

Report of the Board of Directors

During its operations in 2017, the Board of Directors consistently carried out the main tasks within its priority areas of activity:

- » strategic development;
- » improving the Company's investment appeal;
- » financial and operational activities;
- » improving the effectiveness and transparency of the Company's governance mechanisms;
- » improving the oversight and reporting system of the Company's management bodies.

In 2017, the Board of Directors considered 119 issues, including 74 issues previously recommended for review by Board committees.

Structure of the issues reviewed, by key areas, %

Type of issue	2017
Strategic development	38
Risk management	17
Internal control and audit	13
Financial and operational activity	21
Governance and remuneration	12
Total	100

Remuneration of members of the Board of Directors

The procedure for remuneration and compensation payment to the members of our Board of Directors is determined by the Policy of Remuneration of the Board of Directors, developed in accordance with the current Laws of the Republic of Kazakhstan and our Charter and Corporate Governance Code.

Remuneration is not paid to the members of the Board of Directors nominated on behalf of shareholders. Independent Directors are remunerated, and the amount of remuneration is determined at the General Meeting of Shareholders, based on the recommendations of the Board of Directors and the Nomination and Remuneration Committee.

The amount to be paid to the executive body is also determined at the General Meeting of Shareholders, based on the recommendations of the Nomination and Remuneration Committee.

Independent Directors are paid:

- » An annual fixed remuneration, for participation in sessions of the Board of Directors
- » Additional remuneration for participation in sessions of the Committees of the Board of Directors may be paid
- » Compensation of expenses associated with the performance of duties.

The amounts of annual fixed and additional remuneration, as well as compensation, are determined in accordance with the contract agreed with each independent director on the basis of a decision of the General Meeting of Shareholders.

In 2017, the total remuneration paid to independent directors was USD 88,359 including taxes.

In 2017, the Board of Directors considered the following major issues:

Strategic development

- » Consideration of a report on the implementation of major investment projects by the Company
- » Consideration of a report on the implementation of the Company's development strategy
- » Consideration of an update to the status of development of the Company's strategic plan for 2017-2026 and the Company's business plan for 2017-2021
- » Preliminary approval of the Company's strategic plan for 2017-2026
- » Preliminary approval of the business plan for 2017-2021 and budget for 2018
- » Consideration of the issue of the Company's participation in major investment projects (air cargo transportation)
- » Proposal of an operating lease for five E190-E2s, three Airbus A321 NEO FBs;
- » Proposal of a sale and leaseback transaction for one Embraer 190

Financial and operational activities

- » Consideration of reports on the results of the Company's financial and operational activities (implementation of the budget and development plan)
- » Review of the annual report of the President on financial and operational activities for 2016
- » Reports on corporate social responsibility
- » Proposals to the Company's Annual General Meeting of Shareholders on the Company's net income distribution for 2016 and the dividend amount per ordinary share for 2016
- » Review of the issue of adopting a different functional currency
- » Decisions on the conclusion of material transactions
- » Making a decision on the establishment of a branch office in Poland
- » Consideration of the Health, Safety and Environmental Protection report
- » Reports on the placement of temporarily free funds and quarterly reports on the status of deposits

Risk management

- » Consideration of our Company's safety reports
- » Review of a report on the Company's realised risks
- » Approval of an updated Company risk register, key risks register and risk map for H1 and H2 2017
- » Approval of the Company's risk appetite

Internal control and audit

- » Consideration of a report on the assessment of the effectiveness of our internal control system
- » Approval of an action plan for implementation of the Internal Audit Service's strategic plan for 2018-2020
- » Consideration of the annual report for 2016 and 2017 quarterly reports on the activities of the Internal Audit Service
- » Quarterly evaluations of the performance of the Internal Audit Service
- » Approval of the Internal Audit Service's annual audit plan for 2018

Governance and remuneration

- » Consideration of reports on the activities of the Board of Directors and of Board committees in 2016
- » Determination of the annual remuneration (annual bonus) for the Corporate Secretary, Chief Accountant, Head and employees of the Internal Audit Service based on 2016 results
- » Approval of our Labour Remuneration Regulations;
- » Approval of the annual bonus plan for our top management starting from 2018
- » Determination of the job description and remuneration for our Chief Accountant
- » Consideration of a proposal on the terms of remuneration for the Company President
- » Preliminary decisions on the establishment of the Treasury Committee and preliminary approval of the Regulations on the Treasury Committee
- » Making preliminary decisions on the composition and terms of office of the Board's Nomination and Remuneration Committee, Strategic Planning Committee, Audit Committee, Treasury Committee and Corporate Social Responsibility Committee
- » Consideration of the issue of changes in the composition of the Board of Directors and the introduction of relevant amendments to the Charter