

«APPROVED»
by Resolution of Extraordinary General
Meeting of CAEPCO, JSC
March “15” 2010 (Minutes № 1)

CORPORATE GOVERNANCE CODE
of
Central-Asian Electric Power Corporation
Joint –Stock Company
(CAEPCO, JSC)

Republic of Kazakhstan
Almaty, 2010

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1. PREAMBLE

1. This Corporate Governance Code (hereinafter – the Code) determines the main principles of corporate governance which facilitate more efficient functioning of management bodies of Joint –Stock Company “Central-Asian Electric Power Corporation” and its Subsidiaries (the Company) in the best interest of shareholders, employees and officials of the Company and other interested persons.
2. The Code is developed in accordance with the international Principles of corporate governance of Organization for Economic Cooperation and Development (OECD) , the RK Law “On Joint-Stock Companies), the Company Charter and other by-laws of the Company.
3. The Code provisions are aimed to serve to develop and increase confidence of existing and future shareholders, customers and investors as well as the society in whole to the Company, to inspire the inflow of capital, to provide the Company stability and sustainability , to sustain the high standards of corporate governance.
4. The Code is a set of accepted by the Company voluntary obligations of shareholders, members of Board of Directors, President and other employees of the Company in addition to the obligations (liabilities) under the Charter and by-laws of the Company.

2. CORPORATE GOVERNANCE PRINCIPLES

- 2.1. Efficient system of corporate governance includes the following:
 - 2.1.1. Establishment of corporate values and codes of conduct;
 - 2.1.2. Establishment of corporate strategy on the basis of which the results of the Company operation and contribution of particular employee are estimated;
 - 2.1.3. Division of responsibility, powers, and accountability in the results of which the decision-making hierarchy is being formed starting from the junior level of managing staff up to members of the Company Board of Directors;
 - 2.1.4. Establishment of team-work mechanism between the members of the Company Board of Directors, the President, Corporate Secretary and auditors (both external and internal);
 - 2.1.5. Efficient system of internal control, including the risk management system;
 - 2.1.6. Monitoring of those spheres of the Company operation where the conflict of interests might occur, including the relations with the persons which are the affiliates of the Company and the persons which make the key decisions;
 - 2.1.7. Material and professional inspiration in the form of remunerations, carrier development, etc.;
 - 2.1.8. Relevant information flows both inside the Company and for external users.
- 2.2. Corporate Governance in the Company is based on the following principles:
 - 2.2.1. Justice – equal relation to all shareholders not depending on the participation share in the capital and location and affording the opportunity of the efficient protection of their rights.
 - 2.2.2. Accountability – the accountability of the Company Board of Directors before the shareholders, of Executive Bodies before the Company Board of Directors, of employees before the executive management (the Company President). This principle ensures the accountability and division of responsibilities of the Company Boards as well as the full accountability of the Company before the shareholders which is realized by means of timely and full supply to the shareholders of information on financial state of the Company, achieved economic results, operational outcomes of the Company governance structure which in its turn gives the shareholders and investors of the Company to take the justified and effective decisions.
 - 2.2.3. Responsibility – the responsibility of the Company before the shareholders, employees and partners, close cooperation with them with the aim to increase the Company assets, its

- steadiness and reliability. This principle defines the ethic norms for shareholders and employees of the Company and stipulates the responsibility of the Company officials¹ if they perform any illegal, guilty (willful or negligent) actions or inactions stipulated by the current legislation.
- 2.2.4. Transparency - timely disclosure of true information about all essential facts related to the Company operation, including the information on its financial state, operational results, shareholding and governance structure in the volumes stipulated by the acting legislation and the by-laws as well as providing the free access of all interested persons to such information by its publishing in the public and easily accessible sources in order stipulated by the legislation and by-laws of the Company. This principle ensures the maximum transparency of actions of the company officials.
 - 2.2.5. Environmental protection and social responsibility – Company provides delicate and efficient attitude to environment in the process of performance and bear social responsibility in front of society.
 - 2.2.6. Efficiency – the President of the Company and its Board of Directors should ensure the reasonable and best governance providing the steady growth of its financial outcomes, increase of the shareholder’s property as well as to ensure the effective human resources management, professional development of the Company employees, labor motivation and social protection and protection of interests of the Company employees.
 - 2.2.7. Controllability - control over financial and business operation of the Company with the aim to protect the rights and legal interests of the Company shareholders; supervision of senior officials over the junior ones in accordance with the policy and procedure approved by the company Board of Directors; and effective use of internal and external auditors working along with setting up an effective system of the risk-oriented internal control.
- 2.3. Meeting the above mentioned principles is directed for the formation and introduction into the daily operation of the Company of norms and traditions of corporate code in accordance with the international standards and promoting the creation of the positive image of the company before the shareholders, customers and employees and is directed to the achievement of the fullest realization of the shareholders’ rights and increase their awareness on the Company operation as well as to control and decrease risks, to support the steady growth of financial results of the Company and its entrepreneurial leadership according to the Charter.
 - 2.4. The Code is a set of principles. The specific procedure structures and corporate governance practice are regulated by the Charter and by-laws as well as by the following regulations:
 - 2.4.1. On General Meeting of Shareholders ;
 - 2.4.2. On Board of Directors;
 - 2.4.3. On the Company President;
 - 2.4.4. On Internal Audit ;
 - 2.4.5. On Board of Directors’ Committees;
 - 2.4.6. On Corporate Secretary of the Board of Directors;
 - 2.4.7. On Dividend Policy.

3. CORPORATE GOVERNANCE STRUCTURE

¹ an official – a member of the Board of directors of the Company, a person which solely performs the functions of the executive board of the Company

- 3.1. The Company corporate governance is the system of relations between the shareholders, members of the Board of Directors, the Company President and all interested persons based on management and accountability, control and responsibility.
- 3.2. The Supreme board of the Company is the General Meeting of Shareholders.
- 3.3. The daily operation of the Company is headed by its President – a single executive body.
- 3.4. Internal Audit Service evaluates the financial and business operation of the Company and develops and checks the efficiency of the internal control procedure over the business operation of the Company. Internal Audit Service is accountable directly to Audit Committee of Board of Directors of the Company.
- 3.5. Corporate Secretary – is a person ensuring that all boards and officials of the Company follow the procedural requirements which guarantee the realization of rights and interests of shareholders and facilitates the effective exchange of the information between the Company Boards and their smooth coordination in accordance with the Charter provisions and other by-laws of the Company.

4. GENERAL MEETING OF SHAREHOLDERS

- 4.1. Order of arrangement and holding the General Meeting of Shareholders is regulated by the Charter and “Regulation on the General Meeting of Shareholders of CAEPCO, JSC” and provides the equal relation to all shareholders.
- 4.2. Shareholders – the owners of voting shares have a right to participate in the Company governance by means of taking the decisions at the General Meetings of Shareholders on issues which fall into the competence of the General Meeting of Shareholders. In order to follow and protect this right the Company undertakes to supply the shareholders with the information on every item of agenda of General Meeting of Shareholders in accordance with the procedure specified by by-laws of the Company; and to arrange the holding of General Meeting of Shareholders so that participation of the shareholders would not cause great material and time costs.
- 4.3. The Company shareholders being the owners of the Company have the collection of rights and duties stipulated in article 4 of the Article of associations.
- 4.4. Realizing that the system of corporate governance functions effectively only in case of mutual responsibility of the parties the Company expects that shareholders take reasonable and best decisions in order to provide the long-term development of the Company and meet the interests of all interested persons and to prevent from meeting the interest only of some shareholders at the account of others.

5. BOARD OF DIRECTORS OF THE COMPANY

- 5.1. The Board of Directors performs its functions in accordance with the Charter of the Company and “Regulation the Board of Directors” based on such principles as: creativity, honesty and independent judgment and acting in all cases in the best interests of the Company and comply with principles of transparency and accountability. Powers of the Board of Directors are regulated by the Charter of the Company in accordance with the legislation.
- 5.2. The Board of Directors is formed by the General Meeting of Shareholders and is accountable to it. The Board of Directors carries out the general governance of the Company operation with the exception of the issues which are in full competence of the General Meeting of Shareholders.
- 5.3. The main purposes of the Board of Directors are: to provide the financial sustainability and steady development of the Company in the long-term perspective, to observe rights and protect

- legal interests of the Company's shareholders, constantly control the executive board, ensure the completeness, reliability and fairness of the public information on the Company.
- 5.4. In Its resolutions the Board of Directors judges by necessity to act fairly in relation to all shareholders. Members of the Board of Directors act on behalf of the Company, not depending on who had offered them and which shareholders voted for their election. The Board of Directors staff is elected so that to provide representation of various groups of shareholders, including minority.
 - 5.5. The company provides by all means the objectivity of resolutions taken by the Board of Directors and to keep balance of interests of various groups of shareholders represented in the Board of Directors
 - 5.6. By the Company opinion, the independent director is a member of Board of Directors who is not and has not been an affiliated person of the Company within the last three years preceding its election to the Board of Directors (except the case when he was an independent director of the Company); is not an affiliated person in relation to affiliates of the Company; is not connected by subordination with the officials of the Company or organization – an affiliated persons of the Company and has not been connected by subordination with these persons within the last three years preceding its election to the Board of Directors; is not a public official; is not an auditor of the Company and has not been an auditor within the last three years preceding its election to the Board of Directors; does not participate in auditing the Company as a member of the audit company, and has not participated in such audits within the last three years preceding its election to the Board of Directors.
 - 5.7. Order of calling and holding the meetings of the Board of Directors are regulated by “Regulation on Board of Directors”.
 - 5.8. The Company's Board of Directors provides the formation of the system of revealing and settlement of potential conflicts of interests.
 - 5.9. The Board of Directors carries out the constant dialogue with shareholders that guarantees observance of their rights and promotes the settlement of corporate conflicts.
 - 5.10. The Board of Directors determines the priority strategies of the Company development. The Board of Directors creates and supports necessary mechanisms to control the Company operation including the current monitoring and assessment of the Company operational results, carries out control of creation of risk management system with the purpose of minimization of their negative consequences.
 - 5.11. The Board of Directors provides control of the financial and operational activity of the Company. With this aim the Board of Directors promotes the creation of an effective system of internal control, provides the regular evaluation of its functioning, and also takes measures to ensure prompt fulfillment by an executive board of the Company of recommendations and comments of Internal Audit Service and external auditors of the Company.
 - 5.12. The Company's Board of Directors forms the system of transparent appraisal and self-estimations of its functioning as a whole and each member of the Board of Directors of the Company separately, formulates requirements to candidates for the Board of Directors. To provide that Company Board of Directors properly exercises its responsibilities and makes an essential contribution into the Company management, the members of the Board of Directors should have high business reputation, knowledge and experience necessary to take the best decisions on issues which are within the competence of Board of Directors of the Company.
 - 5.13. With the purposes to ensure the proper motivation in the best interests of the Company and its shareholders the Company Board of Directors develops a transparent system of remuneration

and compensation of expenses connected with the performance by Board of Directors of the Company of its functions, and offers them for the approval by the General Meeting of Shareholders.

- 5.14. The President of the Company and heads of structural divisions of the Company according to the procedures established in the Company have to submit in time the full and true information on issues of agendas of the meetings of the Board of Directors and for inquiries of any member of the Board of Directors to ensure the effective functioning of the Board of Directors. The Board of Directors establishes the corresponding procedures, terms, periodicity and volumes of submitting the information necessary for arrangement of meetings, and also with the purpose to keep the Board of Directors being informed during the periods between the meetings.
- 5.15. Members of the Board of Directors of the Company should not abuse the possibility of asking for and receiving the information on the Company, availability of such information thanks to their positions in the Company to disclose and use the confidential information about the Company and the insider information in personal interests or in the interests of the third persons. According to the above the members of the Board of Directors of the Company should take measures for protection of such information. The Board of Directors establishes the procedure to control the access and inquiries of separate members of Board of Directors and its Chairman, Chairmen of committees to the information on the Company, its exchange with other officials and managers of the Company. Such procedures should ensure that information requested by the member of Board of Directors conforms to his/her functions or responsibilities.
- 5.16. Members of the Board of Directors of the Company are obliged to disclose any interests and to abstain any decision-making that potentially might lead to the conflict with interests of the Company.

6. COMMITTEES OF THE BOARD OF DIRECTORS

- 6.1. Board of Directors of the Company sets up the Committees – auxiliary bodies aimed to provide the effective realization of the most essential governance and control functions of the Board of Directors in the spheres which are most important for successful development of the Company. Committees of the Board of Directors within their competence closely interact with boards of management and control, management, employees of structural divisions, auditors and other persons interested in the Company operation. Board of Directors shall form the following committees:
 - 6.1.1. Audit Committee;
 - 6.1.2. Other committees which the Board of Directors will see right to set up.
- 6.2. Board of Directors has a right to set up the temporary committees necessary to solve the specific issues or set of issues being of great importance for the Company operation or if they can influence for its further development.
- 6.3. Board of Directors at its own discretion has a right to set up the sub-committees within the framework of a separate committee.
- 6.4. Committees of the Board of Directors are formed among the members of the Board of Directors for review of, as usual, the long-term issues (except the temporary committees and sub-committees) of the Company operation, and for detailed examination of issues which are in the competence of the Board of Directors and elaboration of necessary recommendations to the Board of Directors and the President.

- 6.5. Committee has no right to act on behalf of the Board of Directors. Decisions of the committee are of advisory type. Meetings of the committees are recorded in the minutes signed by Chairman of the proper committee and a secretary of the committee's meetings.
- 6.6. In order to provide the operational control over the financial statements making process, to provide publishing of comparable, transparent and true financial information the Board of Directors of the Company sets up the Audit Committee. This Committee checks the efficiency of internal financial control system, effective functioning of internal and external audits including such issue as to propose the nominees and evaluation of the results of work of independent auditors of the Company; to control how the Company meets the requirements of law and regulating bodies in the sphere of financial statements.
- 6.7. The Board of Directors approves the regulations for each committee. In these Regulations the aims and purposes of committees functioning are determined as well as the rights and obligations of Committee members, order of committee formation, requirements on decisions taking and rules of Committee accountability before the Company Board of Directors .
- 6.8. Committee has to inform the Board of Directors on its functioning by monthly reports in the form approved by the Board of Directors.
- 6.9. Committee submits the annual report on realization of its purposes to the Board of Directors.
- 6.10. Executive Committee has to provide the access to members of Committees of the Company Board of Directors to the information (documents, materials) of the Company which are necessary in connection with the performing the functions and in case of necessity.

7. CORPORATE SECRETARY

- 7.1. Corporate Secretary performs its duties permanently and has qualification necessary to provide that all managing boards fulfill the requirements established by the legislation and by-laws of the Company.
- 7.2. Corporate Secretary is responsible for ensuring that all boards and officials of the Company meet the procedural requirements which guarantee the realization of rights and interests of shareholders; arranging of holding the General Meeting of Shareholders of the Company, meetings of the Board of Directors, disclosing the information on the Company, keeping the Company documents, considering by the Company of the applications of shareholders and settling of conflicts connected with violation of rights of the Company shareholders.
- 7.3. Corporate Secretary ensures smooth coordination between the management boards in accordance with the Charter provisions and other buy-laws of the Company and informs the members of the Board of Directors and officials of the Company on new trends in the development of corporate governance practice.

8. COMPANY PRESIDENT

- 8.1. The Company realizes that during the daily operation the different challenges are to be met for that there is a need in individual approach based on personal responsibility of the first manager (head). In this connection the Company Board of Directors elects the President.
- 8.2. A competent and qualified candidate is elected as the President who ensures the effective daily operation of the Company. President's experience, knowledge and qualification is necessary for proper discharge of its duties.

- 8.3. President discharges the duties in accordance with the Company Charter, “Regulation on President” and is a sole executive board which manages the daily operation of the Company directed for fulfillment of goals and objectives, strategy and business-plan of the Company.
- 8.4. President of the Company realizes its responsibility before the shareholders, customers of the Company and considers that its main goal is the fair and competent discharge of its duties to manage the daily operation of the Company providing the steady and long-term development and profitability of the Company. The Company President is responsible for timely and effective fulfillment of resolutions of the Board of Directors and General Meeting of Shareholders, has to fairly and reasonably perform its duties for the best interests of the Company and its shareholders.
- 8.5. The Company President elaborates the financial and operational policy of the Company, performs executive and administrative functions and coordinates the operation of structural divisions of the Company, its affiliates and subsidiaries, takes decisions on the Company operation issues which are in the competence of the President in accordance with the legislation and by-laws of the Company.
- 8.6. Within its competence the President of the Company acts on behalf of the Company and is accountable before the Board of Directors and General Meeting of Shareholders and ensures the fulfillment of the decisions taken by them.
- 8.7. In order to perform its duties more effectively the President has a right to assign vice-Presidents which organize the daily operation of the Company in various directions. The duties and rights of vice-Presidents are regulated by instructions and labor agreements as well as by by-laws of the Company.
- 8.8. The Company shall consider that no persons convicted by a court for economic crimes or crimes against the state and interests of public service and local administration service were among the officials of the Company.
- 8.9. The Company President are obliged to disclose any interests and to abstain any decision-making that potentially might lead to the conflict with interests of the Company
- 8.10. President submits the proper reports in accordance with the procedure of submitting the periodical reports (information messages) to the Board of Directors determined in the Regulation on the Board of Directors.

9. INTERNAL CONTROL SYSTEM

- 9.1. The system of internal control used in the Company was developed with the aim to ensure the effective operation and use of resources, preserve the Company assets, improve and support the reliable system of financial and administrative reports, comply the requirements of the current legislation and regulation norms and procedures established by the by-laws of the Company.
- 9.2. The proper functioning of the internal control system is an important condition of investors’ trust to the Company and its executive boards.
- 9.3. To provide the annual audit and approve the trustfulness of the financial statements the Company attracts the audit company which is not connected by any property interests with the Company or its participants (external auditor) which has a license for providing such services. External auditor is to be approved by the General Meeting of Shareholders.
- 9.4. The Company has the Internal Control System which enables to reveal, prevent and limit the financial and operational risks and possible abuses of officials. By that the Internal Control System leads to reduction of the Company expenses and facilitates to effective management of

resources and transparent information. The Company pays attention to the improvement of risk management system and to the development of conception of risk-oriented management.

- 9.5. Internal Control System is aimed to assist the Board of Directors and Management to improve the Company operation by giving the independent and objective evaluation of all aspects of the Company operation. Internal Control System facilitates to achieve the desired goals using the systemized and stepwise approach to evaluation and increase of efficiency of internal control system, processes of risk management and corporate governance.

10. INFORMATION POLICY OF THE COMPANY

- 10.1. Primary goals of disclosing the Company information are the following:
- 10.1.1. timely submission of information on all crucial issues related the Company, with a view to observe the legal rights of shareholders, investors as well as other interested persons for submission the information necessary for taking the better decision or performing other actions which are capable to affect the financial and economic operation of the Company, and also other information promoting the fullest understanding of the Company business;
 - 10.1.2. to provide the access to the public information on the Company to all interested persons;
 - 10.1.3. increase the level of openness and trust in relations between the Company and shareholders, potential investors, participants of the market, state bodies and other interested persons;
 - 10.1.4. improvement of corporate governance of the Company;
 - 10.1.5. formation of favorable image of the Company.
- 10.2. The Company regularly supplies the information on its operation to shareholders and other interested persons in the order and volume stipulated by the Company by-laws and necessary for taking the best decisions on participation in the Company or performing other actions, capable to affect financial and economic activity of the Company;
- 10.3. The company disclose the information on the basis of principles of reliability, availability, efficiency, completeness and regularity, ensuring the equal possibilities of access of all interested persons to the identical information, and also reasonable balance between an openness of the Company and observance of its commercial interests stipulated by the current legislation, the Charter and other by-laws of the Company
- 10.4. The company does not avoid from disclosing the negative information on itself, if such information is essential to shareholders or potential investors.
- 10.5. Officials and employees of the Company take the obligations on nondisclosure of known confidential, insider, commercial and other official information on the Company activity, and also undertake not to use it for personal interests or for the interests of the third parties while they serve in the Company and after termination of service in the Company within the next five years. The procedure of using the insider, commercial and other office information is established by the Board of Directors of the Company.
- 10.6. The Company supplies the shareholders with the information on the Company activity affecting on interests of shareholders. The information affecting the interests of shareholders of the Company is stipulated in point 13.2. of the article 13 of the Article of the Association.

11. DIVIDEND POLICY

- 11.1. The policy of the Company on setting dividends, an order of announcing, size, form and dates of dividends payment is determined in the Company Charter and “Regulation on dividend policy of CAEPCO, JSC”.
- 11.2. Main principles of dividend policy of the Company are:

- 11.2.1. Balance of interests of the Company and its shareholders while determining the size of dividend payouts;
- 11.2.2. Increase of investment attraction, financial sustainability, capitalization and liquidity of the Company;
- 11.2.3. Providing the market return for the invested capital;
- 11.2.4. Respect and strict observance of shareholders' rights and increase of their well-being.
- 11.3. The company intends to direct for dividend payout a part of net profit in the volume which allows the Company to save enough resources for its development.
- 11.4. The decision on payment of year-end dividends is taken by the General Meeting of Shareholders under the recommendation of the Board of Directors of the Company. In case of unforeseen negative circumstances for the Company the Board of Directors should recommend the General Meeting of Shareholders of the Company not to take any decision on payment of dividends.
- 11.5. Payment of declared dividends is the Company's duty. Taking into account the norms of the above mentioned Regulation the Company bears the responsibility before the shareholders for default of this responsibility in accordance with current legislation of the Republic of Kazakhstan.

12. FINAL PROVISIONS

- 12.1. The Code comes into effect from the moment of its approval by the General Meeting of Shareholders of the Company.
- 12.2. The Code provisions are of binding character for all officials and employees of the Company.
- 12.3. With the purpose to follow the provisions of this Code and monitoring the conformity of its provisions to the Company operation and also to introduce the provisions of the Code into practice the Company will disclose the information on adherence of the Company to Code provisions in the annual report.
- 12.4. Violation of provisions of the Code by employees of the Company, members of Board of Directors and the President of the Company may become a basis for bringing to responsibility in accordance with the current legislation and by-laws of the Company.
- 12.5. The company will improve the Code taking into account the changes in the current legislation and occurrence of new standards of corporate governance in the international and national practice, being guided by interests of shareholders, the Company and other interested persons. The responsibility for improvement of the Code is in charge of Corporate Secretary who annually reported on his recommendations to the Board of Directors.
- 12.6. In the event of conflict between the separate provisions of the Code and legal norms of legislation of Republic Kazakhstan and the Company rules, the provisions of legislation of the Republic of Kazakhstan and the Company Charter shall prevail. In the event of conflict between the Code and other by-laws approved by the Board of Directors and the President of the Company, the Code shall prevail. In the event of conflict between the Code and other by-laws approved by General Meeting of Shareholders, the document which was approved later shall prevail.
- 12.7. The issues not stipulated in this Code shall be regulated by the current legislation, the Charter and other by-laws.
- 12.8. The Code is made in Russian and English languages and the version in Russian shall prevail. The Code is subject to publication on corporate website of the Company - www.caepco.kz

Klebanov A.Ya.
Chairman of the Board of Directors of CAEPCO, JSC