NIC 2022

JSC National Investment Corporation of the National Bank of Kazakhstan

Pillar 1: Legal
Legal framework,objectives,and coordination with macroeconomic policies
Principle 1

1. The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).

1.1. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.

1.2. The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed.

The legal status of National Investment Corporation of National Bank of Kazakhstan (the Company) is written in the Corporate Charter and states the following:

The Company is a legal entity under the legislation of the Republic of Kazakhstan and the Charter;

The Company is a for-profit organization;

The Company has a separate balance sheet, bank accounts and a stamp with the full corporate name in the state and Russian languages on it;

The period of activity of the Company is not limited.

The Company adheres to the regulations and standards written in the internal documentation. These documents, including, but not limited to, the Charter and the Investment Strategy on the management of alternative instruments portfolio of foreign exchange reserves (hereinafter - The Investment Strategy), provide a legal basis for the Company to implement its activity to the full extent.

1.1 According to the rights and liabilities written in the Charter, the Company:

- keeps accounting, taxation and statistical records;
- prepares and submits financial and other reports covering all of the Company's activities to the Shareholder and the authorized governmental bodies within a specified timeframe.

The sole Shareholder of the Company is the National Bank of the Republic of Kazakhstan (hereinafter – "NBK")

The Company is responsible for the completeness and adequacy of information submitted to the Shareholder.

1.2 The legal documentation of the Company (such as the Charter and Corporate Governance code) is publicly disclosed and available on the Company's website at Corporate Charter.

Corporate Governance Code: In relation to any undertaken activity, the Company acts in accordance with the legislation of the Republic of Kazakhstan.

Principle 2

The policy purpose of the SWF should be clearly defined and publicly disclosed.

2. The objectives of the Company are clearly stated in the Corporate Charter and are as follows:

- implementation of activities on trust management of assets of the National Fund of the Republic of Kazakhstan, gold and foreign currency assets of the National Bank of the Republic of Kazakhstan (hereinafter – FX reserves), pension assets and other assets in accordance with the procedure established by the legislation of the Republic of Kazakhstan;
- improving the efficiency of asset management of the National Fund of the Republic of Kazakhstan, FX reserves, pension assets and other assets under the management of the Company;
- introduction of the best international experience in the field of alternative investments;
- income generation, including, but not limited to, the conduct of any activity not prohibited by the legislation of the Republic of Kazakhstan.

Principle 3

3. Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.

At the time of this application, the Company does not pursue any activity which in any way impacts the current domestic macroeconomic policy.

Principle 4

4. There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.

4.1. The source of SWF funding should be publicly disclosed.

4.2. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.

The Investment Strategy and Agreement on fiduciary investment management describes the Company's approach to funding, withdrawal, and spending operations. The disclosure of the Investment Strategy is subject to the NBK's discretion.

4.1. The Company manages a part of the FX reserves.

4.2. Refer to Question 4.1.

Please also note that the Company does not pursue any spending on behalf of the government, as it currently manages a part of the FX reserves only.

Principle 5

5. The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.

The reporting process, which covers the frequency and the types of required reports for submission to the owner is outlined in the Investment Strategy.

It should be noted that the NBK is both the owner of assets and the Sole Shareholder of the Company.

The Company ensures the timely submission of all necessary reports. The data that the Company submits to the NBK as part of its reporting process is used for the formation of the balance of payments, as well as in the analysis of the structural changes in FX reserves.

Pillar 2: Institutional
Institutional Framework and Governance Structure.
Principle 6

6. The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.

The Company maintains a clear and effective division of roles and responsibilities of each member of the Management Board, which is regulated by the Order of the Chairman of the Management Board on the distribution of duties among the members.

The Company believes in facilitating a high degree of accountability and operational independence as part of its management process.

Principle 7

7. The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.

The owner's responsibilities are outlined in the Charter under the Shareholder's reserved matters and are outlined below:

- to determine the composition and the term of office of the Board of Directors, the election of its members and the early termination of their office;
- to make decisions on the size and terms of remuneration and reimbursement of expenses to the members of the Board of Directors for the office execution;
- to determine the number of members of the Management Board of the Company, term of office of the Management Board, election of the Chairman and members of the Management Board and early termination of office;
- to hold financial audit of the Company;
- to determine the process of reporting on the performance of the Company to the Shareholder and select the mass media.

The objectives for the Company in relation to the entrusted assets are set by the owner in the Investment Strategy.

As outlined in the Provision on the Board of Directors, the members of the Board of Directors shall be elected by the Sole Shareholder from among persons proposed for election as representatives of the interests

of the Sole Shareholder and other persons, who are subject to certain requirements related to their education, absence of criminal record, etc.

Principle 8

8. The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.

The Board of Directors must have at least three members, of which 30% must be independent directors.

The Board of Directors has the following responsibilities:

Approval and review of the overall strategy and documents on various aspects of the Company's policy.

Creation and functioning of an adequate and effective internal control system in the Company.

Information coverage of the Company's activities and protection of internal information, banking, commercial secrets of the Company, as well as confidential information of the Company.

Observation of ethical norms and standards of professional activity, creation of corporate culture that emphasizes and demonstrates to personnel at all levels the importance of internal control.

More details can be found in the Provision on the Board of Directors.

Principle 9

9. The operational management of the SWF should implement the SWF’s strategies in an independent manner and in accordance with clearly defined responsibilities.

The Company is managed by a collective executive body - the Management Board (also known as Executive Board), which makes decisions regarding the operational matters of the Company.

The duties and obligations of the Management Board are given in the Charter and in the Provision of the Executive Board.

https://www.nicnbk.kz/backend/web/uploads/files/slider-documents/1659097954_YxSXKj6JXb.pdf

The Management Board acts in the interests of the Shareholder and reports to the Shareholder and the Board of Directors of the Company. The Management Board must exercise decisions of the Shareholder and the Board of Directors of the Company. In their activity, members of the Management Board are guided by principles of professionalism, integrity, honesty, common sense, and discretion as outlined in the Corporate Charter.

Principle 10

10. The accountability framework for the SWF’s operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

The financial year of the Company is a calendar year (from January 1 to December 31).

The financial reporting of the Company includes a balance sheet, income statement, cash flow statement, statement of changes in capital and an explanatory memorandum.

The Law of Kazakhstan on Accounting and Financial Reporting prescribes the Company's accounting and reporting procedures: https://adilet.zan.kz/eng/docs/Z070000234_

Principle 11

11. An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.

The Management Board annually submits an audited financial report for the reported financial year to the Shareholder for discussion and approval in accordance with the Audit Law of Kazakhstan.

Besides the financial report, the Management Board submits an auditor's opinion including auditor's advice (letter to the management) to the Shareholder.

The Company annually publishes financial reports in the manner and within the timeframe set by The Law of Kazakhstan on Accounting and Financial Reporting.

Principle 12

12. The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.

In accordance with the Charter, the Company must implement an annual audit of its financial statement by a recognized international auditor, currently KPMG, in accordance with International Financial Reporting Standards (IFRS). The Company ensures the compliance with this stated rule.

Principle 13

13. Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body(ies), management, and staff.

13. The work arrangements, as well as the workplace relations, related to professional and ethical standards, are regulated by the company's Code of Business Ethics. In the process of job placement to any position, it is obligatory that the candidate gets acquainted with these standards.

Code of Business Ethics:

Employees are required to:

perform duties in good faith and use the methods that best reflect the interests of the Company and the Shareholder;

must not use or allow the use of the Company's property in contradiction with the Company's Charter, decisions of the Shareholder and the Board of Directors of the Company, as well as for personal purposes and abuse when making transactions with their affiliates;

are required to ensure the integrity of the accounting and financial reporting systems, including the conduct of an independent audit;

control the disclosure and provision of information about the Company's activities in accordance with the requirements of the legislation of the Republic of Kazakhstan;

are obliged to respect the confidentiality of information about the Company's activities;

act in accordance with the requirements of the legislation of the Republic of Kazakhstan, the Charter and internal documents of the Company on the basis of awareness, transparency, and in the interests of the Company.

Principle 14

14. Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.

The Company adheres to the opinion that any engagement with third parties with respect to operational management should be considered thoroughly. Thus, a separate agreement comprising the terms and conditions based on economic, financial and social grounds are signed for each case individually.

Principle 15

15. SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.

The Company respects the regulatory and disclosure requirements of the countries in which it implements its activities and operations. The Company takes all possible measures to comply with relevant legal and regulatory requirements of any host country concerned.

Principle 16

16. The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.

The aspects in which the Company is independent from the Shareholder are written in the Charter and are as follows:

- the Company has a property separated from that of the Shareholder, and it is not liable for his/her obligations. The Company is liable for its obligations to the extent of its property;
- the Company can enter into transactions (contracts), acquire property and personal non-property rights, sue in court and act as a defendant before the court, and take other actions in accordance with the legislation of the Republic of Kazakhstan;
- the Company can acquire and grant rights to own and use the ownership documents, technologies, "know-how," and other information;
- the Company can open accounts with banks and other financial institutions in and beyond the territory of the Republic of Kazakhstan both in national and foreign currency in the prescribed manner;
- the Company develops and approves the internal documentation;
- the Company has a right to establish subsidiaries and affiliates and to take part in the equity capital and activity of other legal entities both in the territory of the Republic of Kazakhstan and abroad in the manner specified by the Charter and the legislation of the Republic of Kazakhstan;

In accordance with the procedure specified by the legislation of the Republic of Kazakhstan and the Charter, the Company may establish branches and representative offices both in Kazakhstan and abroad to act for and on behalf of the Company based on the Regulations thereon. The Company may allocate to them main assets and working capital from its own assets and define their operating procedures in accordance with the

legislation of the Republic of Kazakhstan. The property of a branch or representative office shall be stated on its own balance sheet and the balance sheet of the Company as a whole.

The persons appointed by the Management Board of the Company hold the guidance of branches and the representative offices. Directors of branches and representative offices shall act under the power of attorney issued by the Company.

More details are available in the Corporate Governance Code.

Principle 17

17. Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.

The Company publishes financial reports annually no later than 31 August the year following the reporting year.

https://www.nicnbk.kz/en/about#corporation (third slider menu option)

Pillar 3: Investment

Investment and Risk Management Framework.

Principle 18

18. The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.

18.1. The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.

18.2. The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored.

18.3. A description of the investment policy of the SWF should be publicly disclosed.

18. The Company's primary goal is to improve asset management efficiency as well as to increase assets yield in the long-term by maximizing risk–adjusted returns through asset diversification in a manner consistent with the Investment Strategy.

In order to achieve its goal, the Company invests in traditional and alternative assets in the international financial markets with the long-term investment horizon, and other types of activities involving trust asset management.

18.1. The Investment Strategy covers the classes of investments in which the assets are to be invested; overall risk appetite for the portfolio; sets limitations on allocation between classes of investment; sets reporting and monitoring requirements. The Investment Strategy then requires to establish target returns and risk limitations, as well as minimum diversification requirements for the classes of investments; to define the purpose of using leverage; specific reporting and monitoring requirements for the classes of investments.

The Company actively implements risk management by monitoring possible risks, including credit risk, market risk, liquidity risk and operational risk.

18.2. The Investment Strategy covers the classes of investments in which the assets are to be invested; the balance between risk and return in the overall portfolio; determination of the benchmark against which the performance of the portfolio as a whole will be assessed; sets limitations on allocation between classes of investment as well as an amount of capital that can be managed by external managers; sets reporting and monitoring requirements.

The general outline of the Company's process for external investment manager selection is outlined below:

Formation of the forward calendar;

Funds screening for compliance to minimum criteria;

Scoring;

Investment and operational due-diligence

The final list of managers is subject to approval by the Board of Directors.

Agreements, where all terms and conditions as well as the responsibilities (including the reporting procedures) of the manager are identified, are signed with each of the selected managers.

The Company monitors the investment managers and the investment performance on a regular basis and reports the results to the Investment Committee in accordance with internal procedures.

18.3. As it was previously explained in the response to Question 4, the disclosure of the Investment Strategy is subject to the NBK's discretion.

Principle 19

19. The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.

19.1. If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.

19.2. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.

19. Please refer to Question 18.

19.1 As a member of OPSWF, the Company is integrating adherence to environmental, social and governance (ESG) standards as one of the significant criteria in its assessment and decision-making, including in its investment manager selection rules guiding investment mandates for private equity, real estate and hedge funds.

The Company has initiated a revision of the investment guidelines for its private equity portfolio, aiming to limit holdings in carbon heavy industries such as coal mining and crude oil production.

More details are available in 2020 and 2021 Companion Documents: https://oneplanetswfs.org/

19.2 The Company manages the entrusted assets in accordance with the Agreement on fiduciary investment management.

Principle 20

20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.

The Company fully understands its governmental status that may bring privileges such as special tax treatments and immunity; however, the Company does not have and does not seek access to privileged information or inappropriate influence by the Government. The Government does not direct or interfere with the investment decision process.

The Company's internal policies provide further framework for staff to prevent access to and use of privileged information.

Principle 21

21. SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.

The Company invests in listed companies mainly through index funds. Therefore, the Company is not able to exercise the voting rights.

Principle 22

22. The SWF should have a framework that identifies, assesses, and manages the risks of its operations.

22.1. The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.

22.2. The general approach to the SWF's risk management framework should be publicly disclosed.

22. The Company implements the risk management policy which defines the overall risk management framework, including all steps of identifying, assessing and managing risk. Managing operational risk is an integral part of management at all levels. Each division of the Company is specifically charged with the task of identifying, analyzing, monitoring, reporting and managing operational risks.
22.1. The Company's dedicated risk management team reports on the risk parameters of the total portfolio to the Investment Committee, Management Board and Board of Directors on a consolidated and timely basis. The Company uses an external risk system for its risk identification and assessment, as well as scenario analysis.
The relevant documents of the Company cover the core business processes, as well as non-investment risks map to ensure the proper control of operations and business continuity.
The matters related to the legislative acts of the authorized government body, the legislation of the Republic of Kazakhstan, ethical standards, insider information, conflicts of interest and anti-corruption efforts are supervised by the Compliance officer.
The Company's operations and financial statements are audited annually by an independent third-party auditor. Internal independent (reports directly to the Board of Directors) audit function is also in place. The business continuity policy is set by the Management Board.
22.2. The information about the Company's risk management policy is publicly disclosed on the Company's

website.

Principle 23

23. The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.

According to the standards defined in the Charter and in the Investment Strategy, the Company submits the reports, including the report on the assets and investment performance with a detailed explanation on the performance of each asset class to the NBK. The reporting frequency is defined for each report type separately in the Investment Strategy.

Principle 24

24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.

The Company confirms its strong intention of complying with the GAPP, i.e. to properly reflect appropriate governance and accountability arrangements as well as to conduct its investment practices on a prudent and sound basis. This will be delivered through a regular review of its implementation.