

**Approved  
by the Board of Directors  
of JSC “Astana medical university”  
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# **Investment policy of the joint-stock company “Astana medical university”**

## CONTENT

Introduction.....	3
Terms and definitions.....	3
1. THE MAIN GOALS AND PROVISIONS OF INVESTMENT POLICY.....	5
1.1. Key provisions of investment activity.....	5
1.2. Goals of Investment policy.....	6
1.3. The main principles of investment policy.....	6
1.3.1. Long-term planning of the Company’s investment policy.....	7
1.3.2. Common approaches of implementing investment activity.....	8
1.3.3. Mechanisms for supporting investment activity.....	9
1.3.4. Investment of free fund of JSC “Astana medical university” in implementing projects.....	9
1.3.5. Interaction with the Government of the Republic of Kazakhstan on investment activity.....	9
2. INVESTMENT PROJECTS.....	10
2.1. Classification of investment projects.....	10
2.2. Stages of investment project.....	11
2.2.1. Description of stages of project life cycle.....	11
2.2.2. Persons responsible for the implementation of investment projects.....	12
2.2.3. Requirements for the switch to next stages.....	12
2.3. Principles for making decisions on implementing investment projects.....	13
2.3.1. The main principles for evaluating investment projects.....	13
2.3.2. Investment indices to evaluate investment projects taking into account the project’s type.....	13
2.3.3. Analysis and control of risks of investment projects.....	14
2.4. The documents supporting investment decisions.....	15
2.5. Monitoring of investment projects.....	16
2.5.1. The main provisions of monitoring.....	17
2.5.2. Requirements for analyzing deviations of actual values from values planned.....	18
2.5.3. Requirements for conducting retrospective analysis, statistic data bases, training based on projects having been implemented.....	19

## INTRODUCTION

This Investment policy of the joint-stock company “Astana medical university” (hereinafter – Company) establishes standard requirements for organizing investment activities of the Company.

This Investment policy has been developed in accordance with the Commercial code of the Republic of Kazakhstan from 29 October, 2015, No.375-V LRK, Laws of RK “On investment funds” from 7 July, 2004, No. 576, “On joint-stock companies” from 13 May, 2003, No.415 and other regulatory acts of RK.

If an international contract ratified by the Republic of Kazakhstan has established other rules than those in this Investment policy, other rules of the international contract are applied.

This Policy is applicable to the Company’s investment projects, besides investment projects within the framework of managerial and administrative activities.

Procedures, forms of decisions made, the order of interaction of the Company’s structural units in considering, confirming and controlling the implementation of investment projects are determined by this Policy and other internal documents regulating the Company’s investment activity.

## TERMS AND DEFINITIONS

This Policy contains the following terms and definitions:

**Investment project administrator** – structural units of the Company responsible for planning, explaining and implementing investment projects;

**Business plan** – the document with the description of goals and viability of implementing the investment project that does not relate to strategic project. Business plan is formed in accordance with local acts of the Company;

**Additional investment memorandum (Additional IM)** – the document designed to receive decisions/recommendations of an appropriate Approving authority of the Company, when cost over-run is expected or in accordance with implementation terms by strategic projects as compared to IM approved.

**Investment project’s life cycle** – a set of consequently changing states of the Investment project from the advancement of an idea to conducting retrospective analysis based on the results of the project implementation. Project life cycle consists of six stages: assessment, choice, determination, implementation, exploitation, training definition of which are given in this Policy.

**Investments** – disbursing of funds for purchase, creating and maintenance of the main manufacturing and non-manufacturing facilities and intangible assets in working condition as well as implementation of transactions on amalgamation and mergers in

order to get economic and qualitative (non-financial) profits in the planned period of time (no more than one budget period).

**Investment activity** – the process of planning, controlling the implementation and analysis of results of disbursing own, borrowed and budget funds for buying and building (creating) or maintaining the main funds in working condition, buying and creating or maintaining intangible assets in working condition as well as transactions on amalgamation and mergers;

**Investment memorandum** – the document that is prepared in a particular stage of Life cycle of the strategic investment project (determination), including the explanation of economic viability, volume and terms of implementing the investment project, the main goal of which is to confirm the project results and approve the right (mandate) to get necessary financing and resources for the project implementation.

**Investment project (project)** – a set of measures to implement separate investment initiative stipulating the investments in creating new, expanding and renewing an existing industry as well as purchase and sale by the share of participating in partnerships with limited liability, shares of joint-stock companies and creating legal entities. Investment projects must satisfy integrity criteria: all the actions and resources needed to achieve the goals set in investment proposals are included into one project; all the actions within the framework of the project must be interconnected.

**Project initiator** – an authorized body, structural unit, worker of the Company, official who may initiate investment projects in accordance with the legislation of the Republic of Kazakhstan and regulatory acts of the Company.

**Curator** – a worker of the Company who is responsible for timely and efficient investment project implementation.

**Liability limits** – terms of competence of bodies (executive bodies, board of directors or supervisory council/advisory-consultative bodies to implement investment policy of the Company and chiefs of units of the Company in making decisions/working out recommendations on investment activity);

**Capital investment plan** – the document on investment project implementation for a separate financial period where the main characteristics of investment projects are reflected.

**Development plan** – business plan of the Company's financial and economic activities for 5 years aimed at achieving strategic goals and objectives;

**Working body** – a structural unit of the Company responsible for investment planning in the company, for developing and monitoring the plan to implement the Company's capital investment.

**Approving authority** – one of the management level within hierarchic structure of the management system of the Company's investment activity, which is advisory-

consultative body of the Company whose competence includes considering and making decisions on investment activity.

**Development stage** – characteristics of the Company from the viewpoint of the development of its managerial, investment and business processes, stability of the activity and possibility of generating cash flows from operational activities;

**Development strategy** – the document stipulating strategic goals and objectives of the Company for a long-term period approved in the established order.

**Authorized body of the Company** – Board of directors / Board of the Company making decisions on project implementation within its competence.

## 1. THE MAIN GOALS AND PROVISIONS OF INVESTMENT POLICY

In investment activity, the Company is guided by the applicable legislation of the Republic of Kazakhstan, the Company's charter, this Policy, and other internal document regulating investment activity of the Company.

Investment policy is approved by the Company's Board of Directors. Amendments to this Policy are made on the basis of decisions of the Company's Board of Directors.

### 1.1. Key provisions of investment activity

The goal of the Company's investment policy is to increase economic efficiency of the organization's activity.

The Company is fully liable for the results of its investment activity and execution of decisions of managerial bodies.

Investments are carried out in accordance with the set strategic goals of the Company.

Investment must have economic and strategic grounds and must be designed in the form of investment projects according to which the decision on the viability on the basis of calculation of economic parameters of projects' efficiency, checking the coincidences with strategic goals determined by the Development strategy can be made. In order to ensure the efficient management of the Company's investment activity, a long-term investment planning is carried out within the framework of which similar and interdependent investment projects can be grouped into target investment programs and subprograms.

Investments are all kinds of property (except the commodities for personal consumption) including subjects of financial leasing from the moment of the leasing contract conclusion as well as rights for them invested by investors to authorized capital of a legal entity applied for business activity and for the implementation of the public-private partnership project including concession project.

Investors are natural or legal persons carrying out investments in the Republic of Kazakhstan.

Activities of natural and legal persons for the participation in the authorized capital of commercial organizations or for the creation and increase of fixed assets applied for business activity as well as for the implementation of the public-private partnership including concession project is considered as investment activities.

Significant investor is a natural and legal person carrying out investments in the Republic of Kazakhstan in the amount not less than two million of monthly calculation index.

## **1.2. Goals of Investment policy**

The goal of this Policy is to raise efficiency and transparency of the Company's investment activity.

Achievement of this goal is carried out through:

1. Formulization for the Company of a single determination of investments, investment activity and investment projects;
2. Determination of mechanisms, list and requirements to investment indices applied in assessing investment projects as well as the main provisions of monitoring and control of the Company's investment activity;
3. Creating common methodological basis to carry out investment activity in the Company.

## **1.3. The main principles of investment policy**

Investment activity is regulated by the unified investment principle according to which the earning capacity of the Company must be higher than the required earning capacity norm. Also, in its investment activity, the Company must be committed to the following key principles:

- 1) Integration of strategic goals into the process of making investment decisions;
- 2) Use of investment evaluation instruments when making investment decisions;
- 3) Balance of budget control and degree of managerial freedom of leaders liable for the result of investment activity.

Investment decisions are closely connected with other key processes, and in this connection, when planning, holding and control of investment activity, requirements and approaches included into other documents of the Company, are taken into account.

### **1.3.1. Long-term planning of the Company's investment policy.**

Taking into account the effect of investments for a long-term development and company's cost, the Company must carry out long-term planning of investment activity based on the principles of economic efficiency and viability of investments as well as their compliance with long-term goals. Planning of investment activity is carried out through working out and approving the Development strategy and Development plan of the Company particularly in investment activity (hereinafter – Development plan).

The Development strategy establishes key directions of activity and goal efficiency rates that the Company plans to achieve in a long-term perspective. In turn, the Development plan is a plan of financial and economic activities aimed at achieving strategic goals and objectives.

The Development plan is an internal document of the Company that is worked out for the period of 5 years and approved by the Authorized body of the Company. Capital investment plan is an indispensable part of the Development plan establishing:

- acquisition of the main assets;
- acquisition of intangible assets;
- structure of the Capital investment plan by types of projects established by this Policy.

The Development plan is formed on a rolling basis where the information on the Capital investment plan is corrected annually. Following the results of a year, the results of achieving the goals set in the Development plan are assessed submitting conclusions on efficiency of investment activity to the consideration of the Company's Board of Directors.

Assessment of the efficiency of the Company's investment activity is carried out by analyzing contribution of each project (if there are projects) and comparing planned meanings of the Development plan and actual data for a report period in the following indices:

- terms of investment projects implementation;
- volume of capital expenditures for each project.

### 1.3.2. Common approaches of implementing investment activity

For the convenience of analyzing investment projects and ensuring transparency of directions of expending the Company's assets, all the projects must be classified. The structure of the Capital investment plan will allow identifying reference points of further activities and stages of the Company's development.

The Company must conduct a consequent consideration of projects and make appropriate investment decisions depending on the stage of the project's life cycle.

When determining the efficiency rates of investment projects, the Company applies common approaches to their calculation. The key basis for making a decision on implementing an investment project is to ensure:

- earning capacity higher than the required earning capacity for own fund of the Company;
- improving the quality of services provided.

Making investment decisions and defining key indices of a project are held in accordance with the unified standards of forming accompanying documents.

### 1.3.3. Mechanisms for supporting investment activity

In order to assist the Government of the Republic of Kazakhstan to implement the objectives for the economic development of the Republic of Kazakhstan within the framework of its investment activity, the Company lends support for enterprises of the Republic of Kazakhstan as well as for private sector companies. Herewith, support for initiatives of private sectors to create competitive commodities and services can be proved by the Company also through participating in joint investment projects with companies of private sector.

Here, the Company's participation in joint projects is held by participating in the authorized capital of legal entities created and acting.

When carrying out investment in joint projects, the projects with participation of strategic investors are preferable that have advanced experience to carry out technical and technological part of the project.

Attraction of foreign investments is provided which includes:

- searching and holding negotiations with prospective foreign investors in order to attract them to participate in implementing innovation projects;
- attracting subjects of innovation activity to participate in business forums, conferences and seminars on investment;
- distribution of information on innovation projects in foreign media through foreign establishments of the Republic of Kazakhstan as well as through foreign diplomatic and equated to them representational offices and consular offices in the Republic of Kazakhstan.

Addition to the requirement to ensure reimbursement of investments and stimulation of the development of regional economics, sector of small and medium business, increase in the population's employment and the number of workplaces in the Republic of Kazakhstan is the main objective of joint projects of private initiative.

### 1.3.4. Investment of free fund of JSC "Astana medical university" in implementing projects.



Having temporary free fund, the Company can invest this fund in the projects in form of debt financing under terms of urgency, availability for a price and reimbursement.

The main objective of this kind of investing is increase in profitability of the Company on the balance of temporary free fund as well as reduction of the term of the beginning of financing investment expenses of projects.

The Board of directors can recommend the use of free fund of the Company. The decision to use temporary free fund as the source of financing the project for organizing credit process in the Company is made by the Board of the Company.

#### 1.3.5. Interaction with the Government of the Republic of Kazakhstan on investment activity

The Company's investment activity must contribute to the increase in their long-term cost. Within this objective, the Company's investment activity is aimed at assisting the Government of the Republic of Kazakhstan implement the objectives on diversification and modernization of the National economy. Separate investment projects having strategic importance are initiated by the Government of the Republic of Kazakhstan through the State program for the stepped-up industrial and innovative development of the Republic of Kazakhstan for 2016-2020 years, as well as sectorial programs and other documents.

The interaction of the Company with the Government of the Republic of Kazakhstan is carried out through the Ministry of Healthcare and Social development of the Republic of Kazakhstan and other authorized bodies.

The Company independently implements the projects initiated by the Government of the Republic of Kazakhstan on the condition that they provide the profitability required. The implementation by the Company of socially significant and (or) industrial-innovative projects initiated by the Government of the Republic of Kazakhstan and which are marginally profitable is carried out by providing full or partial budget financing and (or) state guarantees on non-state loans in the order and terms stipulated by the budget legislation of the Republic of Kazakhstan.

Participation of the state in financing and implementing marginally profitable investment projects, first of all, must be considered within the framework of available mechanisms of public-private partnership (hereinafter - SPP) as well as through the concession contracts, operating lease, providing state subsidies, loans, guarantees and other mechanisms.

When selecting SPP mechanisms, acting legislation requirements as well as a possibility of co-financing by the state and allocation of risks between the Company and state are taken into account. In the event of significant limits in budget legislation and

measures of governmental support needed for the implementation of investment projects within the framework of SPP, long-term loan-based financing and/or inflow into authorized capital of the Company from the state budget can be used.

## INVESTMENT PROJECTS

### 2.1. Classification of investment projects

Investment projects must satisfy integrity criteria:

- All the acts and resources needed for achieving the set goals in the business plan and Investment memorandums must be included into one project;
- All the acts within one project must be interconnected.

Investment project includes all the capital contributions to create, buy and maintain the main objects and/or intangible assets of the project in working condition, to acquire a share of participation in the authorized capital of legal entities as well as capitalized expenses to create necessary infrastructure where it is needed in order to ensure further operating of the project's results. The Company classifies investment projects by types of strategic priorities depending on the nature of changes stipulated in the project and in the field of using project's results.

**Acquisition projects (M&A projects)** – the projects aimed at expanding fields of activity, growth through transactions of mergers, acquisitions and changes of shares of participation in the authorized capital of the Company and other legal entities.

**Organic development projects** – the projects aimed at achieving the Company's strategic goals but not stipulating merger transactions. The projects aimed at raising the Company's cost by expanding the activity in a particular field in comparison with the current condition (new products, new regions). The projects for modernization or output expansion the main goal of which is to raise capacity and economic efficiency or to reduce production costs.

**Production localization projects** are the projects implemented by the Company as well as by private partners for creating, expanding and/or modernizing productions aimed at satisfying the Company's demand.

**Reparation projects** – the projects aimed at minimizing risks connected with coming out of action or breakdowns, keeping assets and production capacities and infrastructure objects in good working order as well as keeping the activity in a particular field on the current level (not an extension of capacities).

**The projects aimed at reserving the right of conducting an activity (license to operate, LTO)** – the projects aimed satisfying external requirements (regulator's requirements) without implementation of which revocation of license or other rights for conducting activity of the considered production of a company is possible

**Social projects** – non-core projects with social significance which are not commercially effective.

Being guided in investment activity by normal documents of the Company in the Capital investment plan, strategic projects are singled out. Investment projects are recognized as strategic projects by the Board of Directors of the Company in accordance with the approved criteria of the strategic project.

## **2.2. Stages of investment project**

### **2.2.1. Description of stages of project life cycle**

The life cycle of investment projects consists of several stages which can be shortly presented in the following way:

1. **Evaluation** – consideration of the possibility of implementing the project, of its preliminary economic viability and commitment to the Company's strategy; projects are selected according to their performance potentiality.

The stage of Evaluation begins from submitting an investment application by the Project's initiator and ends with the decision on necessity to work out preliminary business plan or to conduct preliminary evaluation (for M&A projects), as well as the decision to work out Investment memorandum on strategic investment projects. Investment memorandum is compiled on the basis of preliminary technical and economic feasibility (TEF).

2. **Selection** is a search for alternatives for the project implementation; choose of a preferable version in compliance with the project goals; choose of a way to implement the project.

The stage of Selection ends with confirmation of the project's parameters according to the preliminary business plan by the Project administrator or confirmation of the preliminary project results (for M&A projects) and with making a decision to work out TEF (if applicable) or conducting comprehensive examination (for M&A projects).

3. **Determination** is a final determination of a level or content of the work, source of financing, technological solutions, expenses and schedule of work on the project and full economic analysis of the project.

The stage of Determination ends with confirming TEF results (if applicable) or comprehensive examination (for M&A projects) by the Approving body and with making decisions on launching the project.

4. **Implementation** is the process of creating and putting production assets into operation in accordance with the approved TEF (if applicable) or conducting negotiations or closing a deal (for M&A projects).

The stage of Implementation starts with preparatory works and designing necessary documents for conducting works on investment part of the project and ends with putting a key object on the project into operation and completing the deal (for M&A projects).

5. Exploitation is the achievement of business goals during asset life. On this stage “Post-project evaluation” (comparison of current results of financial or economic activities with planned and placed ones in the previous stages as well as assessment of the possibility to affect achievements of the efficiency rates of the Development plan) is carried out.

The stage of Exploitation starts since the moment of putting the key object of the project into operation and ends with full power ascension and recoument of the project.

6. Training is the process of conducting retrospective analysis of real key indices of projects through checking them for the compliance with the plan indices in order to gain, share experience and train in the project implementation results.

The moments of starting and ending the implementation of the stage of Training are set by the Company for each project in individual order.

Making investment decisions on all the stages of investment project must be preliminarily approved by the Project administrator and are approved on the stage of Determination by appropriate Approving body of the Company before getting financing and resources for the implementation of the next stage of the project.

### 2.2.2. Persons responsible for the implementation of investment projects

Curator for the coordination of implementing this project is appointed for each investment project by appropriate internal local act of the Company.

Curator takes personal responsibility before the Company’s bodies for providing timely, target and effective completion of investment projects that is reflected through appropriate key indices of the activity (actual level of execution, timely implementation in the fixed terms, NPV and PI efficiency rates). Curator is the person presenting the project results.

Curator is responsible for working out goals and objectives of the project and carrying out other measures to implement the project.

### 2.2.3. Requirements for the switch to next stages

The Company gradually makes investment decisions after each stage of investment projects and approves the following stages after ending the previous ones.

In the beginning of investment project, Project administrator compiles plan-schedule of measures indicating the volume of financing and other resources needed to implement the project.

After the end of measures, Project administrator conducts compulsory evaluation and analysis of results on the ground of which he gives recommendations concerning the decisions on continuing, correcting or completing the project.

## **2.3. Principles for making decisions on implementing investment projects**

### 2.3.1. The main principles for evaluating investment projects

In order to ensure correctness of comparing and objectivity of making investment decisions on projects, the Company follows generally accepted principles for evaluating investment projects:

1. Uses unified methodological approaches to conduct financial and economic analysis (the ways of calculating different indices, scenario approach to prerequisites on the values of external parameters);
2. Uses unified input external parameters (unified external prerequisites, macroeconomic and sectoral scenarios and others) for all projects of the Company.
3. Uses unified methodological approaches to define parameters for assessing the efficiency of projects (CoE, premiums on profitability for specific risks and others) as well as those approaches established by the Company and types of projects stipulated by this Policy.
4. When working out business plans and TEF, generally accepted approaches to define alternatives for the implementation of projects must be executed including but not being limited in this directions:
  - Technological solutions;
  - Sources for financing the projects (including possibilities to lease equipment);
  - Project's scale;
  - Stage-by-stage approach of the implementation.

### 2.3.2. Investment indices to evaluate investment projects taking into account the project's type

Investment indices applied as the criteria for the selection of projects on the Evaluation, Selection and Determination stages are established for all projects depending on their types.

The indices are presented in Table 1 on the basis of peculiarities of each investment projects' type.

Table 1

**Criteria for the selection of investment projects**

<b>Project's type</b>	<b>Selection criteria</b>
Acquisition projects	NPV, IRR, PI, synergy with the Company's assets
Organic development projects	NPV, IRR, PI, DPP
Production localization projects	NPV, IRR, DPP, PI, synergy with the Company's assets
Reparation projects	Estimation of NPV in comparison with the expected feasible losses on the basis of forecasts of a missed profit or wastes, reduction of operational expenses, acceptance of additional income
The projects aimed at reserving the right of conducting an activity	Meeting necessary requirements with minimum costs Assessing of an alternative to end the business
Social projects	Meeting necessary requirements with minimum costs Analyzing the opportunity to receive an economic efficiency from the Company's adjacent projects

The following approaches to estimate the indices mentioned above are used for the goals of this Policy of the Company:

Net Present Values (NPV) is a net cash flow for possessors of own capital on the project discounted at an appropriate rate of required profitability for the own capital on the project.

Profitability index (PI) is accounted as one plus the ratio of "Net present value" and "Present value of all Investments" (including non-capital investments).

Internal rate of return (IRR) is a rate of discounting reflected in percent where Net present value is equal to zero.

Discounted pay-back period (DPP) is a time period denominated in years since carrying out first investments till the moment when accumulated discounted net cash flow (accumulated positive cash flow with the deduction of accumulated investments) becomes positive.

**2.3.3. Analysis and control of risks of investment projects**

When implementing projects in future, the company must carry out a systematic control and analysis of risks in order to reduce risks and expenses connected with them.

All the identified risks are reflected in the register and map of risks to accumulate appropriate knowledge and experience.

The risk register must reflect the following parameters of risks:

1. Description, causes of occurrence and possible consequences of the implementation of risks;
2. Ranking of each identified risks obtained by assessing the degree of influence and possibility of occurrence of a risk according to the analysis of sensibility and expert assessment;
3. Subdivision-risk owner according to the responsibility for the management of each risk indicated in the risk map. Subdivisions-risk owners are determined on the basis of actual presence of a risk or centralization of managerial functions concerning the processes exposed to risks.
4. The offered measures for responding risks and possible reduction of their influence on the successful implementation of the project.

The risk map allows to assess the relative significance of each risk (in comparison with other risks), as well as to determine more critical risks requiring to work out measures for managing them.

The risk map must be compiled for all the investment projects implemented and must be renewed on each stage of the project's life.

#### 2.4. The documents supporting investment decisions

The main documents needed for making investment decisions are:

- Business plan;
- Investment memorandum (for the stage of Determination);
- Additional investment memorandum;
- Report on the project monitoring;
- Report on the project closure.

**Business plan** is the document applied to make investment decisions on investment projects which do not correspond to the criteria of the strategic project.

The decision to approve investment projects is made in accordance with the Company's local acts.

Investment memorandum (IM) is the main document applied to take decisions on strategic investment projects and prepared by the Project administrator for the stage of Determination. The main goal of IM is to prove the economic viability, volume and terms for carrying investment project and to establish the expected results of the project and to approve the right (mandate) to get necessary financing and resources for the implementation of the project. Investment memorandum also contains the data on the project critical risks.

The decision to approve the project's IM is made by appropriate Approving body after preliminary acceptance by the Project administrator.

After approving IM, the content of the document is not subject to be amended and hereafter it serves as the basis to determine the efficiency of implementing the project's stage by comparing actual values with planned values indicated in the IM.

**Additional IM** is designed to get agreement of appropriate Approving body for the allocation of additional financing or change of the terms of implementing the project in cases when any refusal of these indices in comparison with approved indices in IM is expected.

Additional IM must be approved before allocating additional money or increasing the implementation terms. The documents for adoption of the project must set out the causes for changes (changes in the timetable, budget, work amount, technology, macroeconomic conditions, requirements of state bodies and etc.) and impact on results of the project in comparison with primarily adopted version in the IM. The analysis must include description of both controlled and non-controlled factors that led to changes as well as lessons learned and measures to prevent repetition of situations for future.

**Report on the project monitoring** is the document designed within framework of the project on the execution of the Company's Development plan containing also information on the presence or lack of deviations of actual indices of the project from planned, approved indices in appropriate IM with the indication of causes of current deviations, the measure taken to manage critical risks on the project as well as expert conclusion of appropriate Working body on the extent of impact of these deviations on the viability to keep implementing the project.

Report on the project closure is the document containing the information on the planned and actual efficient rates of the project (terms of implementing the project, data on achieving the planned results of financial and economic activities on the stage of Exploitation and etc.) as well as in the event of existing significant deviations from the implementation terms and primarily approved volume of the project financing, the reasons of such deviations, data on other decisions taken within the framework of implementing this project and additional comments on the course of implementing the project.

## **2.5. Monitoring of investment projects**

Monitoring is accumulation, analysis and presentation of the information on implementing the project in comparison with the plan set out in the approved IM of the project stage. Monitoring of investment projects is carried out for the following goals:



- Provision of control of expenditures for the project and its efficiency in accordance with the adopted timetable for executing the work and financing;
  - Determination of situations requiring taking corrective measures and decisions for further implementation of the project (on the basis of Additional IM);
  - Analysis of the results of implementing the projects to learn lessons and work out recommendation for increasing the economic efficiency of separate projects and types of projects;
- Practicing the knowledge base on the implementation of different types of projects to increase the quality of planning parameters in future.

### 2.5.1. The main provisions of monitoring

All investment projects are subject to necessary monitoring by appropriate Working body in order to determine operatively corrective measures as well as to acquire experience.

Monitoring of projects to correct operatively the course of the project is carried out since the moment of the end of the Selection stage and till the moment of:

- Receiving the act on putting into operation and investment power ascension for organic development projects;
- Putting appropriate object in operation for social objects, LTO and reparation objects.

The period of monitoring M&A projects depends on characteristics of specific transactions and is established in each case by appropriate Approving body.

When achieving the indicated events, appropriate Approving body of investment activity makes the decision to stop the monitoring or its further implementation indicating the duration of monitoring and periodicity.

Compulsory indices for the monitoring on quarterly basis are:

- Estimation of the project's cost (capital expenses and non-capital investments) as on the reporting date;
- Estimated date of putting the main project object into operation.

Compulsory indices for the monitoring of strategic projects (except social projects) on a yearly basis are indices of the efficiency of implementing investment projects such as NPV, PI, IRR, and DPP. At the request of the Approving body, other indices of the efficiency of implementing investment projects can be added. Herewith, these indices must be recalculated taking into account the following requirements:

- Zero period of the estimation of the project's cash flows starts since taking a decision on the switch to the stage of Implementation;

- Actual data (capital expenses on the stage of Implementation and indices of operational activity on the stage of Exploitation) for the reporting period are included into the estimation of cash flows.
- Projection data after the reporting period must be reassessed taking into account actual data of the reporting period as well as changes of external and internal factors that influence the project;
- Variable rate of discounting is used that reflects changes of conditions in each actual period as well as current rate of discounting for the date of monitoring forecast cash flows.

#### 2.5.2. Requirements for analyzing deviations of actual values from values planned

Reporting on the monitoring must contain the analysis of deviations of actual values from the values planned, indicated in the business plan or IM. The Working body analyses the reasons of these deviations or acts of persons who were responsible for the execution of appropriate tasks if the actual indices are different from the indices planned:

- For more than 5 (five) percent according to the annual plan of the project;
- For more than 20 (twenty) percent according to the index “estimated date of putting the main project object into operation”.

The Working body is entitled with appropriate powers for requiring necessary information to determine reasons and outcomes of the deviations which took place.

The Company has the right to use in its discretion the incomes from its activities, after taxpaying or other compulsory payments to the budget in accordance with the legislation of the Republic of Kazakhstan.

The Working body has the right to initiate the preparation of the Additional IM for the submission to Approving body; if from the analysis of reasons and consequences of deviations, one or more of these conditions are executed:

1. The necessity of significant extension of terms of implementing particular stage or the project as a whole.
2. There is the necessity to allocate additional finances or to ensure financial guarantees to continue implementing the project;
3. There is a negative impact on the investment indices of projects, except social projects (supposed NPV for profitable projects is becoming lower than zero and IRR is becoming lower than the rates of discounting the projects).

From the analysis of reasons and consequences of deviations as well as consideration of the project of Additional IM, corresponding Approving body makes the

decision on the viability of keeping, pausing, speeding up or cancellation of implementing the investment project.

If appropriate Approving body takes the decision to refuse further implementation of the project, the Company prepares ground on the deduction of expenses and wastes connected with the project in a written form. Primary prepositions on the efficiency and realizability of the project and the reasons of refusal of its further implementation are reflected in this ground in detail.

Monitoring also allows optimizing in a prompt manner the investment Plan of capital commitments of the Company and contributes to the redistribution of uncommitted funds and resources. The offer to redistribute funds between investment projects is accepted by appropriate Approving body.

### 2.5.3. Requirements for conducting retrospective analysis, statistic data bases, training based on projects having been implemented

The Company conducts a retrospective analysis of key indices of the project and maintains statistic bases beginning from the stage of Determination in order to determine the main reasons of mistakes, deviations of actual values of indices from the indices planned, indicated in IM as well as to acquire the experience of solving non-routine tasks occurred during the implementation of the project.

In view of the results of projects implemented by the Company, diffusion of knowledge and exchange of experience between the workers participating in carrying out investment activity in order to increase its efficiency and to avoid these errors in implementing of future projects are conducted.