

Report on observance of the principles of the Corporate Governance Code of Ulba Metallurgical Plant JSC for 2020*

No.	Principle/statement in the Corporate Governance Code	Information about observance/non-observance of the principle/statement	Clarification of information about actions performed for observance of the principle/statement
1	Government as the Shareholder of the Fund	Observed	<p>Based on the Development Strategy of NAC Kazatomprom JSC, UMP JSC Development Strategy for 2018-2028 was established (Resolution of the Board of Directors of UMP JSC No. 25 dated December 29, 2018).</p> <p>The Charter of UMP JSC determines its bodies and their competencies: The supreme body is the Sole Shareholder of the Company Management Body – the Board of Directors; Executive Body – Executive Board; The body which controls financial and business activities of the Company is the Internal Audit Office.</p> <p>Regulations on the Sole Shareholder of UMP JSC (the General Meeting of Shareholders) and Interaction with it, Regulations on the Board of Directors, Regulations on the Executive Board were developed and approved.</p> <p>The Board of Directors was elected by the decision of the Sole Shareholder owning all voting shares of UMP JSC (Minutes of the in-person meeting of the Board of Directors of NAC Kazatomprom JSC No. 7/19 dated June 26, 2019, Minutes of the absentee meeting of the Board of Directors of NAC Kazatomprom JSC No. 8/19 dated August 26, 2019, Minutes of the absentee meeting of the Board of Directors of NAC Kazatomprom JSC No. 5/20 dated April 24, 2020, Minutes of the in-person meeting of the Board of Directors of NAC Kazatomprom JSC No.11/20 dated October 1, 2020, Minutes of the absentee meeting No. 14/20 of the Board of Directors of NAC Kazatomprom JSC dated December 4, 2020) for a period of 3 years and consists of 6 people.</p> <p>Composition of the Board of Directors: Chairman of the Board of Directors: B. Ibrayev – Chief NFC Officer, NAC Kazatomprom JSC; Members of the Board of Directors: A. Batyrbayev – Chief Commercial Officer, NAC Kazatomprom JSC; A. Akan – Director of Treasury Department, NAC Kazatomprom JSC; D. Orazaliyev – Independent Director; A. Satmoldina – Independent Director;</p>

* Considered and taken in note by the Board of Directors of UMP JSC (Minutes No.8 dated June 29, 2021).

			<p>S. Bezhetskiy – Executive Board Chairman of UMP JSC.</p> <p>The Code of Corporate Ethics and Compliance approved by the decision of the Board of Directors of UMP JSC No. 5 dated March 27, 2020 is in effect at UMP JSC.</p> <p>V. Dontsov is UMP JSC Ombudsman. Ombudsman may be reelected an unlimited number of times.</p>
2	Interaction of the Fund and organizations. The role of the Fund as the national managing holding company	Observed	<p>The distribution of net income in favor of shareholders is carried out in the form of dividends based on the dividend policy of NAC Kazatomprom JSC in relation to subsidiaries, approved by the Minutes of the in-person meeting of the Board of Directors of NAC Kazatomprom JSC No. 13/20 dated November 26, 2020.</p> <p>Every year, the Board of Directors reviews the report on implementation of the Development Strategy, approves documents on the financial and economic activity plan and the development plan, Key Performance Indicators of the members of UMP JSC Executive Board.</p> <p>On a quarterly basis, the Board of Directors considers: Risk Management Report; CEO Report (Executive Body) on financial, economic and production activities, including: Report on the main financial results of activities (implementation of budget); Report on industrial safety status; Report on transactions in which the Company has an interest; Report on implementation of investment plan and investment projects; Report of the Corporate Secretary on implementation of decisions previously taken by the Board of Directors; Report on social stability issues.</p> <p>Every year, the Board of Directors evaluates the achievement of KPIs of the Executive Body's efficiency compared to the approved KPIs. This assessment affects the remuneration of the Executive Body.</p> <p>UMP JSC approved the Regulations on the Sole Shareholder of UMP JSC (General Meeting of Shareholders) and interaction with it, the Board of Directors, and Executive Board.</p>
3	Sustainable development	Observed	<p>By the decision of the Board of Directors of UMP JSC (Minutes of the Board of Directors No. 17 dated December 29, 2017), Map of UMP JSC Stakeholders was approved. Map of UMP Stakeholders is designed to build constructive relationships with both external and internal stakeholders that have a significant impact on sustainable development of the Company. An effective system of interaction with stakeholders provides the necessary conditions for creating long-</p>

			<p>term value, achieving strategic goals and forming a positive reputation of the Company.</p> <p>The Board of Directors of UMP JSC (Minutes of absentee meeting of the Board of Directors of UMP JSC No. 11 dated August 13, 2020) approved Sustainable Development Program of UMP JSC for 2020-2022.</p> <p>Currently, the Report on implementation of Sustainable Development Program of UMP JSC for 2020-2022 for 2020 is submitted for consideration by the Board of Directors of UMP JSC.</p> <p>The Board of Directors of UMP JSC holds meetings: Annually – on approval of the Report on UMP JSC Development Strategy Implementation; On a quarterly basis – to review the following: Risk Management Report; CEO Report (Executive Body) on financial, economic and production activities, including: Report on the main financial results of activities (implementation of budget); Report on industrial safety status; Report on transactions in which the Company has an interest; Report on implementation of investment plan and investment projects; Report of the Corporate Secretary on implementation of decisions previously taken by the Board of Directors; Report on social stability issues</p>
4	Shareholders' (Participants') Rights and Fair Treatment of all Shareholders (Participants)	Observed	<p>Shareholders get information about UMP JSC activities via UMP JSC Internet resource, NAC Kazatomprom JSC participates in UMP JSC management through implementation of the Sole Shareholder functions, as well as through UMP JSC Board of Directors in accordance with the procedure established by the legislation of the Republic of Kazakhstan and UMP JSC Charter, as well as Regulation on the Sole Shareholder of UMP JSC (General Meeting of Shareholders) and interaction with him.</p> <p>UMP JSC defined a transparent mechanism for determining the amount and payment of dividends (Dividend Policy of NAC Kazatomprom JSC in relation to subsidiaries approved by Minutes of meeting in presentia of NAC Kazatomprom JSC Board of Directors No. 13/20 dated November 26, 2020).</p> <p>UMP JSC Shareholders receive dividends in the amounts and terms determined by the Decision of the Sole Shareholder holding all voting shares of UMP JSC, based on legislation of the Republic of Kazakhstan, Dividend Policy of NAC Kazatomprom JSC in relation to subsidiaries and UMP JSC Charter.</p>

			<p>Taking into account that all ordinary voting shares in UMP JSC belong to NAC Kazatomprom JSC - the Sole Shareholder, General Meetings of Shareholders are not held, except for the case provided for in clause 47 of UMP JSC Charter and clause 4.1. of Regulation on the Sole Shareholder of UMP JSC (General Meeting of Shareholders) and interaction with him. Decisions on issues referred by the Law of the Republic of Kazakhstan on Joint-Stock Companies and UMP JSC Charter to the competence of General Meeting of Shareholders are made by UMP JSC Sole Shareholder at his sole discretion and are subject to registration in writing, provided that those decisions do not adversely affect or restrict the rights certified with the preferred shares.</p> <p>Decisions on issues referred by the Law of the Republic of Kazakhstan on Joint Stock Companies and UMP JSC Charter to the competence of the General Meeting of Shareholders are made by the body of NAC Kazatomprom JSC holding the right to make such decisions according to the legislation of the Republic of Kazakhstan and NAC Kazatomprom JSC Charter.</p> <p>Procedure for preparing and submitting issues for consideration by the Sole Shareholder of UMP JSC (General Meeting of Shareholders) is determined by the Law of the Republic of Kazakhstan on Joint-Stock Companies, UMP JSC Charter and NAC Kazatomprom JSC Charter.</p>
5	Effectiveness of the Board of Directors and the Executive Body	Observed	<p>Composition of the Board of Directors were elected by the Decision of the Sole Shareholder holding all voting shares of UMP JSC (Minutes of meeting in presentia of NAC Kazatomprom JSC Board of Directors No. 7/19 dated June 26, 2019, Minutes of meeting in absentia of NAC Kazatomprom JSC Board of Directors No. 8/19 dated 26.08.2019, Minutes of meeting in absentia of NAC Kazatomprom JSC Board of Directors No. 5/20 dated April 24, 2020, Minutes of meeting in presentia of NAC Kazatomprom JSC Board of Directors No. 11/20 dated October 1, 2020, Minutes of meeting in absentia of NAC Kazatomprom JSC Board of Directors No. 14/20 dated December 4, 2020) for a period of 3 years and consists of 6 people.</p> <p>Composition of the Board of Directors: Chairman of the Board of Directors, B. Ibraev- Chief NFC Officer, NAC Kazatomprom JSC; Members of the Board of Directors: A. Batyrbayev – Chief Commercial Officer, NAC Kazatomprom JSC; A. Akan – Director of Treasury Department, NAC Kazatomprom JSC; D. Orazaliev – Independent Director. A. Satmoldina – Independent Director. S. Bezhetskiy – Executive Board Chairman of UMP JSC.</p> <p>The Board of Directors maintains balance of skills, experience and knowledge that ensures adoption of independent, objective and effective decisions for the benefit of UMP JSC and taking into account fair treatment of Shareholders and principles of sustainable development.</p>

			<p>Composition of the Board of Directors is diverse in terms of experience and personal characteristics.</p> <p>The Board of Directors among other things approved: Policy of appointing newly elected members of UMP JSC Board of Directors (BD Minutes No. 14 dated December 8, 2017);</p> <p>Policy of evaluating the work of the Board of Directors, Board of Directors' committees and each member of UMP JSC Board of Directors (BD Minutes No. 14 dated December 8, 2017);</p> <p>Policy on improving qualifications of UMP JSC Board of Directors members and engaging external experts by UMP JSC Board of Directors (BD Minutes No. 14 dated December 8, 2017);</p> <p>UMP JSC Policy on settlement of corporate conflicts and conflicts of interest (BD Minutes No. 8 dated June 30, 2020).</p> <p>Functions of Chairman of the Board of Directors and Executive Board Chairman (Executive Body) are differentiated and envisaged in UMP JSC Charter, Regulation on the Board of Directors and Executive Board.</p> <p>Further to the decision of the Sole Shareholder of UMP JSC (Minutes of meeting in absentia of NAC Kazatomprom JSC Board of Directors No. 14/20 dated December 04, 2020, Minutes of meeting in presentia of NAC Kazatomprom JSC Board of Directors No. 1/21 dated February 18, 2021), every Independent Director of UMP JSC Board of Directors has a fixed remuneration in the amount of 1,500,000 (one million five hundred thousand) tenge per year, additional remuneration in the amount of 20,000 (twenty thousand) tenge for each participation of an Independent Director in meetings in presentia of UMP JSC Board of Directors' committees.</p> <p>Rules for payment of remuneration and compensation of expenses of Independent Directors – members of UMP JSC Board of Directors (Minutes of meeting in presentia of NAC Kazatomprom JSC Board of Directors No. 1/21 dated February 18, 2021) are effective at UMP JSC.</p> <p>Meetings of the Board of Directors are held in accordance with UMP JSC Board of Directors Work Plan, as well as if necessary.</p> <p>Meetings of the Board of Directors are held by means of in-person and absentee voting.</p> <p>Consideration and making the decisions on issues of important and strategic nature are made at meetings of the Board of Directors with voting in person.</p>
--	--	--	---

			<p>The Board of Directors is evaluated on an annual basis as a part of Corporate Governance Diagnostics of subsidiaries/affiliates conducted by NAC Kazatomprom JSC Corporate Governance Department.</p> <p>Based on the results of this diagnostics, UMP JSC receives recommendations which are reflected in the Action Plan for Improving Corporate Governance system approved by the Board of Directors.</p> <p>The following committees were established to UMP JSC Board of Directors (BD Minutes No. 11 dated August 13, 2020):</p> <ol style="list-style-type: none"> 1) committee for strategic planning and investments; 2) committee for assignments and awards; 3) committee for auditing; 4) committee for occupational safety. <p>The provisions on the following committees were approved by UMP JSC Board of Directors:</p> <ol style="list-style-type: none"> 1) provision on UMP JSC committee for strategic planning and investments; 2) provision on UMP JSC committee for assignments and awards; 3) provision on UMP JSC committee for auditing; 4) provision on UMP JSC committee for occupational safety. <p>Corporate secretary was assigned in UMP JSC (BD Minutes No. 11 dated June 28, 2019) to be responsible for its activity base on the provision for UMP JSC corporate secretary.</p> <p>According to the Provision on UMP JSC Executive Board (BD Minutes No. 2 dated February 17, 2020) Executive Board acts as a collegial executive body of the Company which is established to manage current activities of the Company.</p> <p>The Chairman is the head of the Executive Board. The Chairman of the Executive Board is responsible to a sole Shareholder and the Board of Directors to provide for the conformance of UMP JSC activities to the approved UMP JSC strategy and development plans as well as to the decisions made by a Sole Shareholder and the Board of Directors and bears responsibility for their realization and fulfillment.</p> <p>The Board of Directors elects the Chairman of the Executive Board and the members, defines authority terms, salary and payment terms as well.</p> <p>The Board of Directors shall assess the work by the Chairman of the Executive Board and the</p>
--	--	--	---

			<p>members.</p> <p>Achievement of the targeted KPI shall serve as the major criterion for assessment.</p> <p>The Board of Directors shall approve motivation KPI for the Chairman of the Executive Board and the members.</p>
6	Risk management, internal control and audit	Observed	<p>UMP JSC internal audit service (IAS) acts to systematically and independently assess the reliability and effectiveness of the risk management and internal control and corporate management practice of UMP JSC.</p> <p>IAS is headed by Mr. Murat Satanov assigned by the decision by UMP JSC Board of Directors (BD Minutes No. 11 dated August 13, 2020).</p> <p>Mrs. M. Mikhailova was assigned to act as UMP JSC risk and compliance officer by the decision made by UMP JSC Board of Directors (BD Minutes No. 7 dated May 26, 2020).</p> <p>Risk and compliance officer, responsible for organizing the functioning of the compliance risk system and conducting an independent, professional assessment of the effectiveness of the risk management system and the internal control system, including compliance with mandatory regulatory requirements on anti-corruption issues of the Republic of Kazakhstan.</p> <p>The Executive Body shall ensure the maintenance of an effective risk management and internal control system, including by implementing and ensuring compliance with the provisions of the Policy on the Risk Management System of UMP JSC, submitting risk management reports for consideration and approval to the Board of Directors on a quarterly basis.</p> <p>The risk management process is based on interaction with the key business processes of UMP JSC, such as: strategic planning, operational activities, investment activities, credit activities, budgeting, personnel motivation.</p> <p>At UMP JSC the Board of Directors approves qualitative and quantitative risk appetites, a register and a risk map. The risk register provides for tolerance levels in relation to key risks.</p> <p>The risk report is submitted to the meetings of the Board of Directors once a quarter.</p> <p>All key risk issues submitted for consideration and approval by the Board of Directors are recorded accordingly.</p>

			In case of a conflict of interests, each and every employee of UMP JSC shall have the right to provide this information in accordance with UMP JSC Policy on combating corruption and fraud, as well as with UMP JSC Code of Corporate Ethics and Compliance.
7	Transparency	Observed	<p>UMP JSC has own Information Policy including regulating the disclosure of information.</p> <p>UMP JSC has approved a list of documents and information that constitute its confidential information.</p> <p>In addition, each and every employee shall sign an obligation of non-disclosure of information constituting confidential information of UMP JSC.</p> <p>The risk and compliance officer of UMP JSC shall keep records and monitor persons who have access to UMP JSC insider information.</p> <p>Disclosure of information in the media and placement of information on the Internet resource of UMP JSC is regulated by UMP JSC Information Policy approved by the Minutes of the absentee meeting of the UMP JSC Board of Directors No. 8 dated May 3, 2019.</p> <p>Structural divisions of UMP JSC prepare information on the relevant areas for the integrated annual report of NAC Kazatomprom JSC.</p> <p>UMP JSC ensures the audit of the annual financial statements in accordance with the legislation of the Republic of Kazakhstan and the internal documents of NAC Kazatomprom JSC. The annual audit of financial statements is carried out through the involvement of an independent auditor.</p> <p>The procedure for selecting an audit organization is carried out in accordance with the Rules for selecting an audit organization for Samruk-Kazyna JSC and organizations, more than fifty percent of the voting shares (participation interests) of which are directly or indirectly owned by Samruk-Kazyna JSC on the right of ownership or trust management, approved by the Decision of Samruk-Kazyna JSC Board dated December 27, 2016.</p> <p>In accordance with the Decision of the Sole Shareholder owning all the voting shares of UMP JSC, PricewaterhouseCoopers LLP has been designated as an audit organization for auditing the annual financial statements of UMP JSC for 2020-2022.</p> <p>The Internet resource of UMP JSC discloses the information necessary for any person of concern to better understand UMP JSC activities.</p>