

Approved by the decision of the Board of Directors ofJSC "Samruk-Energy" July 3,2014 Minutes № <u>86</u>

CORPORATE MANAGEMENT SYSTEM

Regulations of Assessment and Remuneration of Top Executives and Managerial Employees of the JSC "Samruk-Energy"

PR19-01-04-08

Astana 2014



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Sheet of Registration and Amendments

Num ber	Number of change	Number of sheet	Date of amendments	Date of inspection	Signature of person responsible
1	2	3	4	5	6



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1 Principles

1. The present Regulations were designed to determine terms and procedure of assessment and remuneration payment to Top executives and managerial employees of the JSC "Samruk-Energy".

2. The present Regulations shall be based on the following principles:

1) interrelation between remuneration and executed work that meet interest of the Company and its shareholder(s);

2) simplicity and clarity of principles of amount of remuneration determination;

3) dependence of remuneration amount on the results of the Company's performance and employees' efficiency.

2 Field of Application

3. The present Regulations are applicable to all Top executives and managerial employees of the JSC "Samruk-Energy".

4. The present Regulations aren't applicable to foreign employees, attracted in prescribed procedure, if labour agreement doesn't provide other terms.

3 Definitions and Abbreviations

5. In the present Regulations the following Definitions and Abbreviations are used:

1) **the Fund** – the JSC "Samruk-Kazyna";

2) **official salary**– fixed amount of employee salary per month for performance of official duties with inclusive of employee skills, complexity, amount, quality and terms of work;

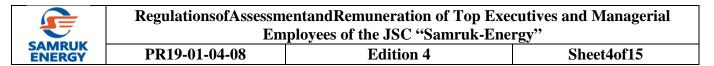
3) **employee** –individuallabour relations with the Company under the terms of labour agreement;

4) **Top executives** – the Chairman of the Management Board, deputies of the Chairman of the Management Board, members of the Management Board of the Company;

5) **managerial employees** – the Head of Office Administration, Managing directors, Division Managers except for the members of the Management Board of the Company;

6) **KPI** – the key performance indicators, describing efficiency of financial and production performance of the Company and degree of achievement of strategic goals;

7) **motivational KPI** – performance indicators, included to employees remuneration system for maintaining of its efforts for achievement of priority goals within this accounting period.



8) **corporate KPI** – type of motivational KPI, which determines remuneration amount for results of the Company's work, which is the common for all employees of the Company;

9) **functional KPI**– type of motivational KPIthat sets differentiated for each employee and determines remuneration amount for employee's performance;

10) **significance of KPI** –rate of importance and priority of indicator regarding to another indicators;

11) **threshold** – rate of KPI describing minimal expectations from performance results that may be achieved by good faith fulfillment of official duties, which correspondents to the best of the following rate: planning rate for planning year (from Development Plan) before a planning one;

12) **goal** –rate of KPI, describing expectation level of high performance results;

13) **challenge**– rate of KPI, describing remarkable performance results assisting implementation of ambitious goals of the Fund;

14) **KPI effectiveness** – rate of achievement of KPI goals;

15) **final effectiveness** – an average effectiveness of all motivational KPI;

- 16) **ARC** Appointments and Remuneration Committee;
- 17) **LTIP**–Long-Term Incentive Plan;

18) **Department Responsible** – Department of Economics and Tariff Planning.

4 Charges

6. Department Responsible shall be in charge of management and fulfillment of the present Regulations.

5 Normativereferencesandrelated documents

7. The present Regulations were designed in compliance with requirements of the following normative documents:

1) The Laws of the Republic of Kazakhstan;

2) Policy of assessment and remuneration of Top executives and managerial employees of the Companies of the JSC "Samruk-Kazyna";

3) The Regulations of internal normative documentation management.

6 Efficiency assessment of Top executives and managerial employees

8. Procedure of efficiency assessment of Top executives and managerial employees includes the following stages:

- 1) selection of motivational KPI, setting of target rates;
- 2) approval of motivational KPI;
- 3) efficiency monitoring;

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4) accounting and approval of actual performance.

9. Motivational KPI are developed as KPI maps (RF 01 PR 19-01-03-08 to the present Regulations) by cascading strategic goals of the Company in certain performance indicators.

10. KPI maps for Top executives are developed by Appointments and Remuneration Committees of the Company and agreed with employees for the optimum amount of KPI (3 -7), placement of significance and adequacy of target rates.

11. KPI maps are prepared by Department Responsible for approval by corresponding bodies in prescribed procedure no later than March 31 of accounting year.

12. Monitoring of execution motivational KPI by Top executives are carried out by ARC every quarter of a year in prescribed procedure simultaneously with monitoring of Development Plan of KPI.

13. Adjustment of KPI maps is carried out by Department Responsible in case of unforeseen circumstances, considerably influencing on performance indicators efficiency and beyond the efforts of management company, as well as due to:

1) availability of new/ rejecting the existing business processes/trends of performance;

2) adjustment of the long-term development strategy of the Company;

3) changing of organizational system of the Company.

AtthesametimeKPImapscan't be adjusted after September 1 of accounting year.

14. Incaseofreplacementofemployee,

responsibleforcertainbusinessprocess/performancetrend,

DepartmentResponsibleimmediatelyinformsemployee,

appointedasresponsibleforbusinessprocess/performancetrend, on approved KPI map agreement/adjustment and the following approval in prescribed procedure.

15. AfterfinishingofaccountingperiodemployeesfillKPImapswithactualrates (RF 02 PR 19-01-03-08 to the present Regulations) and grant them to Department Responsible.

16. DepartmentResponsibleconvertsactualratesofKPItopercentageofefficiency,

calculatesremunerationamountsandsends it to IAS of the Company for verification of actual rates of KPI and calculation of remunerations amounts.

17. KPI maps with actual rates and calculations of remuneration amounts, agreed with IAS, Department Responsible submits for consideration of ARC in prescribed procedure.

18. ARCappraisesperformanceandpreparesrecommendationfortheadoption of payment/nonpayment remuneration decision by management body.

7 Performanceresultsremunerations

19. Performance results remunerations (short-term and long-term remunerations) are paid according to the results of performance for materials rewarding of achievements and improvement of performance efficiency aren't permanent and aren't included at average salary.

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20. Performance results remunerations are awarded to the proportional performed time to corresponding position except for periods of disciplinary actions and temporary disability. For calculation of remuneration time of vacation (work days), business trip days (including training courses) include to actual work hours.

21. ARC is entitled to make decision on nonpayment of performance results remuneration in the following cases:

1) fail in performing threshold rates of certain corporate KPI;

2) execution of functional KPI of final performance is less than 50 % (including);

22. According to recommendations of ARC, in case of cancellation (termination) of labour agreement according to grounds prescribed in article 52,53, subparagraph 2), 4),14) (in case of innocence of employee), 17) paragraph 1article 54,subparagraphs 1), 3), 5) paragraph 1 article 58, articles 59, 60, as well as article 252 of the Labour Code of the Republic of Kazakhstan (in case of innocence of employee), performance results remunerations for accounting period may be paid in accordance with the present Regulations in case of approved in prescribed procedure KPI map in proportional work hours.

23. In case of cancellation (termination) of labour agreement according to grounds prescribed in articles 57, 253 of the Labour Code of the Republic of Kazakhstan after finishing of accounting period, remunerations are paid in accordance with the present Regulations.

24. Performance results remunerations are paid within funds prescribed for these purposes of the Company's budget after approval in prescribed procedure the results of financial and economic performance on the basis audit financing accountability for accounting period.

25. Performance results remunerations should be paid in accordance with methodic recommendations, according to Annex 1 of these present Regulations. Example of payment of long-term incentive is applied in Annex 2 of these present Regulations.

26. For calculation and payment of remunerations not regulated by the present Regulations, decisions are made by the Board of Directors of the Company according to recommendations of ARC.

27. Formation of actual amount for repayment of performance result remunerations is performed in accounting by reserve establishing.

§ 1Procedure and Terms of short-term remuneration payment (performance results remunerations for year)

28. The major term for remuneration payment for year is presence of consolidated final income for accounting year with accounted planning amount for remuneration payment.

29. Employees, performed in accounting period not less than 5 (five) month are entitled to receive remuneration for annual performance, at the result of implementation of

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approved KPI for accounting year, as well as appointed employees, which approved KPI maps before August 1 of accounting year.

30. Limit amounts of remuneration for annual performance of Top executives can't exceed 3 amounts of annual salary (wage) of an employee. In case receiving of long-term incentive, limit amount of short-term remuneration is reduced to one official salary.

31. Limit amounts of remuneration of managerial employees are no more than 16 (sixteen) official salaries.

32. Planning funds for remuneration payments for annual performance is based on planned indicator of final income, planned number of employees and annual amounts of each employee's salary.

§ 2 Procedure and Termsof long-term incentive

33. Long-term incentive of performance is prescribed for encouragement of achievement of goals by Top executives, which impact on sustainable development of business in long –term associated with growth of long-term value of the Company .

34. The duration of Procedure of Long-Term Incentive is three years since launching of program.

35. Procedure of Long-Term Incentive is implemented in three stages:

1) approval of long-term KPI maps for Top executives – participants of Procedure of Long-Term Incentive and period of Procedure of Long-Term Incentive;

2) implementation by Top executives within period of Procedure of Long-Term Incentive achievement of fixed rates of KPI;

3) the Board of Directors appraisal achievement of long-term KPI and making decision on payment/nonpayment of long-term incentive.

36. Approval of long-term KPI maps and list of participants of Procedure of Long-Term Incentive is carried out by the Board of directors of the Company annually within 3 years according to recommendations of ARC.

37. After approval of long-term KPI maps, Top executive takes commitments according to RF 03 PR 19-01-03-08 of the present Regulations.

38. The major term for long-term incentive payment is fulfillment of long-term KPI of increasing value of the Company.

39. Limit amount of long-term incentive for Top executives is no more than 3 (three) annual official salaries.

40. Planning of funds for long-term incentive remuneration is carried out annually basing on limit of amount of long-term incentive and planned number of Top executives.

41. Payment of remuneration to Top executives is carried out for annual performance of Procedure of Long-Term Incentive and is paid within 3 consecutive years annually:

			TableT
		Payment period	[
	1 year	2 year	3 year
Percentage of limit amount of	70	15	15

Table1

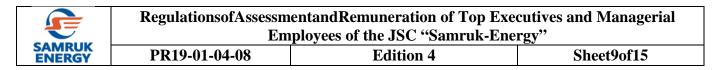
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long-term	incentive				

42. Deferred part of remuneration isn't paid in case of culpable actions of Top executive within period payment of remuneration according to the Board of Directors decision. At the same time paid part of remuneration may be hold back in the procedure, set by the Laws of the Republic of Kazakhstan, on the basis of adopted decision by the Board of Directors of the Company and Commitments.

43. Employees elected to composition of Executive Body within first half of year of the first year of Procedure of Long-Term Incentive, may be paid long-term incentive for the first period. At the same time period of Procedure of Long-Term Incentive for a new Top executive starts from the election date and ends simultaneously with other Top executives.

nu mb er	Name of record	Record Form	Executo r	Place of storage	Terms of storage
1	KPI maps with target rates	RF 01 PR19-01- 04-08	Departm ent Responsi ble	Departme nt Responsib le	5 year
2	KPI maps with actual rates	RF 02 PR 19- 01-04-08	Departm ent Responsi ble	Departme nt Responsib le	5 year
3	Commitment of participant of Procedure of Long-Term Incentive	RF 03 PR 19- 01-04-08	Departm ent Responsi ble	Departme nt Responsib le	5 year

8 Document and Record Forms



RF 01PR19-01-04-08

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KPI maps with target rates

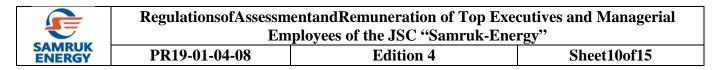
Position, Full name_____

number	Name of KPI	Unit of measure	Significance	Threshold	Goal	Challenge
1	Corporate KPI					
	1)					
	2)					
	n)					
2	Functional KPI					
	1)					
	2)					
	n)					

Approved by:

Number	Position	Last name, initials	Signature, date

Date _____" 20___.



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KPI maps with actual rates

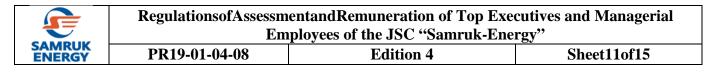
Position, Full Name_____

nu mb er	Name of KPI	Unit of meas ure	Signif icanc e	Fact	Efficiency (%)	Final efficiency (gr.4 * gr.6)
1	2	3	4	5	6	7
1	Corporate KPI					
	1)					
	2)					
	n)					
2	Functional KPI					
	1)					
	2)					
	n)					

Approved by:

Number	Position	Last name, initials	Signature, date

Date _____"__" 20____.



RF 03 PR 19-01-04-08

Commitment of participant of Procedure of Long-Term Incentive

_ ``__" 20___

I, _____(Full Name) in case of: 1) termination of labour agreement and/or changing of data for payment of deferred part of remuneration, I am obliged to notify of these changes Department Responsible of the Company;

2) my culpable actions within period of remuneration, lagree to stoppage on paid part of remuneration or refund of the amount by transfer to bank account of the Company on the basis of the Board of Directors of the Company adopted decision.

Signature



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Annex1

Methodic recommendations to calculation of amount of performance results remuneration

1. Basic amount of performance results remuneration is calculated to the following formula:

$$B = S_{year} * Am(1)$$

 S_{year} -annual amount of employee salary for actual work hours in accounting period (for long-term incentive accounting period is 3 years since launching of Procedure of Long-Term Incentive);

Am– rate of limit remuneration amount, which is equal to annual official salary.

2. Amount of remuneration for the Company's performance efficiency (\mathbf{R}_c) is calculated to the following formula:

$$\mathbf{R}\mathbf{c} = \mathbf{R} \ \mathbf{x} \mathbf{S}_{\mathbf{c}} \mathbf{x} \mathbf{R}_{\mathbf{1}}, \qquad (2)$$

R – basic amount of remuneration;

 S_{c-} remuneration share for execution of corporate KPI;

 \mathbf{R}_1 – rate, depends on employee's achieved efficiency of corporate KPI.

3. Amount of remuneration for the Company's performance efficiency of an employee (\mathbf{R}_e) is calculated by formula:

$$\mathbf{R}_{\mathrm{e}} = \mathbf{R} * \mathbf{S}_{\mathrm{f}} \mathbf{x} \mathbf{R}_{2}, \quad (3)$$

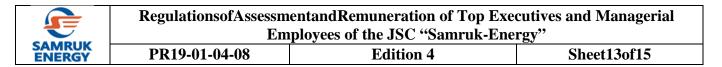
R – basic amount of remuneration;

 $\mathbf{S}_{\mathbf{f}-}$ remuneration share for execution of functional KPI;

 \mathbf{R}_2 – rate, depends on employee's achieved efficiency of functional KPI.

4. Remuneration share for execution of corporate and functional KPI depends on position level in accordance with position impact on execution of strategic goals of the Company and it should be calculated in accordance with the following Table 1.

Name position	Corporate KPI	Functional KPI
For short-term remuneration:		
Top manager	80%	20%
Deputy of Top Manager	70%	30%
Member of Executive Body	60%	40%
Managerial Employee	50%	50%
For long-term incentive:		
Manager and members of Executive Body	100%	-



5. Total remuneration amount (**Rannual**) is calculated as remuneration amount per performance efficiency of the Company (**Rc**) and remuneration of employee performance (**Re**):

$$Rannual = Rc + Re$$
 (4)

6. Employee assessment is calculated according to scheme in Table 2.

Table 2				
Actual rate of KPI	KPI efficiency ,%			
Lower of THRESHOLD	0			
Equal to THRESHOLD	50			
Between THRESHOLD and GOAL	(Fact - Threshold / Goal - Threshold) * 50 + 50			
Equal to GOAL	100			
Between GOAL and CHALLENGE	(Fact–Goal/Challenge -Goal) * 25 + 100			
More or equal to CHALLENGE	125			

7. Total efficiency to all KPI is determined by the following formula:

$$\sum_{i=1}^{n} Efficiency_to_KPI_{i} * Significance_KPI_{i}, \qquad (5)$$

n – number of KPI,

i – serial number of KPI.



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Annex2

Example of long-term intensive calculation

Introductory data

Employee position: Managing Director – member of the Management Board Amount of official salary: 500 000 tenge Limit remuneration amount – 3 annual official salaries

1. Basic remuneration amount of Manager

For actual work hours in accounting period is:

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(500 \text{ thousand tenge } * 36 \text{ month})/3 * 3 = 18 000 \text{ thousand tenge}
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For example, Manager for accounting period was set the following KPI:

№	Name of KPI	Unit of measure	Signific ance	Thrasho ld	Goal	Challe nge
	Corporate KPI					
1.	Profit for share	thousand tenge	40	392	773	800
2.	Aggregate income	million tenge	40	557910	610200	670800
3.	Cash flow	Billion tenge	20	1639	1800	1900
			100			

As a annual result Manager achieved the following actual rates on KPI data:

Nº	Name of KPI	Unit of measur e	Signif icanc e	Fact	Efficiency * (%)	Significant efficiency (gr.4 * gr.6)
1	2	3	4	5	6	7
	Corporate KPI					
1.	Profit for share	Thousa nd tenge	40	392	50	20
2.	Aggregate income	Million tenge	40	600100	90	36
3.	Cash flow	Billion tenge	20	1800	100	20
	Total		100			76 / 0,76

*Calculation of efficiency is made by the following scheme:

|--|

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Lower of THRESHOLD	0
Equal to THRESHOLD	50
Between THRESHOLD and GOAL	(Fact - Threshold / Goal - Threshold) * 50 + 50
Equal to GOAL	100
Between GOAL and CHALLENGE	(Fact–Goal /Challenge-Goal) * 25 + 100
More or equal to CHALLENGE	125

Rate to corporate KPI is 0,76

Amount remuneration for performance efficiency of the Company (60%) is:

 $18\ 000 * 0,76 = 13\ 680$