

**Corporate Social Responsibility Report  
Damu Entrepreneurship Development Fund JSC**

**Almaty,  
2013**

## Introduction

“Damu” Entrepreneurship Development Fund JSC” (hereinafter – “Damu” Fund/the Fund) as the main operator and integrator of government measures to support enterprises in Kazakhstan attaches prime significance to social factors of sustainable society development and considers social responsibility as one of the key principles of its activities.

Together with the absolute priority of the observance of rights and interests of the Sole Shareholder, “Damu” Fund voluntarily commits to socially responsible behavior to a broad range of stakeholders who are affected by its activities – investors, partners, borrowers, employees, suppliers, business communities, government authorities and the general public.

When interacting with stakeholders, “Damu” Fund is guided by the following basic corporate social responsibility Principles:

1. The principle of openness. “Damu” Fund seeks to maximize transparency and reliability of information about the company, its programs to support entrepreneurship, accomplishments and results of its activities. At the same time, “Damu” Fund ensures non-disclosure of information constituting commercial and other secrets protected by Law.

2. The principle of partnership. Managers and employees of “Damu” Fund explore and evaluate the interests, expectations and concerns of stakeholders with whom they interact, and seek to establish new partnerships and strengthen the existing ones.

3. The principle of flexibility. “Damu” Fund promptly responds to the expectations and demands of stakeholders, as well as to changes in the market situation, and makes necessary adjustments to its operations and entrepreneurship support instruments.

4. The principle of an integrated approach. “Damu” Fund focuses on entrepreneurship and projects that bring the greatest benefit to stakeholders, i.e. takes into account how their work impacts the development of economy and society.

5 The principle of responsibility to employees. “Damu” Fund aims to provide jobs with a competitive pay and social security, and to create safe and comfortable working conditions. In its activities, “Damu” Fund ensures unconditional compliance with the standards of social and employment relations, and promotes comprehensive professional development and training of its personnel.

This report provides information about the work conducted by “Damu” Fund in the field of corporate social responsibility. The report provides general information about the Fund; results of implementation of “Damu” Fund programs for the support of entrepreneurship, indicators of social programs; work in the field of human resource management and stakeholder engagement.

## Section 1. General Information

### *1.1. General Performance Characteristics*

“Damu” Fund was established pursuant to the Resolution of the Government of Kazakhstan of 26.04.1997, №665 “About establishment of small business development fund”<sup>1</sup>.

Until 2001, the Fund acted as an agent for the registration and control of the use

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<sup>1</sup> Former name of the Fund – “Small Business Development Fund” JSC.

of state budget funds under the Program of measures to support domestic producers, as well as under credit facilities of the European Bank for Reconstruction and Development and the Asian Development Bank.

Since 2002, the Fund began lending to small businesses directly from its own funds. “Damu” Fund had implemented “Program for small business financing from the national budget” and “Small Towns Development Program for 2004-2006”.

In May, 2005, the Government of RK adopted a “Program of accelerated measures to promote development of small and medium enterprises in the Republic of Kazakhstan for 2005-2007”. In accordance with this program, in 2005-2007 the Fund had been supporting small businesses through project financing and leasing programs, microcredit system development program in Kazakhstan, program for guaranteeing of SBE loans granted by second-tier banks.

Since September 2006, “Damu” Fund operates as part of the joint-stock holding company – “Kazyna Sustainable Development Fund” JSC, from October, 2008 - as part of the national management holding – “Samruk-Kazyna” National Welfare Fund” JSC (hereinafter – “Samruk-Kazyna” NWF”), from August 28, 2013 – “Baiterek” National Managing Holding” JSC (hereinafter – “Baiterek” NMH” JSC)

Since late 2007, the Fund has operated as an operator for conditional allocation of funds from the Stabilization Program of the Government of the Republic of Kazakhstan.

Since 2010, the Fund has been the financial agent and the operator of the “Business Road Map 2020” Program.

Branch offices of “Damu” Fund operate in all the regions of Kazakhstan; they have a considerable experience working with local businessmen, public organizations and local executive authorities.

The main purpose of “Damu” Fund is to promote quality development of business in the Republic of Kazakhstan as the main operator and integrator of business support measures, including provision of access to the financial resources of private enterprises as well as organizations engaged in microfinancing.

Operations of “Damu” Fund are as follows:

- 1) participating in the development, implementation and financing of programs (including government programs) in support of private enterprises;
- 2) resource support of organizations engaged in microfinancing;
- 3) assistance in attracting institutional and private investors in microfinancing (microlending);
- 4) cooperation with the government and other institutions in the support and development of private enterprise based on concerted action;
- 5) functioning, following the procedure established by the legislation of the Republic of Kazakhstan, as an agent servicing target foreign loans in the support and development of private enterprise;
- 6) issue and sale of securities of the Company in accordance with the laws of the Republic of Kazakhstan;
- 7) promotion of the development of business centers and private entrepreneurship accelerators, consulting, teaching, leasing and other market infrastructures in the field of private entrepreneurship;
- 8) promotion of entrepreneurship and community involvement in business;
- 9) issuance of the necessary procedural documentation, special bulletins, advertising and publishing;
- 10) financing of the issuance of special brochures, including for gratuitous distribution, as well as the series of TV and radio programs on private enterprise;

- 11) development of a common information base for entrepreneurship support;
- 12) search and development of new forms and methods of support of private enterprises;
- 13) functioning, following the procedure established by the legislation of the Republic of Kazakhstan as a financial agent of the “Business Road Map 2020” Program, Government Program for accelerated industrial-innovative development of the Republic of Kazakhstan for 2010-2014, and other government programs;
- 14) subsidization of interest rates on loans issued by second-tier banks and other legal entities to private enterprises;
- 15) provision of guarantees to private enterprises when they receive loans in second-tier banks and from other legal entities;
- 16) monitoring of implementation of programs to support private businesses;
- 17) any other activity not prohibited by the legislation of the Republic of Kazakhstan, aimed at achieving statutory objectives.

### *1.2. Structure*

Organizational structure of “Damu” Fund can effectively solve strategic goals and objectives. In 2013, three new departments were established – Distressed Assets Department, Public Relations Department, Information and Analytical Department.

It should be noted that these structural units were established by increasing the overall staffing levels and allowed to advance specialization of the units’ employees, optimize key business processes and enhance core business activities of “Damu” Fund.

Organizational structure of “Damu” Fund was approved on September 27, 2013 by the Board of Directors. The number of employees of “Damu” Fund is 323 full-time equivalents (Appendix 1).

### *1.3. Mission, scope and role of activity in the Republic of Kazakhstan*

The mission of the Fund is to contribute to the qualitative development of SMEs in Kazakhstan.

The vision by the year 2022 – the main operator and integrator of all measures of government support of entrepreneurship in Kazakhstan.

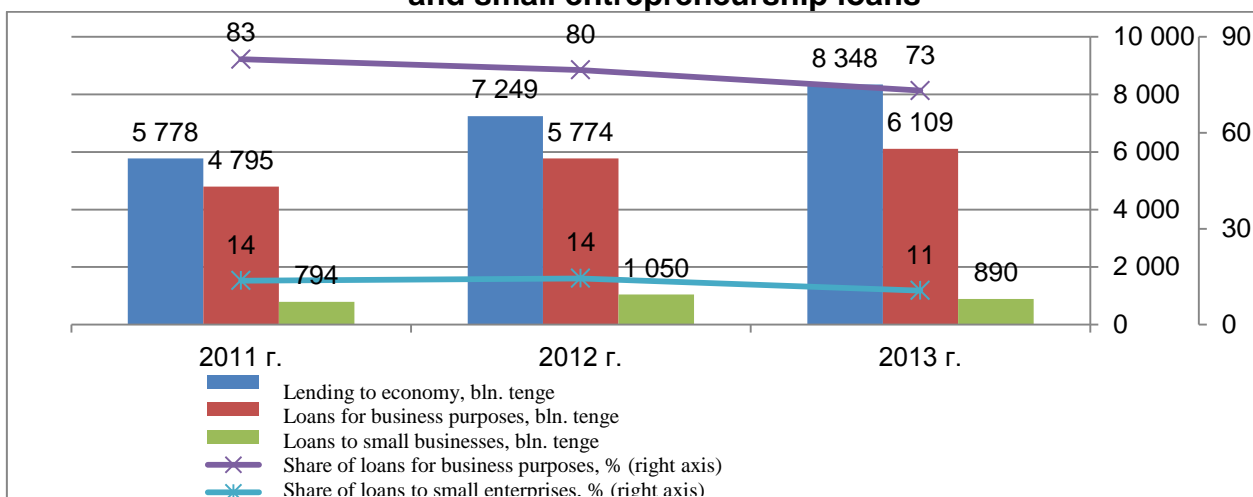
In order to conduct its mission, “Damu” Fund operates in four key strategic areas:

1. Supporting an increase in the number of active business entities and the number of jobs by providing access to financing to all SMEs, with the potential for development;
2. Promotion of entrepreneurship in non-energy sectors of the economy;
3. Increased professionalism of SME and public involvement in entrepreneurship;
4. Improving the performance of “Damu” Fund.

### *Market Share of the Fund*

Overall bank lending for 2013 had increased by 15%, exceeding 8.3 trillion tenge. Along with this, the growth in loans for business purposes was only 6%. While loans granted to small businesses for the year had decreased by 15%.

### Annual amount of lending to economy and small entrepreneurship loans

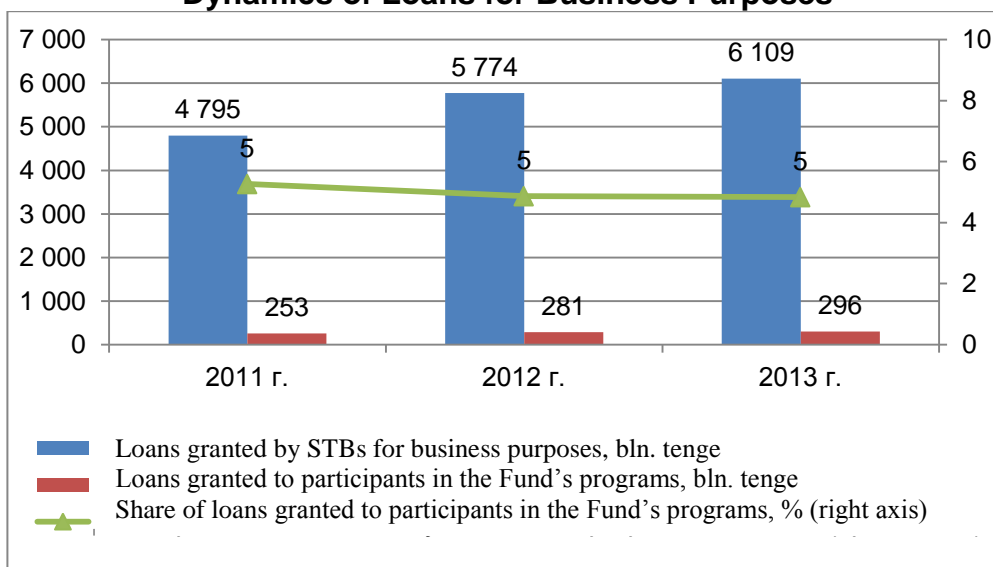


Note: Compiled according to the National Bank of RK ([www.nationalbank.kz](http://www.nationalbank.kz)).

The main reason could be a slowdown in growth rates of private deposits in local currency: over the year, the share of private deposits in tenge decreased from 61% to 56% (respectively, the share of foreign currency deposits increased from 39% to 44%). At the same time small business entities are 92% funded in tenge, while generally in the overall structure of loans to economy, the share of loans in tenge amounts to 86%. A reverse pattern was observed in 2012, when against the background of growth of private deposits in tenge, there was also increase in small business lending by banks.

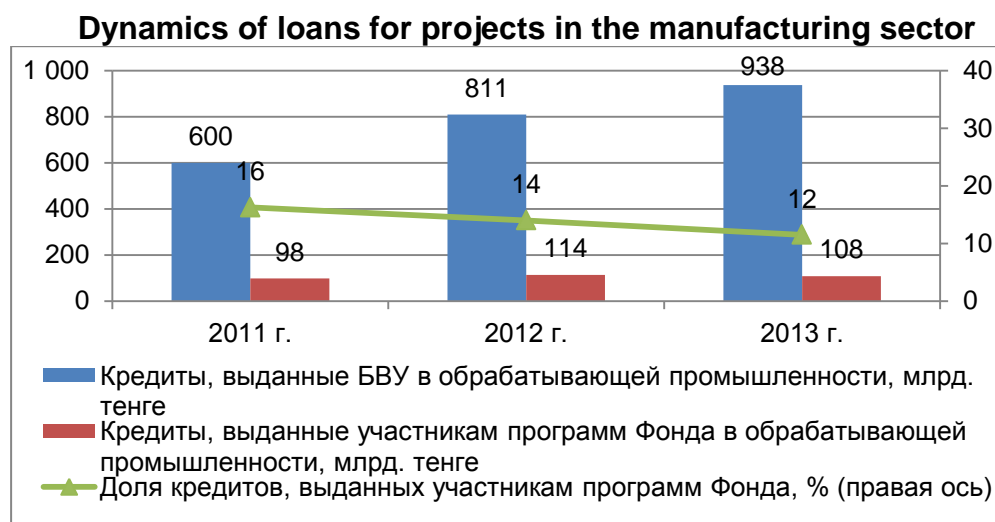
In 2013 “Damu” Fund continued to implement programs for conditional allocation of funds in the STBs, to subsidize interest rates on loans to entrepreneurs and loan guarantees. In general, due to participation in the programs of “Damu” Fund, over the year private entrepreneurs received loans amounting to 296 billion tenge. In the total amount of loans granted by STBs for business purposes, the share of loans granted to participants in “Damu” Fund programs remains at 5%. This coverage is due to the restriction of program segment of “Damu” Fund to the entrepreneurs in priority sectors, which do not include trade and construction, receiving about 50% of the STB loans.

### Dynamics of Loans for Business Purposes



Note: Compiled according to the National Bank of RK ([www.nationalbank.kz](http://www.nationalbank.kz)) and “Damu” Fund ([www.damu.kz](http://www.damu.kz)).

If we consider separately loans for projects in the manufacturing industry, in their structure, in 2013 “Damu” Fund programs participants received 12%. Thus, 1 of 8 tenge of loans for projects in the manufacturing sector is granted to “Damu” Fund Program participants.



Note: Compiled according to the National Bank of RK ([www.nationalbank.kz](http://www.nationalbank.kz)) and “Damu” Fund ([www.damu.kz](http://www.damu.kz)).

Along with the financial support programs in 2013, “Damu” Fund continued large-scale work for the implementation of training programs and consulting services to entrepreneurs. At the end of the year the number of students of “Business Advisor” short-term training course, which since 2011 has been implemented as part of the “BRM 2020”, was 52 065 people. Other projects under the 4<sup>th</sup> direction - “Enhancing entrepreneurial potential” of “CST 2020” Program, 840 entrepreneurs have been trained in top management in the AEO “Nazarbayev University”, 1 667 people have been trained under “Business Communication” Project; more than 132 thousand services have been provided within the business service support.

17 Entrepreneurs Service Centers have been opened in regional centers and three cities - Almaty, Astana and Semey, which served more than 13,000 customers. Business Support Centers operate in 27 single-industry towns of the country. They served more than 14,000 customers. At the district level there are Mobile Business Support Centers operating in 14 regions. More than 7000 clients went to these Centers.

#### 1.4. Public Evaluation of Performance

The Fund pays great attention to the transparency of its activities.

In 2013, Mass Media released 6781 materials about “Damu” Fund. The emphasis has shifted significantly towards the regional media – they accounted for 54% of all publications.

## Section 2.

### Strategic objectives for sustainable development and social responsibility

#### 2.1. Social mission, responsibility and partnership

“Damu” Fund as the main operator and integrator of government measures to

support entrepreneurship Kazakhstan attaches great importance to the social factors of sustainable development of society and considers social responsibility as one of the key principles of its activities.

Together with the absolute priority of the observance of rights and interests of the Sole Shareholder, “Damu” Fund voluntarily commits to socially responsible behavior to a broad range of stakeholders who are affected by its activities – investors, partners, borrowers, employees, suppliers, business communities, government authorities and the general public.

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There is a separate page on the corporate website dedicated to the ongoing work of “Damu” Fund in the field of corporate social responsibility. It contains the approved guidelines and annual reports on corporate social responsibility.

### *2.1. Indicators for social programs and social assets*

The Report on compliance of corporate governance level with the best international practices based on the results of “Damu” Fund Corporate Governance diagnostics, prepared by KPMG international company, emphasizes a number of positive aspects in the Fund's work in the framework of corporate social responsibility. In particular, positive aspects include the following:

1. Key performance indicators of “Damu” Fund are of social nature.

2. Management of “Damu” Fund continuously monitors key performance indicators that are of social nature.

3. Key performance indicators of “Damu” Fund having social nature are taken into account when evaluating the results of the Fund's management performance. An example is the number of entrepreneurs covered by “Business Advisor” Program, and the number of refinanced loans to small businesses, etc.

4. Activities of “Damu” Fund having a social nature, is clearly structured. The Fund has established the Department of Subsidies and Guarantees, the Program Loans Department, the Non-Financial Programs Department, whose activities, among other things, also have a social function.

5. “Damu” Fund has approved Regulations on occupational safety.

6. “Damu” Fund has a number of approved documents regulating personnel management, in particular, Personnel Selection Regulations, Regulations on competition for vacancies in the regional branches, Rules on employment, transfer and dismissal of employees, Rules on employees’ labor remuneration, Rules on employees’ social support, Rules on employees performance evaluation, etc.

7. These policies define goals, objectives, principles and basic requirements.

8. Major projects and programs being implemented by “Dam” Fund fulfil a socially beneficial function.

9. Each project or program of a social nature has approved objectives, implementation period and budget.

10. Each project or program of a social nature is evaluated in terms of achieving its goals and its impact on key performance indicators.

In June 2009, the Board of Directors of “Damu” Fund approved “Business Advisor” Training Program. In developing this program, “Damu” Fund placed the emphasis on:

- full coverage of all regions of Kazakhstan,
- practicality and availability of training courses,
- minimum costs,
- training materials and handouts on a free of charge basis.

According to the Decree of the Government of the Republic of Kazakhstan of 31.12.2010 № 1520 “On Amendments and Alterations to Certain Resolutions of the Government of the Republic of Kazakhstan”, “Business Road Map 2020” Program was amended with the 4<sup>th</sup> direction – “Enhancing the entrepreneurial potential”.

The 4<sup>th</sup> direction provides support to emerging entrepreneurs (start-up projects), including through short-term training of entrepreneurs and people in the basics of entrepreneurial activities (“Business Advisor” project).

In order to support entrepreneurs and people with disabilities, “Damu” Fund has develop “Damu-Komek” Program.

“Damu” Fund does not provide funding, but it serves as the link between entrepreneurs with disabilities and potential sponsors and lenders.

To do this, in December 2009, created a special [www.damu-komek.kz](http://www.damu-komek.kz) website was created as a bulletin board – an electronic platform for the exchange of contacts and other information. The practice in implementing similar projects suggests that usually the number of those who wish to provide assistance is much greater than those who want to receive it.

- ✓ During the period of “Damu-Komek” Program implementation sponsorship and charitable assistance was provided to 912 entrepreneurs with disabilities, while during the year 2013 assistance was provided to 292 businessmen.

In order to strengthen business support infrastructure, the Fund developed a Program to establish Entrepreneurs Support Centers (hereinafter - ESCs). ESCs objectives: provision of advisory and analytical support to SMEs, promoting



improvement of entrepreneurs skills. Currently 14 district ESCs and 1 regional ESC have been opened in the city of Zhanaozen, Mangistau region.

As part of the commission of the President Nazarbaev N., the Fund began work on establishing Entrepreneurs Competence Centers from 2012 and successfully completed it in 2013.

Open 17 ESC I had been opened in regional centers and cities of Almaty, Astana, and Semey. ESCs operate in 27 single-industry towns, MESCs provide information and advisory services at the district level in 14 fields. During 2013, 28,7 thousand people came to Entrepreneurs Competence Centers who were provided more than 51,5 thousand consultations.

Under the Program operating a start-up business projects by women entrepreneurs were receiving loans on low-interest basis. Partner banks are "Eurasian Bank" JSC, "Bank Center Credit" JSC, "Tsesnabank" JSC, "Delta Bank" JSC, "Temirbank" JSC and "AsiaCredit Bank" JSC. As of January 1, 2013, 941 borrowers were financed for the aggregate amount of 5221, 8 bln. tenge, and 328 jobs were created.

### **Section 3. Economical Effectiveness**

#### *3.1. Economic policy and economic indicators*

The main business line of "Damu" Fund includes implementation of both financial programs to support entrepreneurship, and programs to improve the competence of entrepreneurs.

Among financial programs the most ambitious ones are three tranches of the Stabilization Program, "Damu-Regions" Program and "Damu-Regions 2", "Damu-Ondiris" Program and the first three lines of "Business Road Map 2020" Program.

Financial programs also include a number of more narrowly focused programs, including micro-lending for women's entrepreneurship, targeted programs, financing and financing of leasing transactions, etc.

Among the programs to improve the competence of entrepreneurs the most extensive one is "Business Advisor" training course program, which since 2012 has been included in the 4<sup>th</sup> direction – "Enhancing the Entrepreneurial Potential" of "Business Road Map 2020" Program. As part of this direction of the Program, "Damu" Fund also implements small and medium-sized businesses (hereinafter - SMBs) top-management training program, "Business Contacts" Project and monitors service support of existing business.

Apart from that, the block of programs to improve the competence of businessmen includes creation of business support centers in the regions, publication of analytical book on SMEs in Kazakhstan, Geographic Information System of the Fund, establishment of the Fund's Call Center and Business portal for SMEs.

There is also "Damu-Komek" social program being implemented, under which the Fund provides support to entrepreneurs with disabilities.

Information on the results of implementation of these programs of the Fund will be presented below.

In general, as at 01.01.2014, under conditional funds allocation programs 12,375 borrowers were financed for the total amount of 767,3 billion tenge. It made it possible to create and preserve 30,246 jobs.

Since 2010, the Fund has been actively working on the implementation of "Business Road Map 2020" program as the financial agent and the operator of the program.

The aim of the program is to ensure sustainable and balanced growth of regional entrepreneurship in non-energy sectors of economy.

As on 31.12.2013, total of 3275 interest rate subsidization contracts and 259 loan guarantee contracts were signed under the Program, including:

- ✓ Under direction 1 – “Support for new business initiatives” - 2879 interest rate subsidization contracts and 259 loan guarantee contracts were signed.
- ✓ Under direction 2 – “Improvement of business sector” - 193 subsidization contracts were signed.
- ✓ Under direction 3 – “Reduction of entrepreneurs’ exchange risks” - 203 subsidization contracts were signed.

As part of direction 4 – “Enhancing entrepreneurial potential” of “Business Road Map 2020” Program, the following results were achieved:

- ✓ 51,049 people underwent training courses under first-time entrepreneurs support project.
- ✓ In November, 2013, “Business Advisor-II” pilot project was launched for existing entrepreneurs. The total number of participants in the project was 1,327 SMEs.
- ✓ In 2013, “Young Entrepreneur’s School” project (hereinafter - YES) was implemented by the Fund in partnership with BO of VTB Bank (Kazakhstan) JSC, with the support of the USAID Macroeconomic Project in 5 regions of the country: East Kazakhstan, West Kazakhstan, South Kazakhstan and Kyzylorda Regions and in Astana, at the premises of universities. Total number of students who received certificates as part of the YES for 2013 was 632 people. 10 “Fairs of Ideas” were held.
- ✓ As part of business service support project more than 117 thousand services were provided to existing entrepreneurs.
- ✓ 840 students were trained and received certificates under the SME top management training project.
- ✓  The project "Business Communication" trained 1,667 people were trained under “Business Relations” Project, 106 of them served overseas internship in Germany and 107 people - in the United States.

As part of the consulting support, today 14 regional ESCs and 1 district ESC were established in the city of Zhanaozen. Since March 2011, call-center has been operating, which receives more than 3,700 calls each month. Moreover, [www.dkb2020.kz](http://www.dkb2020.kz) business portal was launched in March 2012.

Geographic Information System’s website ([www.gis.damu.kz](http://www.gis.damu.kz)) has been operating with an open access as part of the information support; 5 editions of the book “Report on the development of small and medium-sized businesses in Kazakhstan and its regions” had been published.

In May, 2013 the Fund had organized a panel session “Doing Business in Kazakhstan: Challenges and Opportunities” as part of the VI Astana Economic Forum.

As part of “Damu-Komek” program, [www.damu-komek.kz](http://www.damu-komek.kz) website receives applications from entrepreneurs with disabilities and applications from sponsors. For 2013, 292 entrepreneurs with disabilities were provided sponsorship and charity.

Production strategic figures reflect implementation results of “Damu” Fund programs for financial and non-financial business support:

No	Efficiency Coefficient	Unit of	2011	2012	2013
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		measurement	Actual	Actual	Plan	Actual	%of execution
<b>Promotion of an increase in the number of active PEs and the number of jobs by providing access to financing to all SMEs with the potential for development</b>							
1	Number of SMEs who received support	unit	30 718	34 116	23 600	39 408	167%
2	Number of created jobs	people	3 616	3 443	11 800	14 901	126%
3	Amount of financial support	mln. tenge	184 106	331 079	241 470	295 418	122%
4	Coverage of operating SMBEs with the support	%	1,0%	1,7%	1,2%	4,5%	375%
5	Number of SME projects finances under conditional allocation of funds programs for the period	unit	1 838	2 022	1 480	2 159	146%
6	Total amount of funds channeled towards entrepreneurship development through the Fund's programs	mln. tenge	662 213	792 045	909 084	923 165	102%
7	Total amount of Pes financing under conditional allocation of funds programs for the period	mln. tenge	82 373	78 911	91 470	104 766	115%
8	Total amount of funds granted by the Fund as microlending	mln. tenge	4 853	5 917	8 221	9 543	116%
9	Total amount of loan portfolio covered by financial instruments of the BRM 2020	mln. tenge	101 733	249 291	150 000	190 652	127%
<b>Promotion of entrepreneurship in non-energy economy sectors</b>							
1	Increase in projects financing under the PEs diversification	%	61%	23,3%	6,3%	10%	159%
2	Number of subsidized SMEs	unit	801	1 373	1 500	1 455	97%
3	Number of SME Projects financed by banks under the Fund's guarantees over the period	unit	27	87	80	148	185%
4	Share of industrial projects financed as part of the Fund's programs over the period	%	19%	20,7%	20%	28,8%	144%

	Share of funds channeled towards financing of the projects implemented as part of Government Program of forced industrial and innovative development	%	48%	38,9%	43%	52%	121%
6	Share of funds channeled towards expansion and modernization of domestic production	%	26%	26,2%	27%	28,2%	104%
<b>Professional development of SMEs and involvement of population in entrepreneurship</b>							
1	Number of entrepreneurs and people with business initiative covered by the Fund's programs for non-financial support for SMEs for the period	unit	28 052	30 556	21 000	50 939	243%
2	Share of operating entrepreneurs in the overall number of participants in the Funds training and advisory programs	%	51%	59,9%	35%	70%	200%

Overall, based on the results of 2013, the plan is being executed for all strategic manufacturing key performance indicators.

### *3.2. Kazakhstan Content Indicators*

The volume of procurement of goods and services in 2013 amounted to 4,872 mln. tenge. Of these goods account for 2 236 mln. tenge, services - 2 393 mln. tenge, works - 243 million. tenge. 1200 mln. tenge were budgeted for service support of entrepreneurship through receipts from the Republican budget. However, these funds were distributed between the regions for the procurement of the above services by local executive bodies.

During 2013 contracts were signed worth 3 114 million tenge, including contracts for goods for 1,563 mln. tenge, service – 1 323 mln. tenge, and works - 228 million tenge.

Overall local content indicator in procurement in 2013 was 88%, including in goods - 78%, services - 99%, works - 82%.

## **Section 4. Environmental Performance**

### *4.1. Indicators for environmental performance and the development of an environmental management system*

“Damu” Fund is not a manufacturing company; therefore, it does not damage the environment in the normal course of its business.

### *4.2. Energy Conservation Indicators*

For financial savings and conservation of electric energy, there were LB-18 and LD-18 energy-saving lamps and with different pricing depending on the time of day

installed in the building of the Fund. At present, works are carried out on replacing street lighting bulbs with energy-efficient ones.

## **Section 5. Interaction with the Personnel**

### *5.1 Indicators for staff development and interaction with the staff*

Human Resources Policy in “Damu” Fund is carried out in the following strategic areas:

- formation of a unified model of human resource management;
- improving performance;
- improving the quality of human capital;
- development of corporate culture.

Some of the key indicators of effective implementation of the HR Policy of “Damu” Fund are:

- appointments to management and reporting positions from the personnel reserve – at least 70%;
- share of administrative workers, hired through competition – at least 100%;
- coverage of executives with individual key performance indicators - 100%;
- staff turnover level is not more than 14%, except for activities related to optimization of the management structure of the company;
- coverage of employees that underwent trained during the year - 80%.

### *5.2. Social partnership in the field of labor. Collective contractual relationship and interaction with trade unions*

In April, 2010, a collective agreement was signed with the employees of “Damu” Fund. The presence of such collective agreement demonstrates sustainable development of “Damu” Fund, its care for its employees, activity, unity and high education of workforce, which allows to attract the most qualified personnel.

### *5.3. Remuneration and Motivation*

Since 2011, in order to introduce a transparent system of remuneration and motivation and to improve performance, the work has been conducted to implement assessment system of employees of “Damu” Fund on the basis of key performance indicators. This mechanism allows to regularly monitor achievement of strategic goals of the organization, and to secure personal liability of employees for the result.

Since 2013 the Fund has been using an improved system of evaluation of administrative staff based on objectives. Advantages of the new evaluation system are as follows:

- ✓ target map is made for each regional branch office and structural unit.
- ✓ employee bonus coefficient is directly dependent on the result of target map performance.
- ✓ the new system allows to motivate and retain effective employees without increasing bonus reserve.

### *5.4. Selection, development, education and training of staff*

As part of the creation of a unified model of human resource management, namely the formation of a three-tier appointment system, ministerial staff is hired by “Damu” Fund through holding open tendering procedures. Managerial staff (directors of business units and regional branches) is appointed either through promotion of

ministerial staff, who are in the personnel reserve, or, if necessary, through the search for highly qualified professionals from outside. Such system of staff involvement allows to ensure continuity of the most effective management principles, and preserves the unity of the strategic vision and the integrity of corporate culture.

For qualitative strengthening of staff, there are seminars on financial analysis and management organized and held on a regular basis. Front office workers participate in international meetings and conferences, which makes it possible to study and to implement international practices in the field of private enterprises support in “Damu” Fund.

In 2013, more than 220 people were trained, representing 77% of the total staff.

More than 25 students from leading universities of Kazakhstan were accepted for practice and internship.

#### *5.5. Implementation of Housing Policy*

Employees of “Damu” Fund can be assisted in solving housing problems. Thus, there is a possibility of partial reimbursement for housing rental provided for visiting workers. In 2013, a mechanism to provide employees of the real estate owned by the Fund.

#### *5.6. Culture and Sports*

An important role in improving performance of the organization is played by corporate culture. In 2013, an onsite team-building was organized, with the conduct of training sessions for the staff of the regional branches and the head office of “Damu” Fund. Professional attitude towards tasks and an overall benevolence further motivate employees, increase their self-identification with activities of the organization, and create a favorable organizational climate to achieve strategic objectives.

Also, in 2013 employees of “Damu” Fund were partially reimbursed the costs related to the acquisition of fitness center membership.

#### *5.7. Health Care*

Employees of “Damu” Fund are provided with annual health insurance through the funds provided in the budget of “Damu” Fund.

## **Section 6. Interaction with the Community**

### *6.1. Indicators for investments in the regions and the local community (area of presence)*

In order to reduce disparities in regional development of small and medium-sized businesses sector in the country, “Damu” Fund implements a number of programs aimed at increasing the coverage of regions and encouraging development of regional entrepreneurship: “Damu-Regions” Program, “Damu-Regions 2” Program, “Damu-Regions” 3 Program, Program for SMEs projects regional funding in small towns, and other.

### *6.2. Indicators for charity and sponsorship*

According to the Sponsorship and/or charitable assistance policy of “Samruk-Kazyna” National Welfare Fund” JSC (hereinafter - “Samruk-Kazyn” JSC) and national development institutions, national companies and other entities, more than fifty percent of the voting shares (participation) of which are directly or indirectly held by “Samruk-

Kazyna” NWF, one of the sponsorship principles is the availability of the require funds in the annual budget/Development plan. Given that sponsorship and/or charitable assistance expenditures in the budget of “Damu” Fund were not planned for the last three years, the Fund did not provide sponsorship and/or charitable assistance was not provided by the Fund. However, "Damu" Fund privately provides material aid to adults and children who are ill, and to the World War II veterans.

### 6.3. Tax Payments

In 2013 “Damu” Fund had paid the following taxes and other obligatory payments to budget:

<b>№</b>	<b>Type of Tax</b>	<b>Amount, in thousand tenge</b>
1	Corporate Income Tax	1 024 530,0
2	Social Tax	133 213,5
3	Social Expenditures	33 332,4
4	Individual Income Tax	149 437,3
5	Tax on Vehicles	471,1
6	Land Tax	176,4
7	Property Tax	13 360,0
8	Mandatory Pension Contributions	157 424,8
9	Environmental Emissions Fee	161,3
10	Payment for outdoor (visual) advertisement information	836,8
11	Auction Duty	780,7

### 6.4. Information Policy

he information policy (hereinafter – the Policy) refers to a set of actions, measures and regulations of "Damu” Entrepreneurship Development Fund" JSC (hereinafter - the Fund), in disclosure of information that enables one to manage not only the process of dissemination of corporate information, but also the process of perception of the image of the Fund among target audiences.

The purpose of the Policy is the most complete and timely submission of accurate information to interested parties about the Fund in accordance with the laws of the Republic of Kazakhstan, Articles of Association of the Fund, Regulations on the Information Disclosure, and the best international corporate governance practices, about its current activities, state and prospects of development.

In pursuit of the Policy objectives the main tasks include:

1. Timely disclosure of accurate information about the Fund;
2. Disclosure of additional information conducive to the increase of investment attractiveness of the Fund by way of increasing openness and transparency of the Fund.
3. Creating a favorable image of the Fund, contributing to an increase in the value of assets, and increase of its financial and other performance.

### **Policy Principles**

Main Policy Principles are the following:

1) regularity and timeliness of disclosure. This means the responsibility of the Fund with respect to compliance with the terms and systematic provision of information under applicable legislation and internal documents.

2) openness and availability of information. This means the Fund choosing such information distribution channels, access to which is free easy and low-cost for the interested parties. It implements the intention of the Fund to ensure maximum transparency of information about its activities, subject to confidentiality with respect to information, which comprises an official, commercial and other secrets protected by law.

3) accuracy and completeness of the information. Means responsibility of the Fund to provide the Sole Shareholder and other stakeholders with the information that is and sufficient for full understand of the disclosed fact or event.

4) prompt disclosure of information. Means responsibility of the Fund to provide the most essential information concerning especially significant facts and events and one that affects the interests of the Sole Shareholder and other parties, including, if necessary, prompt decision-making by them.

### **Policy Implementation Arrangements**

Under the current legislation of the Republic of Kazakhstan the Fund is obliged to publish the following in the media:

- annual financial statements;
- information on reorganization;
- within the period established by the legislation of the Republic of Kazakhstan;
- other information in accordance with the laws of the Republic of Kazakhstan and resolutions of the Sole Shareholder.

The Fund, not being a public company, has the right but not the obligation to disclose the following publicly available information on the Company's corporate website:

- ✓ Articles of Association of the Fund, amendments and alterations thereto;
- ✓ Corporate Governance Code;
- ✓ Regulations on the Board of Directors
- ✓ Annual Report of the Fund;
- ✓ Annual financial accounts;
- ✓ Notice of a large transaction;
- ✓ Credit history and credit ratings assigned to the Fund;
- ✓ Presentations (text, Power Point) on activities of the Fund;
- ✓ Texts and video and audio recordings, if any, of public speeches of officers of the Fund;
- ✓ Prospectus of securities issue; amendments and alterations thereto in cases provided for by regulatory legal acts of the Republic of Kazakhstan;
- ✓ Information about subsidiaries;
- ✓ Other information, according to the legislation of the Republic of Kazakhstan and/or resolution of an authorized body of the Fund.

Under resolution of the Chairman of the Board of the Fund, the Fund may place the following additional information on the corporate web site:

- Performance indicators of the Fund not related to the data constituting its trade secrets;
- News;
- Press releases;



- Contact information;
- Other information in accordance with the provisions of the Internal documents of the Fund.

The Fund is obliged to notify the information about its activities affecting the interests of the Sole Shareholder to the Sole Shareholder.

### **Protection of Inside Information**

The Fund is committed to protecting confidential information in accordance with the laws of the Republic of Kazakhstan and internal documents of the Fund.

The Board of the Fund shall enforce confidentiality in order to protect confidential information, proprietary, commercial and other secrets protected by law, to prevent possible damage from disclosure or unauthorized leakage of business information, to prevent illegal use of this information by any interested persons.

The Board of the Fund provides a reliable mechanism for preparation, coordination and control over the content and timing of information disclosures, proper storage of documents of the Fund, and functionality and safety of information resources.

The Fund shall inform the appropriate personnel within the Fund and beyond, about the introduction of controls in relation to the Fund's ability to disclose information about the Fund, and shall provide members of the Board of Directors of the Fund and the relevant staff with sufficient training on the application of information disclosure policy.

Employees of the Fund authorized to communicate with the public and with the Sole Shareholder in the course of performance of their official duties, must provide equal opportunity to all interested parties to have a simultaneous access to the disclosed material information about the activities of the Fund, and must take measures to refute false information, if its dissemination involves damage to the Fund and the Sole Shareholder.

Employees of the Fund shall not disclose any internal confidential (proprietary) information.

### **Disclosure of information, not otherwise considered public information, to interested persons**

The Fund provides the interested parties with information not considered in accordance with the internal regulations of the Fund to be confidential information, proprietary, commercial and other secrets protected by law in accordance with the procedure and terms stipulated by the legislation of the Republic of Kazakhstan.

### **Liability for disclosure of information**

If in the course of disclosure of information of the Fund there will be any breaches made of the laws of the Republic of Kazakhstan, as well as of the norms of internal normative documents of the Fund, resulting in causing damage to the Fund and (or) to its Sole Shareholder, persons responsible for such violation shall be held liable in accordance with the laws of the Republic of Kazakhstan.

#### *6.5. Figures for the interaction with public authorities, public associations, NGOs, foreign organizations and other stakeholders in the field of social partnership*

“Damu” Fund, as part of the interaction with public authorities, public associations, NGOs, foreign organizations and other entities, conducts the following activities:

- ✓ Participates in various working groups created by government agencies.

- ✓ Establishes mechanisms for feedback and representation of interests of the Fund in its relations with the authorities.
- ✓ Participates in drafting resolutions of the Government of Kazakhstan.
- ✓ Conducts joint socially significant campaigns and events.
- ✓ Holds discussions and other forms of dialogue and exchange of ideas between the government, society and businesses, on a wide range of issues.
- ✓ Implements programs and other activities that encourage socially responsible business to engage in charitable activities and patronage.

There was an advisory body created in affiliation to the Board of “Damu” Fund – the Public Council on enhancing support for SMEs in the Republic of Kazakhstan.

The Council consists of representatives of public associations and business associations (unions) of entrepreneurs, including Atameken Union NEPK, Association of Financiers of Kazakhstan, Entrepreneurs Forum of Kazakhstan, Kazakhstan Association of Entrepreneurs “KAZKA”, etc.

The main objectives of the Public Council are examination, discussion and development of recommendations for the development of SMEs; formation of a platform for dialogue between representatives of business organizations, government agencies and NGOs.

The work of the Public Council is an important tool for enhancing the transparency of “Damu” Fund’s work in the development and implementation of both financial and non-financial SMEs support programs.

Annually, there are at least two field meetings of the Public Council held.

#### *6.6. Interaction with suppliers and subcontractors*

In procurement of goods, works and services “Damu” Fund is guided by the Rules of procurement of goods, works and services implemented by the national managing holding, national holdings, national companies and organizations, of whose shares (participation interests) fifty percent or more are directly or indirectly owned by the national managing holding company, national holding company, or national Company, “Rules for procurement of goods, works and services of “Baiterek” NMH JSC and organizations, of whose voting shares (participation interests) fifty and more percent are directly or indirectly owned by “Baiterek” NMH subject to an ownership or trust management title, and determine the procedure for the procurement of goods, works and services by “Damu” Fund JSC, approved by resolution of the Board of “Damu” Fund JSC dated December 13, 2013, Minutes № 088/2013.

Thus, the interaction with suppliers is based on the contractual relationship entered into as a result of purchases by means of an open tender, quotations request or single source.

Appendix 1

