

## REPORT ON ACTIVITIES OF THE MANAGEMENT BOARD FOR 2023

In 2023, 49 meetings of the Management Board were held in person, at which resolutions on 307 issues were adopted.

### PARTICIPATION OF MEMBERS IN MEETINGS OF THE MANAGEMENT BOARD IN 2023:

Member of the Management Board	Participation in meetings of the Management Board
M. Aimanbetov	41 of 49
G. Malgazdarov	47 of 49
D. Seitbekov***	35 of 41
B. Mukushev	44 of 44
A. Sattarov	26 of 33
B. Bulatbekov***	1 of 1

\*\*\* By resolution of the Board of Directors of the Company No. 196 dated 04.12.2023, the powers of D. Seitbekov, Vice-Chairman of the Management Board for operating activities – member of the Management Board, were early terminated; by resolution of the Board of Directors of the Company No. 197 dated 25 December 2023, B. Bulatbekov, Vice-Chairman of the Management Board for operation, was elected as a member of the Management Board

## BASIC RESOLUTIONS ADOPTED BY THE MANAGEMENT BOARD IN 2023:



### REPORTS

- reports on the implementation of the Company's Business Plan for 2022–2026, including the Report on the implementation of the Annual Budget for 2022, and a detailed analysis of the financial statements of Samruk-Kazyna Construction JSC;
- reports on the implementation of investment projects;
- monitoring of key risk indicators on a monthly basis;
- reports on the progress of implementation of the pilot national project in the field of education "Comfortable School" on a monthly basis;
- report in the field of labour protection, safety and environmental protection based on the results for 2022.



### SUSTAINABLE DEVELOPMENT ISSUES

- approval of the Annual Budget of Samruk-Kazyna Construction JSC for 2024;
- approval of the Counterparties Conduct Code of Samruk-Kazyna Construction JSC;
- approval of the Stakeholder Map of Samruk-Kazyna Construction JSC;
- preliminary approval of information on the implementation of the ESG Implementation Plan of Samruk-Kazyna Construction JSC for 2023–2025 for the 1<sup>st</sup> quarter, 1<sup>st</sup> half of the year, 9 months and 2023;
- preliminary approval of the ESG Implementation Plan of Samruk-Kazyna Construction JSC for 2024–2025.



### PRELIMINARY APPROVAL OF ISSUES PUT FOR APPROVAL BY BOD

- approval of the Business Plan of Samruk-Kazyna Construction JSC for 2024–2028;
- approval of the Audited annual financial statements of Samruk-Kazyna Construction (consolidated and separate) for 2022;
- approval of the Annual Report of Samruk-Kazyna Construction JSC for 2022;
- approval of the Development Strategy of Samruk-Kazyna Construction JSC for 2023–2032;
- approval of the Investment Policy of Samruk-Kazyna Construction JSC.



### APPROVAL OF INTERNAL REGULATORY DOCUMENTS

- approval of the main parameters of the Company's treasury portfolio;
- Regulations of the business units of the Company;
- Dispute (Conflict) Settlement Agreement;
- Labour regulations;
- Procedure for selection and consideration of investment projects;
- Procedure for making payments when implementing investment projects;
- Procedure for selecting and considering investment projects in the field of production of construction materials;
- Instructions for the implementation by Samruk-Kazyna Construction JSC of procurement of complex works for the construction and design of secondary schools within the framework of the implementation of the national project "Comfortable School" in a special manner;
- Road map of Samruk-Kazyna Construction JSC on the progress of implementation of the pilot national project in the field of education "Comfortable School";
- Procedure for implementing budgets and monitoring the progress of implementation of the pilot national project in the field of education "Comfortable School" of Samruk-Kazyna Construction JSC.



### PRIMARY ACTIVITIES

- approval of the price and cost of renting commercial premises and apartments in residential complexes;
- approval of the transition to the "Implementation" stage, conclusion of Investment Agreements for the investment project of Samruk-Kazyna Construction JSC;
- approval and endorsement of internal documents regulating the activities of the Company and its subsidiaries, including: staffing levels and organization chart;
- issues of activity that are referred to the exclusive competence of the organization's members' general meeting shares in the authorized capital of which are transferred to the trust management of Samruk-Kazyna Construction JSC;
- issues related to activities referred to the exclusive competence of the general meeting of shareholders (members) of a legal entity ten or more percent of shares (interest in the authorized capital) of which are held by the Company, with the exception of issues referred to by this Articles of Association to the exclusive competence of the Board of Directors.

## REPORT ON REMUNERATION

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Members of the Board of Directors, with the exception of independent directors, carry out their activities free of charge. The procedure for paying remuneration to independent directors is determined in accordance with the Rules for the formation of Boards of Directors of Samruk-Kazyna JSC companies. In 2023, remuneration paid to independent directors amounted to 11,778,689 tenge after withholding taxes and other compulsory payments in accordance with the legislation of the Republic of Kazakhstan.

The performance of the Company's executive employees (members of the Management Board) is assessed on the basis of the performance of key performance indicators that characterize the effectiveness of the Company's financial and economic activities

and the degree to which a member of the Management Board achieves results in functional areas of activity. The process of developing, approving and monitoring maps of key performance indicators, as well as the procedure for calculating the amount of remuneration, are determined by the Rules for assessing the performance and remuneration of the Company's executive employees as approved by the resolution of the Board of Directors of the Company.

The amount of remuneration for members of the Management Board based on the results of 2023 is disclosed in Annex 5 to the annual report in note 33 to the Consolidated Annual Financial Statements of Samruk-Kazyna Construction JSC for 2023.

## RISK MANAGEMENT AND INTERNAL CONTROL

### PRINCIPLES OF THE CORPORATE RISK MANAGEMENT SYSTEM (CRMS)

The Company has organized and operates a risk management system, which provides reasonable confidence in achieving strategic goals, efficient and effective use of resources, safety of assets, goals in the preparation of reliable statements, compliance with applicable laws and internal requirements.

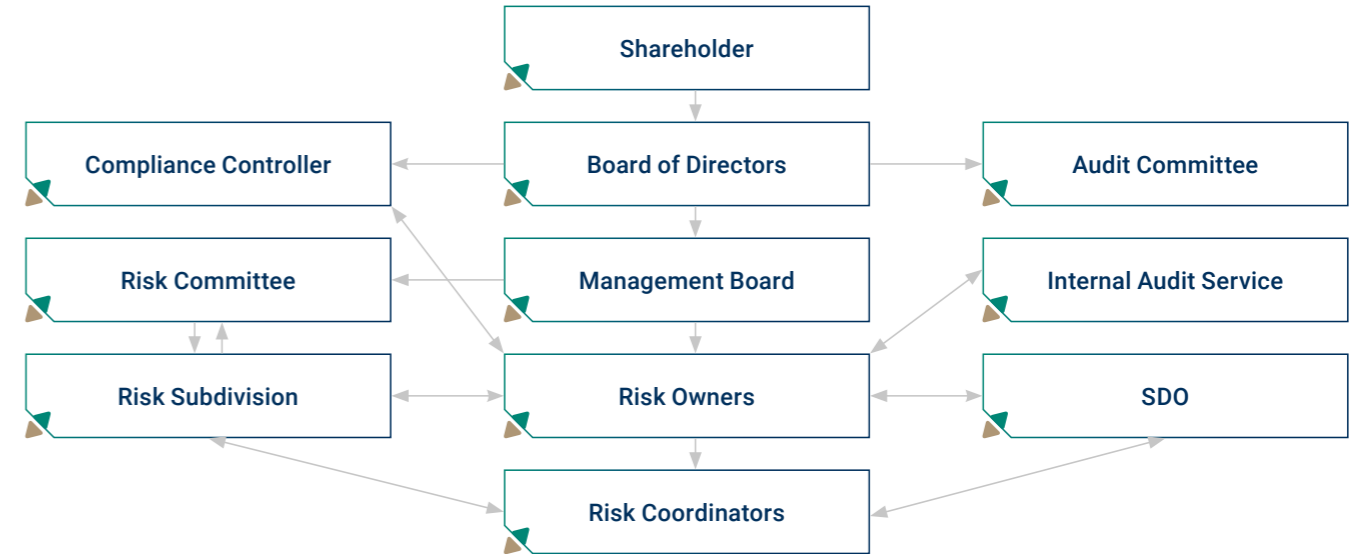
The Company's risk management and internal control policy provides for achieving the following objectives:

- improvement of the risk culture and integration of risk management and internal control into all aspects of the Company's activities;
- reduction of the volatility of operating results by increasing the Company's ability to prevent situations that threaten goals, effectively respond to negative "surprises" and minimization of the consequences of such situations, if they occur, to an acceptable level;
- ensuring the use of opportunities to increase the value of assets and profitability of the Company in the long term.

The main principles of the Company's CRMS in accordance with the Risk Management and Internal Control Policy:

- the function performed by the Board of Directors of the Company to supervise risk management;
- creation of operational structures by the Management Board of the Company;
- defining the desired culture (risk culture);
- demonstrating commitment to priority values;
- attracting, developing and retaining qualified personnel;
- analysis of operating environment;
- determination of risk appetite;
- formulation of business goals;
- detection (identification) of risks;
- risk significance assessment;
- risk response;
- dissemination of risk information.

### CRMS ORGANIZATION CHART



### RISK REGISTER AND MAP

Identification of risks is important as a method of optimizing the Company's expenses, since early identification of risks, determination of adequate measures to minimize them and eliminate the consequences make it possible to plan the sources and volumes of financing of such measures, which ultimately affects the efficiency of the Company's activities.

Risks are assessed using qualitative and quantitative tools considering the likelihood of occurrence and impact when a risk occurs.

By the resolution of the Board of Directors of the Company dated 23 December 2022 (Minutes No. 182), the risk register and map for 2023 were approved. At the end of 2023, the risk register and map reflected the following significant risks that are critical for the Company:

- untimely commissioning of real estate objects;
- liquidity risk;
- untimely commissioning of schools;
- reputational risk.

In order to reduce the likelihood of risk events occurring, the business units took the following measures during 2023:

- prohibition during the construction period of unreasonable and unprincipled changes to design solutions;
- control of the development of design and estimate documentation for compliance with the requirements of sanitary rules, sanitary standards for the facilities of the national project "Comfortable School";

- visiting construction sites, monitoring the implementation of work schedules (weekly/monthly), monitoring return of investment;
- control and monitoring of the elimination of identified defects in real estate owned by the Company;
- hearing the weekly reports of the Company's regional representatives, the weekly reports on designer supervision on the national project "Comfortable School";
- monitoring of monthly financial statements on the use of allocated funds according to signed work acceptance certificates under the national project "Comfortable School";
- monthly monitoring of the receipt of lease payments in the system of lease payment management;
- constant monitoring and analysis in the mass media and social media, prompt response to negative publications by providing comments and responses.

By the resolution of the Board of Directors of the Company dated 25 December 2023 (Minutes No. 197), the Risk register and map for 2024 were approved, taking into account identified risks that may, in the course of current activities, have an impact on achieving the strategic and operational goals of the Company in accordance with the Development Strategy of the Company for 2023–2032 and the Company's Business Plan for 2024–2028.

The risk register for 2024 includes risks identified and classified by type: strategic risks, project risks, PR risk, financial risks, credit risks, operating risks, legal risks and HR risk.

## SUSTAINABLE DEVELOPMENT OF THE COMPANY

For all risks reflected in the Risk Register, tolerance levels and key risk indicators (KRI) have been developed to monitor them.

Monitoring the KRIs and risk tolerance levels makes it possible to promptly warn about trends in changes in risk factors and the possible realization of critical and significant risks that could have a negative impact on the Company's activities.

### RISK APPETITE

Risk appetite takes into account the mission, vision and strategic goals, and is determined in relation to investing, financing and operating activities in the context of creating, maintaining and realizing the value of the Company's assets.

Adherence to risk appetite is mandatory for the Company's employees when settling transactions, initiating transactions, analysing projects and the Company's officials when making management decisions.

By the resolution of the Board of Directors dated 23 December 2022 (Minutes No. 182), the Company's risk appetite for 2023 was approved with the following indicators:

- not exceeding the debt/equity ratio above the level at the end of the year – 0.75 / 1<sup>st</sup> quarter – 1.2 / 2<sup>nd</sup> quarter – 1.12 / 3<sup>rd</sup> quarter – 0.83;
- a decrease in net income by no more than 10% of the target;
- not exceeding construction deadlines by more than 3 months from the deadline set;

- an increase in the cost of investments in the project by no more than 10% of the costs fixed by the authorized body of the Company.

Risk appetite determines the upper limit of the level of critical risks on a consolidated basis, which the Company is ready to accept. At the end of 2023, non-compliance with risk appetite was observed in the following indicators: "Exceeding the construction deadlines of real estate projects" and "Increasing the cost of investments". These indicators were monitored monthly to determine the effectiveness of risk mitigation measures; information was provided on a quarterly basis in risk management reports for the Board of Directors of the Company.

### INTERNAL CONTROL SYSTEM

Internal control, or internal control system (ICS), is a process designed to provide "reasonable assurance" regarding the achievement of operational goals, goals in the field of reporting and compliance with the legislation of the Republic of Kazakhstan, the requirements of the Company's internal regulatory documents, carried out by the Board of Directors, the Internal Audit Service, the Management Board and employees of the Company.

By resolution of the Management Board of the Company dated 9 November 2023 (Minutes No. 41/2023), the Methods for organizing the internal control system in the Company were updated, in accordance with which the structure, functions and responsibilities of the internal control system in the Company were determined.

## IAS FUNCTIONS AND RESPONSIBILITIES:

### BOARD OF DIRECTORS

- creation and operation of an effective ICS in the Company;
- analysis of the effectiveness of the ICS;
- ensuring the independence of all ICS subjects and three lines of defence model;
- creating a "tone from the top" by creating a risk culture and environment that encourages and facilitates reliable communication and effective cooperation among three lines of defence;
- determination of short-term and long-term goals and objectives of the Company in the field of internal control and application of a risk-based approach to assess the effectiveness of the ICS.

### INTERNAL AUDIT SERVICE

- assessment of the effectiveness of the ICS;
- timely testing of the operational effectiveness of control procedures;
- timely submission of reports to the Board of Directors on the current state of the ICS in the Company.

### MANAGEMENT BOARD

- taking measures to improve processes and control procedures of internal control, reliable and efficient functioning of the ICS;
- ICS monitoring;
- improvement of internal control processes and procedures;
- determination of the structure, reporting line, corresponding powers, duties and responsibilities.

### BUSINESS PROCESS OWNERS

- timely development, documentation, implementation, monitoring and improvement of control procedures in the areas of the Company's activities entrusted to them;
- timely development/updating of process flow diagrams, risk and control matrices;
- the effectiveness of control procedures (i.e. control procedures should provide confidence in the achievement of the actual result, reliability of reporting, efficiency, compliance with requirements);
- timely and fully taking corrective actions.

### RISK DIVISION

- timely development/updating and approval in the prescribed manner of internal ICS documents;
- analysis of the effectiveness of the design of control procedures;
- timely approval of risk and control matrices with process diagrams for business processes;
- providing methodological support to business process owners in identifying and assessing process risks, as well as in developing, documenting, implementing, monitoring and improving control procedures;
- preparation of a report to evaluate the effectiveness of the design of control procedures with recommendations (proposals) for eliminating identified violations, shortcomings, duplication of control procedures, etc.

**RISK COORDINATOR**

- communication with the risk division when agreeing on process diagrams, risk and control matrices;
- identification, assessment/reassessment of risks/risk factors of its business unit;
- providing methodological support to business process owners and communication with the risk division regarding the approval of documents.

**COMPANY'S EMPLOYEES**

- organization and implementation of ICS activities in accordance with employment duties assigned to them by job descriptions and/or internal documents;
- timely identification and analysis of risks of the Company's activities;
- updating the description of business processes, including control procedures;
- monitoring the functioning of ICS in their areas of activity, as well as independent self-assessment of the effectiveness of the internal control process that they organize and/or carry out;
- informing the Company's management about any committed or possible errors/shortcomings that have led or may lead to potential negative events in business processes.

The ICS is aimed at analysing business processes, timely identifying and analysing process-level risks inherent in the Company's activities, as well as defining and analysing control procedures for managing these risks. The results of work on the ICS are periodically communicated to the owners of business processes, IAS, external auditor, the Management Board, and the Board of Directors of the Company.

In 2024, the Company's Risk Management Service will continue to improve the ICS. It is planned to analyse the effectiveness of the design of control procedures based on developed process diagrams, risk and control matrices, provide recommendations on control procedures, conduct training for the Company's owners of business processes, including employees of subsidiaries, on the implementation of an internal control system and improvement of risk culture at all stages of the Company's activities.

**EXTERNAL AUDIT**

The Company engages an audit organization to confirm the reliability of the annual financial statements on the basis of an open competitive tender.

The financial statements for 2023 were audited by the representative of the Big Four – Ernst & Young LLP.

The remuneration of Ernst & Young LLP for audit of the financial statements for 2023 amounted to 40,768,000 tenge including VAT. The external auditor did not provide non-audit services to the Company.

**CONTACT DETAILS**

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