhstan and law enforcement practice in the field of regulation of the activities of joint-stock companies and equity market as amended. The present paper is based on laws and normative acts valid as to April 2007.

[1]Code on Corporate Governance approved by the Council of issuers on February 21, 2005

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GUIDE TO CHAPTER 2 "General meeting of shareholders"

A company's supreme controlling body is a General Meeting of the Company's shareholders. The General Meeting shall be convened to fulfill its duties not less than once a year. In case of necessity to consider urgent issues belonging in the competence of the General meeting of the Company's shareholders, an extraordinary meeting may be convened according to the initiative of the Board of Directors or a principal shareholder.

The General Meeting plays an important role in exercising governance rights by shareholders of the Company. Through the General Meeting the shareholders can express their views on key corporate issues as well as discuss important problems, meet officials and managers of the Company and ask questions. The right to participate in the Company's General Meeting is the main right of the shareholders, who make monetary contributions into the Nominal capital.

Involvement of the shareholders in corporate governance and indirect consideration of corporate issues eliminates the risk that the Company's officials and employees abuse their powers or they fulfill their obligations in a improper way, including entering into deals with the aim to pursue their own selfish ends or entering into agreement with competitors or fraud and etc.

Due to significance of the General Meeting it is recommended that the Agenda of the Meeting shall be prepared thoroughly; and the General Meeting shall be conducted in strict compliance with the provisions of the present legislation and internal documents of the Company; the Company's shareholders shall be able to articulate their problems and ask questions at the General Meetings; and all members of the Board of Directors, the Company officials/managers, participating at the General Meeting, shall provide the shareholders with reliable and sufficient information.

Arrangement of a General Meeting of shareholders.

The Company's shareholders shall be notified on holding of the General Meeting within the terms specified by the existing legislation.

The notice on holding of the General Meeting of shareholders shall be prepared by a unified form and contain sufficient information allowing the shareholders to make a decision on their participation at the meeting or in case when the General Meeting is holding through a show of hands, on manner and terms and conditions of such participation. The content of the notice shall meet the requirements of legislation. However, additionally to information which shall be set out in the Company's notice in accordance with legislation it is recommended that the notice on holding of the General Meeting of shareholders shall specify the name of a person to whom the shareholder may address in cases when the joint-stock company fails to keep the established order of registration of the participants of the General Meeting of shareholders or when the shareholder needs in additional information. In case when the General Meeting is held in absentee manner, a voting paper shall be sent to the shareholder in compliance with terms and conditions, established by legislation.

Determining the way of notification of shareholders on forthcoming General Meeting of shareholders, a joint-stock company shall ensure that all persons of the List of participants entitled to attend the General Meeting shall be informed in time. In accordance with the Articles of Association it is recommended to determine alternative means of Mass media for simultaneous sending notices through them. Besides, notices on forthcoming General Meeting may be sent through E-Mail as additional way of notification. The Company shall ensure that the shareholders can be acquainted with the List of participants entitled to attend the forthcoming General Meeting. Such List shall be made by the Company's Registrar on the basis of data

containing in the System of the Shareholders' Register. The effective date of the above List shall not be earlier than the date when a decision as to holding of the general meeting was adopted.

The possibility to be acquainted in advance with the List of participants entitled to attend the forthcoming General Meeting allows the shareholders to communicate with other shareholders, to make their views on the items of the Agenda known and to discuss possible variants of voting as well as to appoint the representative of their interests at the General Meeting of shareholders.

The possibility to be acquainted with the List of participants contributes in exercising of the rights of shareholders to participate at the General Meeting and prevents accidental omission to give notice of the General Meeting to the Company's shareholder.

In this connection the shareholders shall be enabled to be acquainted with the List and to receive its extracts, which specify places, where materials and documents related to the Agenda of the General Meeting of shareholders may be received.

Information and materials to be provided at the time of arrangement of the General Meeting as well as the order of their presenting shall be sufficient to enable the shareholder to know the state of the Company's activities and make reasoned decisions concerning the items of the Agenda of the General Meeting of shareholders.

Materials to be distributed before the General Meeting of shareholders shall be arranged in such manner that it would be easy to match them with concrete issues of the Agenda of the General Meeting. In the event when the issues and materials to them can not be quite clear matched with each other it may considerably make difficult to form objective view on such issues, and as a result may bring to bias voting made according to them. In this connection, it is recommended in the materials, which are providing before the General Meeting, specify to what item of the Agenda they refer. Information and materials of the forthcoming General Meeting shall be presented in such manner that the shareholders may before holding of the General Meeting thoroughly familiarize with the items, included into the Agenda, and if required to discuss and consult on them.

Materials concerning the Agenda of the General Meeting of shareholders shall be ready and available at place of location of the Company's Executive Body to ensure that the shareholders may be familiarized with them not later than ten days before the date of holding of the General Meeting and in case of a request received from the shareholder, the same shall be sent to it within three days from the moment of receiving of the request; unless otherwise stipulated by the Articles of Association; all expenses, associated with making copies of the documents and their delivery shall be borne by the shareholder. At that, in the event when a shareholder can not be acquainted with materials of forthcoming General Meeting at the place, specified in the notice, then the same may be sent to the shareholder through other means of delivery, which are as follows: delivery of the materials through mail, E-Mail, placing of information on the Company's Internet site in headings assessable only for the shareholders through a definite password.

It is recommended to include into the Company's Articles of Association, the Code of Corporate Governance and other internal documents a List of materials per definite items of the Agenda of the General Meeting, to be submitted to the Company's shareholders. For example, when the Agenda of the General Meeting includes the item of reorganization of the joint stock company, the shareholders shall be provided with reasoning of reorganization, financial reports of all organizations, participating in reorganization, for the period of last three financial years. It should be advisable if the Company will fix in its internal documents a minimal List of additional materials to be submitted to the shareholders at the time of preparation to both annual and extraordinary meeting. Availability in the internal documents of such information may contribute in reinforcing the confidence of the shareholders and potential investors to the Company, which by this demonstrates readiness to ensure transparency of its activities.

In particular, along with annual financial report submitted in accordance with legislation, the Company shall provide its shareholders with a report on work performed by the Board of Directors that allows discussing at the General Meeting of the figures of the Company's activities and its perspectives, as well as assessing of the present order of the Company's governance.

In case when the Agenda of the General Meeting includes the item on election of the member of the Board of Directors, choice of auditor of the Company, then the participants of the General Meeting shall be provided with overall information on such candidates.

It is recommended that the provided information shall be enclosed with written consent of the candidate to take up a post. Moreover, the candidate shall personally attend the General Meeting of the Company and articulate its consent to occupy the corresponding position before the resolution as to election of the candidate will be put for voting.

Besides, in case when the item on election of the Board of Directors of the Company or election of the new Candidate of the Board of Directors is included in the Agenda of the General Meeting of shareholders, then in the Company's materials should be specified the shareholder's name offering the candidacy to the Board of Directors as well as whether he/she is a candidate to the position of an independent director of the Company.

The items of the Agenda of the General Meeting of shareholders shall be clear defined and exclude any possibilities of wrong interpretation.

For shareholders the Agenda of the General Meeting is the sole source of information on issues according to which the shareholders are planning to make resolutions at the General Meeting, and just for these items the relevant materials will be provided for the shareholders. Uncertainty of the Agenda means that the General Meeting will consider the issues not supported with required materials, and in this connection it is possible that the shareholders are not able to form their own well-founded views on them. Thereupon, the Agenda of the General Meeting of shareholders shall contain the List of all issues to be considered at the forthcoming meeting. Information that reflects by whom this or that item of the Agenda of the forthcoming General Meeting was offered allows the shareholder to understand the purpose of putting the issue for consideration of the General Meeting. So, at the time of preparation of the Agenda of the General Meeting of shareholders it is recommended to specify by whom any of the issues, included into the Agenda, were offered.

At the time of composing of the Agenda of the General Meeting of the shareholders it is required to follow the general law, according to which each proposal introduced into the Agenda shall be reflected as a separate item. Meanwhile, settlement of definite issues is impossible without making decisions on other interrelated issues. For example, a decision as to reorganization of a joint-stock company may not be considered as made in case when the general meeting of shareholders had not yet made any decision even for one of the following items such as: the order and terms and conditions of separation; formation of new joint-stock companies; the order of replacing of the shares of the reorganizing company by shares of newly formed companies; approval of a separation balance sheet. In order to exclude any uncertainty as if the general meeting has previously made decisions on such issues, they should be unified in the Agenda. Unification of the issues in the Agenda of the general meeting of the shareholders is advisable in other definite cases. In particular, when the issue as to terminating authorities of the Board of Directors early and election of new Board of Directors are included into the Agenda as separate items, then in case of making of positive decision on the first item, and negative decision on the

second item, may be resulted that the Company may stay without functioning Board of Directors.

2.2. Holding of a General Meeting of shareholders.

The General Meeting of shareholders shall be held at place of location of the Company's Executive Body. It should be taken into account capacity of a concrete room to hold all shareholders (their representatives), intending to participate at the General Meeting. For this purpose the Company shall calculate the number of the participants of the General Meeting, which is important for the companies with large number of minority shareholders.

Fixing the date and period of holding of the General Meeting the Company shall ensure its shareholders with real and easy done procedure of participation.

The General Meeting of shareholders shall not be held at such time that may create difficulties for participation of shareholders at the General Meeting or result in unjustified costs.

It is recommended that the beginning of the General Meeting shall be at 9.00 a.m. and its closing shall be at 22.00 p.m. of local time.

The procedure of registration of the participants of the General Meeting shall not make difficulties for participation in it.

In order to prevent that a shareholder may be removed from participation at the General Meeting due to above mentioned procedure of registration, the detailed order of registration of the participants shall be set in the internal documents of the Company and the same shall be included in the notice, informing on holding of the General Meeting of shareholders. While determining the procedure of registration of the participants of the General Meeting of shareholders, the Company shall be governed by the law according to which a shareholder, who intends to participate at the General Meeting of shareholders, should be provided with such ability. In this connection, it is recommended to register shareholders, who intend to participate at the General Meeting, in the same room where the General Meeting shall be held or near it, and in the same day, when the General Meeting shall be held.

For joint-stock companies with a considerable number of shareholders (more than five hundred voting shares) implementation of such recommendation may bring to excessive cost that is why such companies may start registration beforehand. The time for registration of the participants of the General Meeting shall be sufficient to allow all shareholders (or their representatives) to register in time.

The order of holding a General Meeting of shareholders shall ensure with equal ability to express point of view and ask questions to all persons participating at the meeting.

The process of voting at the General Meeting of shareholders shall be organized in such manner that any shareholder of the Company may exercise its right of voting by simplified and easy manner. At the same time, any shareholder of the Company shall exercise equal right of voting per one class of shares. The shareholder may vote personally or without his personal attendance or through combined method.

Voting at a General Meeting shall comply with the principle "one vote per one share", except for, cumulative voting.
In the event of cumulative voting, the number of votes belonging to one shareholder shall be

multiplied by a number of persons to be elected to the Company's Board of Directors. Any shareholder may give all the votes received by this way to one candidate or distribute the votes among two or more candidates in a proportion defined by it. Thus, cumulative voting enables the shareholder to express its view in relation to each candidate for election to the Board of Directors.

Besides, according to the current legislation the following issues may be settled only by qualified majority:

- entering of alterations and amendments into the Articles of Association or its approval in new wording;
- approval of the Code of Corporate Governance as well as entering of alterations and amendments into it;
- voluntarily reorganization or liquidation of the Company;
- determination of the terms and conditions of converting of the Company's securities as well as their alteration to be made by a majority of the voting shares of the Company;
- making decisions on increase of the number of the Company's declared shares or modification of the unplaced declared shares of the Company to be made by the qualified majority of the total amount of voting shares of the Company[2].

At that, the above issues may not be considered at the General Meeting, which is holding repeatedly, when shareholders present or presented there possess, in aggregate, less than 2/3 of the total number of votes.

Moreover, the shareholder may vote through its representative by issue of a Proxy. In accordance with legislation, a Proxy is executed in accordance with a special format, otherwise it shall be deemed invalid. In order to avoid such situation, a Company at the time of sending its forms of voting papers shall send to the shareholders a form of a Proxy with instruction for its completion. A shareholder may use it only in case of necessity.

In should be kept in mind that a Proxy shall not be required for participation at the General Meeting and for voting on issues being put under consideration, for those persons, who are entitled in accordance with legislation of the Republic of Kazakhstan or an agreement to act on behalf of a shareholder without proxy or to represent its interests.

Those persons who participate at the General Meeting of shareholders on the basis of a proxy or an agreement, which confers them such a right, shall present their identity papers. They may act on behalf of the name of persons included into the List of shareholders or on the basis of the Extract from the personal account of the shareholder in the system of the Company's registrar, confirming the right to participate at the General Meeting of shareholders.

The General Meeting of shareholders shall be held in such manner that all shareholders are able to make thoughtful and reasonable decisions on all items of the Agenda of the General Meeting. For this purpose the regulations of the General Meeting of shareholders shall foresee adequate and sufficient time for making speech on the items of the Agenda and time for discussing such issues. The Agenda of the General Meeting of shareholders may be amended in case if the shareholders present or represented at the General Meeting possess, in aggregate, not less than ninety five percent of total number of votes. At the General Meeting shareholders may consider only those issues, which are included into the Agenda and make decisions only on them.

[2.] see Clause 2, Law 36 of the Law of the Republic of Kazakhstan dated May 13, 2003 concerning joint-stock companies.

An important role is given to the Chairman of the General Meeting of shareholders, who shall act in good faith and due care without limitation of the rights of shareholders. So, he/she should not interrupt a speaker provided that this is necessary to do in connection with disturbance of the order of holding of the General Meeting of shareholders or other requirements of the procedure of holding of a General Meeting. Moreover he/she should not comment their speech.

With the aim to enable the shareholders to obtain full and objective information on the Company at the General Meeting it is recommended to provide a special time for speech of the Company's officials, who carry out managerial and control functions of the Company.

In order to ensure that the shareholders may control the Company's financial-economic activities, they shall be given an opportunity to ask questions to the specialists of the Company's Internal Audit Service and its Auditor in regard of their conclusions and, consequently, to obtain answers on their questions. That is why, along with the representatives of the Board of Directors, the Executive Board and other bodies, it is recommended to invite the Company's Auditor and the specialists of the Internal Audit Service (if any) to take part at the General Meeting.

The names of the representatives of the Company's bodies and of the Auditor shall be announced before the beginning of the General Meeting. Evidently, that due to objective reasons some of the officials, carrying out the Company's management and controlling its activities, cannot participate at the General Meeting. In such case, at the beginning of the General Meeting the Chairman shall inform all participants on the reasons of their absence, and if it is possible ensure that their deputies and (or) persons, being competent in such issues are present.

The Chairman of the General 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. Such requests shall be entered into the Minutes of the General Meeting specifying the period within which the answer to it will be ready and indicating the name of the person, responsible for execution.

The order of holding of the General Meeting shall ensure equal treatment for shareholders at the time of voting.

In case when it is impossible to complete the work of the General Meeting within one day, then the Company shall complete its work, at least, on the next day.

The procedure of counting of votes according to the items of the Agenda of the General Meeting shall be transparent and exclude any data manipulation. In this connection, the Company shall ensure an adequate control of the process of counting of votes. The procedure of exercising such control, including authorities of the persons assigned to control voting, shall be reflected in the Articles of Association or other internal documents of the Company.

COMMENTS TO CHAPTER 3. "The Board of Directors"

3.1. General activities of the Board of Directors.

The Board of Directors shall act in the best interests of the shareholders, protect their rights, determine strategy of the Company's development, and exercise control of the activities of the Executive Body and financial-economic activities of the Company.

The effective Board of Directors shall clearly determine authorities and key responsibilities of its directors as well as members of the Executive Body and other bodies of the Company. They also admit that an accountability system, which is not clearly defined, makes the process of control of the Company's activities complicated.

A joint-stock company in its internal documents may determine processes of formation of the Board of Directors, on the basis of such factors as competence, required for making reasonable decisions on various issues to be solved at the Company; behavior characteristics, which ensure effective decision making; ability to understand and assist to the Company's management to develop a strategy of response on changes; effective policy of election of directors.
The Board of Directors and its corresponding committees shall:

1) take measures on adaptation of new members of the Board of Directors and the Head of the Executive Board. For this purpose it is necessary to use instruments of internal consulting and information support, as well as to hold round tables. For fulfillment of the above-mentioned functions in the Company it is recommended to retain a Corporate Secretary. The Corporate Secretary shall conduct familiarization briefings for new members of the Board of Directors in order to explain their functions in the Company. When the Company does not retain a Corporate Secretary, then an Internal Corporate Consultant/assistant may fulfill functions of a Corporate Secretary for the period of adaptation of new members of the Board of Directors.
2) develop a procedure of annual assessment of the quality of the activities of the Board of Directors, taking into account requirements to be met concerning attendance of meetings and efficiency of work.
3) determine the necessity in additional training of the members of the Executive Body and the Board of Directors at the expense of the Company.
4) develop a management succession policy, participate in arrangement and/or conducting of an attestation process and/or evaluate the level of competence of the members of the Executive Body by retaining of an external consultant, if required;
5) participate in development and implementation, permanent monitoring and modernization of the Program of business ethics of the Company, facilitating to effective development of favorable corporate culture and creative atmosphere[3].

3.2. Duties of the members of the Board of Directors.

In accordance with international practice of corporate governance, the members of the Board of directors shall perform the following fiduciary duties:

- act in good faith and in the best interests of shareholders
- demonstrate due diligence, care and competence.

According to the legislation of the Republic of Kazakhstan, the Board of Directors is a managerial body of a joint-stock company that shall act in the best interests of the Company but not their own. In practice, it means that the members of the Board of Directors are not permitted to use insider information with the purpose to effect transactions with securities of the Company

or enter into contracts in cases, when personal interests of directors in relation to the contract contradicts to the interests of the Company; besides, it is prohibited to derive benefit from any information, which was provided to them in order to enable fulfilling their obligations in the capacity of the members of the Board of Directors.

The members of the Board of Directors shall act with due care, which means be active, honest, perform duties with due diligence. In practice such obligation supposes, without limitation, that directors shall attend meetings of the Board of Directors, including Committees of the Board of Directors, prepare for participation at meetings, express their activity in discussion of the issues under consideration, including issues in determining policy and strategy of the Company; and ensure conformity of the minutes of meetings to the discussions, taken place at the general meeting and resolutions, being adopted there.

The members of the Board of Directors shall:

- fulfill controlling, strategic and managerial tasks of the Board of Directors, set out in the legislative acts of the Republic of Kazakhstan and internal documents of the Company;
- make all their efforts in order to attend general meetings of shareholders, meetings of the Board of Directors and committees of the Board of Directors, participate effectively and competently in the works of the Board of Directors and its committees;
- act in good faith and observe high ethical standards and submit their unsettling questions for consideration of a meeting; be urgent in obtaining of an information on all essential questions;
- interact constructively with colleagues, be attentive, demonstrate qualification skills, expertise and knowledge at the time of discussion of strategic issues put before the Company;
- monitor the process of risk management and other elements of the system of internal control of the Company, including the activities of the Internal Audit Service.

3.3. Duties of the Chairman of the Board of Directors

The activities of the Board of Directors will be considerably effective if a highly skilled chairman will govern it. The Chairman of the Board of Directors shall:

- ensure performance by the Board of Directors of its main duties in accordance with legislation of the Republic of Kazakhstan and internal documents of the Company;
- provide the Company's directors with resources required for effective performance of duties by carrying out organizational functions in holding of meetings of the Board of Directors;
- ensure effective leadership in order to enable members of the Board of Directors to act as an integrity team;
- facilitate to reaching a consensus and making decisions within the framework of the Board of Directors;
- in conjunction with the Corporate Secretary, ensure that the Company's bodies, its employees and third parties present their valid, correct information in due time;
- ensure clear understanding and observance of sharing of responsibilities between the Board of Directors and the Executive Body as well as professional and constructive interactions between the Board of Directors and other bodies of the Company;
- govern annual evaluation of effectiveness of the work of the Board of Directors and its Committees;

- ensure evaluation of its own activities as well as activities of all members of the Board of Directors, and plan delegation of its own powers and authorities;
- participate in explaining to new members of the Board of Directors of their duties and responsibilities; arrange trainings in order to raise the level of skills of working members;
- invite independent consultants on behalf of the Board of Directors;
- govern the staff of the Company's Board of Directors , if any.

3.4. Committees of the Board of Directors

The Board of Directors is be entitled to form specialized committees in order to consider definite issues effectively. For more transparency and accountability in formation of committees of the Board of Directors, their powers and authorities, content and working procedures shall be determined in detail and laid down in the Company's internal documents. Chairman and members of the Committees shall be subject to retirement by rotation.

The Board of Directors may form the following specialized committees:

1) *The Committee for strategic planning* shall determine the Company's strategy and aims, and shall develop priority directions of the Company's activities and evaluate its efficiency for long-term perspective.
2) *The Committee for risk management* shall set aims for risk management; determine benchmarks for identification and minimization of risks; monitor essential risks; control the efficiency of the Company's risk management system.
3) *The Committee for compensations (remunerations)* shall form the Company's policy to establish the principle of remuneration and criteria of determining the size of remuneration for the work performed by the members of the Board of Directors, the Executive Body, managers of main structural divisions of the Company. It would be advisable if the Committee retains only independent directors. In case when it is impossible to do so due to objective causes, an independent director, at least, shall govern the Committee, which is composed of the members of the Board of directors, who are not members of the Executive Body.

The issue of determining of the size of remuneration for the work performed by the Executive Body shall be considered as belonging in the exclusive competence of the Board of Directors. It is important, if at the time of determining the size of remuneration of the members of the Executive Body, the Board of Directors shall consider the factors related to the results and main indicators of the Company's activity. The size of base salary to be paid to the member of the Executive Body shall be established with consideration of its job skills. At the same time, periodical additional payments reflect the results of its work.

4) *The Committee for appointments* shall determine qualifying requirements that are necessary for being elected to the Board of Directors, the Executive Body and holding the post of managers of main structural divisions of the Company; prepare for the Board of Directors recommendations on candidates; develop criteria of evaluation of activity of the above mentioned persons; carry out manpower policy of the Company, including the issues of salary payment.
5) *Committee for Audit* shall supervise the activities of the Internal Audit Service, including the process of providing the Board of Directors with recommendations on persons to be appointed to the Internal Audit Service, as well as their remuneration and firing; cooperate with external auditor; review and approve fields of audit and its frequency; obtain auditor's reports; ensure timely corrective actions against weak places of management and non-compliance to the policy, laws and standards, as well as other

problems, being revealed by auditors. In order to achieve adequate objectivity and independence, this committee shall be comprised of members of the Board of Directors, who are not members of the Executive Body of the Company. The Committee for Audit shall consist of independent directors only. When it is impossible due to objective causes, the Committee shall, at least, be governed by an independent director. A Chairman, or, at least, any other member of the Committee for Audit shall possess adequate knowledge to perform its duties despite complexity of organization and responsibilities to be fulfilled in financial accountability, accountancy or audit. The rest members of the Committee shall pass training adequate for performing duties of the Committee.

6) Other committees may be formed at the Company's discretion.

3.5. Concept and role of the independent directors in the activities of the Board of Directors

The Institute of independent directors plays an important role in the modern system of corporate governance. Participation of independent members in the Board of Directors contributes in reinforcing confidence of investors to the Company as it enables the Board of Directors to form their objective opinion on issues under discussion.

In practice of corporate governance there is a range of definitions of independent directors, which vary among different law systems. The most generalized and simple is definition that the Company's independent director shall not have any relations with the Company except for its membership in the Board of Directors. Independent directors shall assist to the Board of Directors to make important decisions, including but not be limited to making analysis of financial accountability, settlement corporate conflicts, evaluation of conformity of the activity of the Company's executive bodies to the chosen strategy, determination of the size of remuneration for the work performed by the Executive body and the Board of Directors.

The current legislation provides with requirements and criteria of independence of the external director and recommendations on their number. In particular, the independent director:

a) shall not be in financial or other dependence on the Company's governing body, controlling (ruling) shareholder, large contra agents or competitors of the Company;
b) shall no be a public agent;
c) shall not be part of the executive management;
d) shall not act in the capacity of the representative of consultants, who cooperate with the Company;
e) may receive his remuneration only for the work performed by him within the Company's Board of Directors;
f) shall have adequate qualification;
g) shall have good reputation.

COMMENTS TO THE CHAPTER 4. "The Executive Body"

4.1. General provisions as to the activities of the Executive Body.

The Executive Body is a collective body or a person, who shall solely fulfill functions of the Executive Body and govern the Company's activity according to the strategic plan of the Company's development, introduce corporate culture in accordance with ethic standards of business conduct, as well as develop internal provisions and instructions of the Company.

The Executive Body shall be entitled to make decisions on any issues of the Company's activity, which are not belonging in the competence of other bodies and officials of the Company. The

Executive Body shall implement decisions of the General Meeting of shareholders and the Board of Directors. The Executive Body may be comprised of the shareholders and the Company's employees, who are not its shareholders. The member of the Executive Body may work with other organizations only if he/she obtains prior consent of the Board of Directors.

The qualitative and quantitative content of the Executive Body shall be determined by the Board of Directors in order to ensure productive and constructive discussion of issues and to make timely and reasonable decisions. The Executive Body shall be formed for the period, which the Company's Board of Directors may deem fit. According to the decision of the Board of Directors, the authorities of any member or all members of the Company's Executive Body may be terminated early.

The Executive Body shall act honestly and fairly, in the best interests of the Company. The Executive Body shall exercise its rights and fulfill its duties in good faith, with due care, and diligence which is pertain to competent professionals acting in the same situation and under similar circumstances.

4.2. Functions, powers and duties of the Executive Body.

The main aim of the Executive Body shall be to govern the Company's current activities. Thereto the Executive Body shall fulfill the following functions, including but not be limited to the following:

- raise the effectiveness of financial and commercial activity of the Company on all levels and cut any costs, associated with attracting funds;
- carry out the policy of internal control, implement it's risk-management system and control and perform tasks of the program of business ethics;
- ensure control of the level of labor productivity and personnel certification;
- ensure efficiency of internal business processes and communications;
- ensure efficiency of image strategy of the Company and its information transparency;
- ensure training of internal personnel reserve and provide with ability that the Company's employees may replace each other;
- participate in development and/or holding of attestation and/or evaluation of skill levels of the Company's employees by involving managers of the Company and in case of necessity by retaining of external consultants;
- participate in activities related to preparation and carrying out monitoring of individual plans of development of the Company's employees;
- pursue a strategy of corporate social liability of the Company.

In the framework of the internal control policy, the Executive Body of the Company shall identify risks which the Company may face, in order timely reveal the tendencies, which may negatively affect current results of the Company's activity or implementation of its perspective plans of development. The Executive Body shall provide the Company's Board of Directors with information on facts that may impose the Company to hazardous and submit offers for prevention of crisis situations related to such risks.

Functions, rights and duties of the member of the Executive Body shall be determined by legislative acts, the Company's Articles of Association, internal documents as well as labor contract concluded between the mentioned person and the Company. The labor contract to be concluded in order to hire the Head of the Executive Body, and prepared on behalf of the Company shall be sighed by the Chairman of the Board of Directors or a person authorized to do so in accordance with the decision made at the General Meeting or a Board of

Directors. The labor contract to be concluded with other members of the Executive Body shall be signed by the Head of the Executive Body.

The collective Executive Body shall be governed by the Head and be comprised of members appointed by the Board of Directors. Such members shall either govern any of the Company's subdivisions or just participate in making decisions at the meeting of the Executive Body. The members of the Executive Body shall be remunerated for their job by receiving their salaries or fees from the Company's profits or in any other forms set out in the internal documents of the Company in compliance with the current legislation.

The Executive Body shall carry out its activities in strict compliance with current legislation, the Articles of Association and other internal documents of the Company and shall be subordinate to the Board of Directors of the Company and shall make decisions at own discretion within the framework of policy, mission and tasks, established by the Company's shareholders and the Board of Directors.

4.3. The policy of the Company and control.

The members of the Executive Body, including its managers, shall refrain from any actions which may bring to conflict of their interests and those of the Company. In case of appearing such conflict they shall inform on this the Board of Directors.

The Executive Body of the Company shall realize its responsibility before the Company's shareholders and shall perform its duties that is to carry out current activities of the Company honestly with due care, competence and diligence in order to ensure the Company's sustainable long-term development.

During cooperation with business partners, the Executive Body of the Company shall be governed by high standards of business ethics, follow the principles of maintaining long-term relations, development of a dialogue and mutually beneficial cooperation, trying to avoid conflicts.

The manager and the members of the Executive Body shall bear responsibility in accordance with the norms of legislation and provisions of internal documents of the Company for breach of the provisions on use of internal, confidential and business information of the Company for personal purposes and in the interests of any third parties.

4.4. The Executive Body's membership and qualification.

In order to perform duties of the member of the Executive Body a person shall be highly qualified and experienced to manage current activities of the Company. Qualifying requirements to the member of the Executive Body shall be determined in detail in internal documents of the Company. Rights, duties and obligations of the members of the Executive Body shall be determined both in internal documents and labor contract of the Company.

During formation of the Executive Body, the Board of Directors of the Company shall be attentive in order to avoid conflict of interests of the candidates to members of the Executive Body due to their participation or membership in the Company's managerial body or holding of appointments in other legal entities, which are competing with Company.

The members of the Executive Body of the Company shall possess adequate information on the Company's current activity, as such information required for them for effective managing of the activities of the Company.

COMMENTS TO THE CHAPTER 5. "The Corporate Secretary"

5.1. Tasks and functions of the Corporate Secretary.

Introduction of the Institute of Corporate Secretary in accordance with international practice of corporate governance is necessary for accomplishing the following main tasks:

1. ensuring control in order to enable the Company's shareholders to exercise their rights and interests
2. ensuring control in order to attain that the Company's bodies and officials fulfill requirements of the existing legislation and provisions of internal documents of the Company related to corporate governance.

List of functions of the Company's Corporate Secretary aimed at fulfillment of above listed tasks shall be determined by each joint stock company separately in the Articles of association and/or other internal documents of a company according to the level and peculiarities of internal policy in corporate governance. At that, according to common practice, a Corporate Secretary shall:

- ensure that procedures are in place to hold a general meeting of the Company's shareholders in accordance with current legislation and internal documents;
- ensure that proceedings of the Board of Directors are held in accordance with time-limits and in a manner consistent with, and permitted by, the current legislation and internal documents of the Company, at the same time, the Company's Corporate Secretary shall, generally, keep minutes of proceedings of the Board of Directors and its committees;
- monitor fulfillment of requirements of current legislation, laws and regulations of stock exchanges, provisions of the Company's internal documents related to corporate governance;
- ensure that the Company's shareholders, the Board of Directors, the Executive Body and other bodies effectively use channels of information exchange concerning corporate governance;
- ensure that confidential information is disclosed in compliance with requirements of current legislation, listing rules and internal documents of the Company;
- assist to the Board of Directors and/or other body/official of the Company in settlement of corporate conflicts in accordance with the order provided for by the internal documents of the Company;
- ensure that cooperation with the Company's registrar is in compliance with current legislation and internal documents of the Company.

As the Corporate Secretary is responsible for observance by the Company of relevant norms and requirements of corporate governance, it always acts in the capacity of an adviser of the members of the Board of Directors and officials of the Company. However, recommendations, advices and explanations of the Corporate Secretary shall not be considered as legal consultations. Duties of the Corporate Secretary and permanent jurist (or external consultant on legal issues) shall be clearly differentiated. At that, it is recommended to apply for consultations to specialists of the Company and /or external independent advisers in cases, when the issues addressed to the Corporate Secretary, are not in it's competence and/or have a special importance for the Company.

The best practice of corporate governance is to enable the Corporate Secretary to perform its duties without entrusting on it other obligations of the Company. However, in small joint stock companies, functions of a Corporate Secretary, may be performed by other employees of the Company by holding of more than one appointments.

In accordance with the advanced international practice of corporate governance, the functions of a Corporate Secretary, especially in large and rapidly growing countries, is permanently expanding since corporate secretaries provide with consultations on issues of corporate governance, and closely cooperate with the Board of Directors (its committees) and the Company's legal advice service. In this connection, a Corporate Secretary may be vested with additional functions and duties, allowing participating in the process of improving relationships between the Company's shareholders and managerial bodies, as well as of development and implementation of the principles of corporate governance.

In order to establish effective relationship between shareholders and the Company's bodies, a Corporate Secretary shall:

- provide the Company's shareholders, the Board of Directors and the Executive Board with explanations on issues concerning procedure of arrangement and holding of the General Meeting of shareholders;
- ensure, along with control of timely consideration of the inquiries of shareholders, that the answers of the Board of Directors of the Executive Body are delivered (handed over) to such shareholders in time, as well as assist in arranging of meetings and negotiations as needed;
- participate in improving mechanisms of timely and convenient access of the shareholders to the Company's information;
- ensure that any transactions connected with amalgamation or merger or other reorganization of the Company or any transactions in obtaining control of the Company (for example, in case of repurchase of shares or other securities having equated to the share capital in connection with conversion of preferred shares into ordinary shares), or any large transactions or transactions of the Company with interested persons, are supplied with adequate information.

In the process of development of the system of Company's corporate governance, the Corporate Secretary's functions may be expanded on the basis of the international practice of corporate governance and include:

1) rendering assistance to the Board of Directors or Committee of Directors for Corporate Governance (if any), as well as to the Company's Legal Service, in development and review (not less than once per year) of the following documents:
    a) Policy, procedure and provision as to settlement of conflicts of interests and corporate conflicts of the Company.
b) Policy related to protection of rights of minority shareholders in the event of change of control of the Company in connection with amalgamation or merger or other reorganization of the Company.
    c) Provision as to the Board of Directors.
    d) Order of the work of the Board of Directors.
    e) Independence criterion of the Board of Directors' members (related to the Company's independent directors).
    f) The program of familiarization of new members of the Board of Directors with main documents of the Company and their official duties.
    g) Policy in formation of various committees of the Board of Directors on the basis of study of advanced national and international practice.

h) Code of Corporate governance.

i) Recommendations (based on analysis of the last tendencies and developments in the field of corporate governance) for the Board of Directors in improving policy of corporate governance as well as entering appropriate alterations and amendments into internal documents of the Company.

2) Rendering assistance to the Company's directors or the Committee of the Board of Directors for Personnel and Remuneration (if any) as well as to Legal Service of the Company in development and review (not less than once per year) of the following documents:

a) Qualifying requirements to be meet by the members of the Company's Board of Directors.

б) Program for training of the members of the Board of Directors and the Executive Body.

в) Policy of remuneration of the members of the Board of Directors and the Executive Body.

3) Rendering assistance to the Board of Directors or Committee of the Board of Directors for Audit (if any) as well as to Legal Service of the Company in development and review (not less than once per year) of the following documents:

a) Provision on storage, access and disclosure of the Company/s information.

5.2. Appointment of the Corporate Secretary, and termination its authorities early.

Appointment of the Corporate Secretary, and termination its authorities early, shall be set forth by any company in the Code of Corporate Code and/or the Provision as to Corporate Secretary. At the same time, basing of the best practice of corporate governance, it is necessary to take into account the following essential principals:

- The Corporate Secretary shall be appointed by the majority of the members of the Board of Directors participating at the proceeding.
- A candidate for the Corporate Secretary shall provide the Board of Directors with the following information:

1) its education and qualification;
2) if it holds any shares in the capital of the Company or any other company, which is competing with the Company;
3) if it was employed with other companies;
4) its relationship with affiliates and large contra agents of the Company;
5) other information which may influence on execution of its functions in the capacity of the Corporate Secretary.

- Settlement of issues as to remuneration of labor, applying penalties and placing the responsibility of the Corporate Secretary shall be considered as belonging in the exclusive competence of the Board of Directors.
- The Board of Directors may in any time to terminate the authorities of the acting Corporate Secretary and appoint a new one.

According to the best practice of corporate governance, it should be advisable to hire a Corporate Secretary with the following qualification and skills:

1) deep knowledge of laws in corporate governance;
2) deep knowledge of the Company's activities;
3) higher education (availability of a special vocational training);
4) absence of any relations with the Company's affiliates or its officials;
5) availability of skills of analytical work;

6) excellent communicative skills and ability to represent the Company in a proper way in its relationships with the other entities;
7) loyalty in relation to the Company;
8) Personal qualities (sociability, responsibility, self-discipline).

The level of requirements, set by the Company as to the professional knowledge, expertise and personal characteristics of a Corporate Secretary, shall depend, in general, on the size of a company, branch of business, complexity of organizational structure as well as other factors, based on internal specifics of the Company.

COMMENTS TO CHAPTER 6 "Essential corporate events"

To the essential corporate events of a joint-stock shall refer events which affect the interests of the Company's shareholders and/or which may change market value of the Company's securities.

The Company ensures that the shareholders may participate in essential corporate actions through a transparent and fair procedure based on an adequate disclosure of information concerning consequences that such actions may affect on the Company.

In this connection the Code of Corporate Governance of the Company shall enclose a List of essential corporate events, which have been already determined by legislation, and those, which are included into the mentioned List according to the initiative of the Company's shareholders or its bodies.

In accordance with the practice of corporate governance, the following corporate events shall be deemed as essential:

1. Reorganization or liquidation of the Company, its subsidiaries and dependent organizations.
2. Entering alterations into the Articles of Association and other documents of the Company, to be approved at the General Meeting of shareholders.
3. Alterations and amendments entered into the authorized capital of the Company.
4. Effecting large transactions and transactions with concerned parties.
5. Formation and liquidation of affiliates and representative offices of the Company.
6. Changes in the structure of issues of securities of the Company.
7. Changes in the Companies bodies.
8. Any decisions made by the Company's bodies, which may cause essential changes in the Company (including repurchase of shares of the Company at the rate exceeding 5% of total amount of placed shares).
9. Changes in the content of shareholders (participants), possessing 5 and more percent of voting shares of the Company.
10. Any Company's sequestration
11. Considerable changes in the financial situation of the Company (such as decrease of assets, increase of liabilities, lowering of profits, changes in the nominal capital and others at the rate exceeding 10% of the Company's assets).
12. Obtaining or suspension or withdrawal of a license of the Company.
13. Changes in the list of organizations, where the Company owns 10 and more percent of placed shares.
14. Tax and other authorized bodies' claims in relation to the Company's activities.
15. Other essential events determined by the decision of the Company's authorized bodies.

The list of essential events as well as mechanisms and procedures enabling the shareholders to exercise their rights, shall be developed by relevant body of the Company and approved the Company's shareholders in the content of the Code of Corporate Governance or a separate internal document. At that, procedures and mechanisms shall provide that the supposed corporate action, which may cause significant changes in the Company's activities, is to be valid only after obtaining of a preliminary consent of shareholders.

On each supposed or carried out corporate event the Company's Executive Body shall present to the shareholders the exact information (in case of necessity to be supplied by documents) in accordance with the order and terms and conditions provided for by legislation and/or internal documents of the Company for each type of event depending on their significance.

The Executive Body of the Company shall develop the named documents and present them to shareholders for their approval. The Executive Body shall be liable for proper observance of the order and terms and conditions of essential corporate events as well as for notifying persons concerned. Moreover, the Executive Body shall initiate making an analysis of corporate events of the Company on regular basis and present the results of such analysis to the members of directors, shareholders and persons concerned. The given mechanism may be included (according to the instruction of the named body) to the provisions of the Code of Corporate Governance.

COMMENTS TO THE CHAPTER 7. "Disclosure of information"

Information disclosure policy shall conform to the requirements of the current Laws of the Republic of Kazakhstan as well as to general standards of international and Kazakhstan practice in information disclosure.

On the basis of the best practice of corporate governance, the information disclosure policy shall be aimed at utmost understanding of the Company's activities by various persons concerned.

The main tasks of information disclosure of the Company's activities are as follows:

1. Timely provision of information on all significant issues related to the Company's activities in order to enable the Company's shareholders, investors and other concerned persons to exercise their rights in obtaining information required for making decisions or performing other acts, which may influence on the Company finance.
2. Ensure that the Company's public information may be available for all persons concerned.
3. Rising of the level of transparency and confidence between the Company and shareholders, creditors, potential investors, professional participant of the equity market, state bodies and other persons concerned.
4. Improvement of the Company's Corporate Governance;
5. Formation of positive image of the Company in order to attract capital.

While disclosure of information, the Company shall be governed by the following main principals of information disclosure:

- all shareholders, investors and other persons concerned shall be treated equally;
- information shall be provided on a regular and timely basis;
- information shall be true and entire;
- information shall be immediate and available;
- any information that are considered as of state, business or commercial secret shall be kept in strict confidence;

- insider information shall be under control.

On the basis of the international practice of corporate governance, the Board of directors shall control the process of information disclosure. Development and preparation of internal documents for information disclosure shall be in the competence of the Company's Executive Body and/or a body, which is specially formed to ensure that the Company follows information disclosure policy. At that, the Company's Corporate Secretary shall, generally, assist to the above-mentioned bodies to meet the requirements of the order of information disclosure. The Company's Corporate Secretary may bear functions of technical preparation of the information disclosed, maintaining of the Company's documents as well as functions that are related to observance of the information disclosure order.

With the purpose of effective implementation of the above mentioned tasks, the Company shall develop and implement internal documents, containing detailed list of information to be disclosed, order of information disclosure, responsibility of the employees for non-observance of the requirements of information disclosure as well as other provisions regulating the issue of information disclosure adjusted to the activity of a company.

While development of the above mentioned documents it should be taken into account a necessity of ensuring that the information disclosed for the users, is true and efficient and provided in compliance with effective dates of its preparation and level of significance for the persons concerned. With this aim, the order of information disclosure shall provide with fixed terms of furnishing of information, procedure, form and exact place of its presenting. While choosing of the means of disclosure of information it is necessary to take into account the level of extend and availability of such means for a wide rage of information users. On Company's discretion, a part of information may be distributed among users for a definite fee (for example, copies of separate documents).

Along with mandatory information disclosure, the Company may voluntarily provide with information on its current and planned activities, corporate social responsibility and other information with aim to reach full understanding on the Company's activities by all persons concerned. At that, the Company shall not escape from disclosure of negative information on its activities, provided that such information is not confidential and it will not affect the rights and interests of shareholders and/or investment or other decision-making by the persons concerned.

As to any information to be considered as of business or commercial or other protected by law secret, the Company shall provide its system of disclosure and mechanisms for protection of such information. In this connection, it is recommended to develop separate documents, which will define what documents are to be considered as of business, commercial or other protected by law secret, the order of disclosure of such information, as well as sanctions for breach of provisions of confidentiality on the part of both officials and bodies of the Company and separate employees.

In case when the securities occur in the official listing of the stock exchange, the Company shall appoint officials responsible for timely and entire disclosure of information of the Company's activities in accordance with the requirements of the stock exchange. In the Company shall be organized a system of information disclosure ensuring simultaneous disclosure of information in accordance with the requirements of the stock exchange, and which is to be published in Mass Media.

COMMENTS TO CHAPTER 8 "Control of the financial-economic activities"

8.1. System of control of the financial and economic activities

Control of financial and economic activities of the Company is one of main elements of the system of corporate governance and refers to the key components of effective internal control.

The main components of the system of control of financial and economic activities, generally, are (a) analysis of financial and economic activities on the volume of sold products (services rendered) for the reported period, membership in other legal entities or organizations, investment in primary production, debit and credit indebtedness, loans received, financial results analysis, as well as analysis of other essential information related to the Company's activities for the reported period; (b) holding by the Company's internal auditor of scheduled and unscheduled inspections in order to express independent opinion on correctness and objectivity of the Company's financial statements for a definite period; (c) holding by the Company's external auditor of independent audit of annual financial reporting with further providing the Executive Body with recommendations as to found weaknesses.

Control of financial and economic activities is one of the components of the system of internal control. In the framework of the present chapter, the most feasible is underlining of the system of internal control in whole, as analysis of a definite component is not sufficient for ensuring an effective system of control and governance in the Company.

In accordance with international standards of corporate governance, the system of internal control is a process carried out by the Board of directors, the Executive Body and personnel at all levels, aimed at rising of the efficiency of the Company's activities, ensuring truthfulness of financial reporting and observance current legislation as well as internal provisions of the Company. Historically, mechanisms of internal control were always aimed at decreasing of cases of fraud, theft, as well as faults and neglect on the part of officials and employees. At present, internal control represents wider concept covering all types of risks, which the Company may face. The internal control is not a procedure or politics carried out in a definite period of time but represents continues process of interrelated actions for evaluating of the Company's activities at all levels of control and managing risks, correction of weaknesses in managing of assets and liabilities in the operation environment as well as monitoring in the real time regime. At present requirements for availability of effective system of internal control from regulators are strengthening due to increased necessity of providing the shareholders, investors and persons concerned in additional protection of their rights and interests, and decrease of risks in the case of occurrence of financial crisis. The main international tendency for enforcing a role of internal control are requirements set before emitters of securities to have an adequate system of internal control and preparation of management reports about efficiency evaluation of internal control system of annual reporting.

The main liability for formation of adequate and effective system of internal control shall be assigned on the Company's Board of directors that is formulate clear strategy, tasks and objectives of the Company related to the system of internal control. At that, the Company's Executive Body shall ensure maintenance and implementation of the given directions, forming of an effective evaluation system of internal control.

8.2. Objectives, tasks and functions of the Internal control system.

Objectives and tasks of the Effective control system shall be defined by every company in accordance to their internal documents related to strategic planning and development. In world

wide practice, there are used common recommendations of international financial organizations including Basel committee on banking supervision, Committee of Sponsoring Organizations of the Treadway Commission, Institute of internal auditors. The recommendations of the named organizations related to objectives and tasks of internal control are focused on the following main directions:

1) Maximal effectiveness achievement by performing objectives and tasks of the Company.
2) Economic and effective using of resources
3) Adequate control of various appearing risks
4) protection of assets
5) ensuring of accurate and entire financial reporting and managerial information
6) ensuring that the Company follows legislative and regulative acts as well as policy, plans, internal rules and procedures of the Company.

An audit of the Company's activities plays a main role in effective carrying out of internal control and shall be an integral element of the Company's structure of corporate governance in a whole. The role of audit in the practice of corporate governance, provided by internal auditor and external auditor, along with traditional functions, includes an audit of effective internal control system of the Company as well as organizational and operational issues. While forming of the internal control evaluation system, the Company's internal auditor (Internal Audit Service) shall serve as a source of skills and experience for the Executive Body and mainly may govern this process. The internal auditor's competence allows governing the work by creation and implementation of development of internal control system, attracting if necessary to the given work of individual experts from the Company's employees. An internal auditor can also participate in the process of evaluation per various aspects of Company's activity for a definite period.

In order to form an effective internal control system, the Board of Directors and the Executive Body shall define elements, categories and instruments of supervising functions in framework of following components of internal control system:

8.2.1. Culture of Internal Control.

The best practice of Corporate governance defines that internal control is a subject of each employee, as almost all employees of the Company are participating in preparation of information that is used in internal control system and effecting other activities that are necessary for controlling. With the view of creating conditions for ensuring proper culture of internal control in the Company it is recommended to develop, implement and periodically review internal documents in the field of business ethics (for example, Code of Business Ethics), human resources management, issues of remuneration of employees, principals of effective division of obligations as well as organizational structure of a Company. The culture of internal control also includes development of management philosophy and operational style that may include formal or informal control of the Company's operations, increased or decreased level of received risks, aggressive or conservative politics of investment and etc.

8.2.2. Development and implementation of the effective procedure of risk evaluation.

The system of internal control shall include procedures and terms and conditions for evaluation of risks both internal (such as comprehensive organizational structure, organizational changes and personnel turnover), and external (for example, change of economic conditions, and change of industrial standards). While revealing risks it is necessary to analyze the potential influence on the Company's activities, simultaneously, the Company's governance defines methods of risk management and make a decision about necessity of implementing relevant actions in the framework of internal control system related to revealing of risks. The system of internal control

of the Company shall enable not only revealing and evaluation of risks but reacting on risks that appear due to economic changes, industry, regulatory and other conditions that may influence of the effectiveness of the Company's activities.

8.2.3. Effective use of instruments of internal control system.

The best practice of corporate governance underlines the following key instruments of internal control system:

- *Reports for top managers.* The Company's top managers shall monitor the progress of the Company in achieving corporate goals and use such reports as comparative analysis of actual indicators to the approved budget, targets and indicators of previous periods as well as other reports and results of the Company's activities. This instrument of internal control contributes in revealing of problems of planning, defaults and neglect in financial reporting and fraud.
- *Control of the Companies divisions.* Middle management shall organize compiling of regular reports on results of the Company's divisions on daily, weekly and monthly basis.
- *Authorization of access to the Company's material assets, documents and securities, including available funds*. Supervising functions shall include physical restrictions, duplication of stored information and periodic inventory. The proper practice of corporate governance also recommends developing of a plan of measures for preventing of loss of data and recovery of the Company's documents in the event of emergency. Along with the Company's policy and safety provisions, the mentioned plan of measures shall be regularly renewed and notified to all personnel.
- *Inspection of conformance to the limits of risks and relevant actions in case of non-observance of the limits.*

8.2.4. Application of the effective system of information support and communication

Availability of effective information system ensures generation and timely provision with internal and operational as well as external information, required for the Board of directors, the Executive Body and employees of the Company for performing their duties. The main elements of information system control are: control of authorization of access to the Company's information, control of entirety of information, control of correctness of information and control of completeness of data processing and storage. In accordance with the advanced practice of corporate governance, the information system shall have the following components:

- information system shall enable all the Company's employees understand the related aspects of internal control, their role in that process and how their work connected with other employees work.
- mechanisms of information system ensures that regulators, shareholders, clients and other persons concerned may access to related information of the Company.

8.2.5. The system of monitoring and elimination of shortcomings.

Monitoring of internal system control shall contribute in raising the efficiency of the Company's activities by revealing shortcomings in the internal control system and taking adequate measures by the Company's managers for their removal. Monitoring of the internal control system, generally, is conducted by all employees by procedures of appraisal in the framework of carrying out regular activities, at that, the degree and level of responsibility in conducting internal control and monitoring shall be clear for managers of all levels. Additionally, the system of monitoring includes periodical conducting by the Company's employees (it is recommended to form

temporary expert groups from among the Company's employees) of separate appraisal of efficiency of the internal system control for a definite period of time. At that, the internal auditor has a right to participate in any of such groups as well as independently conduct separate audit of the internal system control in accordance with internal plan of measures for auditing the Company's activities, for further reporting to the Board of directors. A separate independent assessment of internal control efficiency may also be conducted by the external auditor in the framework of independent audit of financial statements in case when it is provided by the legislation and/or internal documents of the Company.

COMMENTS TO THE CHAPTER 9 "DIVIDENDS".

9.1. Determination of the size of dividends

The shareholders shall be entitled to participate in distribution of the Company's profits. Such participation may be carried out by capital increase (increase of the Company's market value of shares, belonging to shareholders) and /or in the form of obtaining dividends. From this point of view, the right of obtaining of dividends is one of fundamental rights of shareholders.

The Company shall apply a transparent and clear mechanism of determination of the dividend's size. For this purpose, the Company shall approve the Provision on Dividend policy, which includes the following:

- a portion of a net profit for dividend payment;
- terms and conditions for dividend payment;
- the order of calculation of the size of dividends on shares, which size of dividends is not determined by the Company's Articles of Association;
- minimal size of dividends on shares of various categories (types);
- the order of payment of dividends, including the terms and conditions, place and form of their payment;
- terms and conditions when dividends on privileged shares shall not be paid or not fully paid up.

Provision on dividend policy shall be approved at the General Meeting of shareholders (including shareholders owning the Company's privileged shares). At the time of preparation of the Dividend policy it should paid attention to the conformance of the Provision to the Company's Constituent documents in the part of regulation of all issues related to the dividends of the Company.

Information of the Company's strategy as to determination of the size of dividends and their payment is required for both current and potential shareholders of the Company, since it may considerably influence on their decision on purchasing or sale of the Company's shares.

In order to enable the shareholders to evaluate adequately potentials of the Company as to dividend payment, the Company shall:

- to let a transparent and clear mechanism of determining the size of dividends go;
- to provide the Company's shareholders with adequate information for formation of exact concept of availability of terms and conditions for payment of dividends by the Company;
- to exclude any probability to mislead the shareholders as to financial position of the Company when paying dividends;
- to develop a clear order of dividend payment;

- to provide with measures to be applied to the General Director and members of the Board in case when the declared dividends are not paid in time or not fully paid up.

The Company shall develop a clear dividend policy and inform on it the market participants. Such information shall be published in periodicals provided for by the Articles of Association for informing on calling of shareholders meetings, as well as placed on the Company's web. site (if any).

Information on payment of dividends shall reflect the real financial situation of the Company. Misrepresentation of true state of affairs in the Company may be caused by an announcement about dividend payment in the event when necessary conditions are absent, particularly, non-observance of restrictions set by the laws of the Republic of Kazakhstan. Moreover, an announcement about dividends payment on simple shares leads to misrepresentation related to the Company's real financial situation if the Company didn't obtain net profit for the reporting period.

9.2. Payment of dividends

The order of payment of dividends shall to the best enable the shareholders to exercise the rights for their receiving.

The owners of *ordinary* or privileged shares shall exercise different rights for receiving dividends. Dividends on ordinary shares shall be paid in accordance with the decision made at the General Meeting of shareholders. At that, the owners of the privileged dividends shall have preference rights for receiving dividends according to the beforehand fixed guaranteed size[4].

Payment of dividends shall be produced in accordance with current legislation and standards of business accounting and financial reporting. Dividends shall be paid from the net profit of the Company. At the time of determination of the size of the Company's net profit, 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.

While recommending paying dividends in this or other size, the Board shall take into account the interests of the Company's shareholders. The size of dividends determined as a share of net profit shall be fixed basing on preferences of the shareholders. In particular, the Board of directors shall clear up in what form the shareholders prefer to receive income on their investments in the Company's capital: in the form of increase in the Company's capital or as dividends. In this connection, the Board of directors shall develop the Company's dividend policy, which reflects balance of interests, related to further growth of the Company, as well as interest of the shareholders in receiving dividends.

[4]see the Clause 2, Article 13 of Law of the Republic of Kazakhstan "On Joint-Stock Companies" as of May 13, 2003

As applied to the concrete company, these four factors usually influence on the amount of dividends:

- shareholders' preference related to ensuring of capital increase (and, correspondently, share prices) or, contrary, obtaining of dividends;
- ability of the Company to invest (for example, the companies with restricted investment opportunities, but having cash surplus, generally, prefers to pay such means in dividends, while companies which develop in dynamical economic sector prefer to reinvest major part of means to expansion of their business);
- preferable structure of Company's capital;
- availability and cost of external financing.

9.3. Outcomes of partial or untimely payment of dividends

An important aspect of dividend policy of the Company is stable payment of dividends. The Company's monetary flows are changed during the time, and the Company is forced to change the amount of dividend payments. Ideally, the Company should notify shareholders about it dividend policy, for example, concerning "the Company is aimed to pay dividends in the amount of 30 per cent net revenue, that allows the Company to direct sufficient means for production development".

Non-fulfillment or non-sufficient performing of obligations by the Company of calculated dividend payment is a violation of the laws of the Republic of Kazakhstan and, strongly undermines trustworthiness to the Company. Joint stock companies are recommended to provide sanctions that are applied to managers and members of the Executive body in the case of incomplete and untimely payment of estimated dividends.

COMMENTS TO THE CHAPTER 12. "Conflicts of Corporate Governance".

International practice of corporate governance does not provide with a single definition of corporate conflict. Due to this each particular company should develop its definition about corporate conflict based on its internal policy, specificity and particularities of the system of corporate governance. Joint stock companies may use as narrow definition in accordance with which a corporate conflict may be understood as a dispute or conflict between the Companies bodies, and shareholders or disputes and conflicts between shareholders if this affects interests of the Company; as more broad definition of corporate conflict which shall be understood as a conflict which appears due to management activity of the Company and control of the Company. This means that it is important to have an adequate detailed and effective regulation of issues related to mechanisms and procedures of solving corporate conflicts (for example, availability of internal documents, formation of a relevant Committee of the Board of directors or authorized body/official, exact definition its authorities and etc).

It would be feasible if the Company's Boards of Directors maintained regulation of corporate conflicts based on the advanced practice of corporate governance. So, in the framework of the Board of directors may be formed a committee to regulate corporate conflicts (regularly acting "institutional" or forming for concrete situation "ad hoc"). It is important for bodies responsible for regulation of a conflict, to be totally independent and fair in relation to issues under consideration. In this connection, the committees shall include only independent directors. In those cases when it is impossible due to objective reasons, a committee, at least, shall be governed by an independent director and be formed from the members of the Board of directors, who are not members of the Company's Executive body. It is necessary that actions of persons who solve the conflicts, met the requirements of legislation, common norms and standards of business ethics as well as provisions of the Company's internal documents.

In order to reveal corporate conflicts at the early stage and considering them, it is recommended that the Company's Corporate Secretary would register applications and requests, give them preliminary estimates and passed to the relevant Company's body. There is necessary exact differentiation of authorities of the Company's bodies for consideration and regulation of corporate conflicts with the aim of making the most legal grounded solution.

In the cases of participation of shareholders in corporate conflicts, the Company's managerial bodies may participate, upon obtaining of the consent of shareholders involved into the conflict, in negotiations between the shareholders, present available and related to conflict information and documents, explain norms related to legislation and provisions of the Company's internal documents, give recommendations to shareholders, prepare drafts of documents on regulation of conflict for signing them by the shareholders. The Company's managerial bodies should maintain necessary actions and take obligations that would facilitate to regulation of the conflict.

For objective regulation of corporate conflict, the persons concerned in the corporate conflict (i.e. those persons whose interests a conflict may affect) should not take participation in making relevant solution. In the case when the conflict takes interest of the Executive body, then the regulation of conflict should be imposed on the Company's Board of directors or on the Committee for regulation of corporate conflicts formed by it. Members of Board of directors whose interests the conflict affects should not participate in solving this conflict. In any case consideration of the corporate conflict by the Company's managerial bodies shall not prevent from the right to apply to the court of law. However before passing the given conflict to the court of law it is recommended to conduct mediation procedure, that means before court regulation of a dispute. The given procedure enables to attract competent specialists for presenting qualified, objective and independent opinion.