

## Kazakhstan Potash Corporation Limited - Corporate Governance Statement

For the year ended 31 December 2017

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of Directors is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of Kazakhstan Potash Corporation Limited ("KPC" or the 'Company').

This Corporate Governance Statement ("Statement") outlines the key aspects of KPC's governance framework and main governance practices. The Company's charters, policies, and procedures are regularly reviewed and updated to comply with law and best practice. These charters and policies can be viewed on KPC's website located at [www.kazakhpotash.com](http://www.kazakhpotash.com).

This Corporate Governance Statement of KPC has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') and is included in the company's Annual Report pursuant to ASX Listing Rule 4.10.3. The Board has adopted the best practice recommendations as outlined by the Council to the extent that is deemed appropriate considering the current size and operations of the Company. Therefore, where the Board considers that the cost of implementing a recommendation outweighs any potential benefits, those recommendations have not been adopted.

The company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in our Annual Report, is contained on our website at [www.kazakhpotash.com](http://www.kazakhpotash.com). Both this Corporate Governance Statement and the ASX Appendix 4G have been lodged with the ASX.

This Statement was approved by the Board of Directors and is current as at 24 May 2017

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

### Principle 1 – Lay solid foundations for management and oversight

**Recommendation 1.1: A listed entity should disclose:**

**the respective roles and responsibilities of its Board and management; and those matters expressly reserved to the Board and those delegated to the management.**

The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director in conjunction with the Chief Executive Officer is responsible to the Board for the day-to-day management of the Company. The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Appointment, evaluation and, if necessary, removal of the Managing Director, Chief Executive Officer, any other executive directors, the Company Secretary and the Chief Financial Officer and approval of their remuneration;
- Determining, in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Managing Director in conjunction with the Chief Executive Officer to allow the business to be managed efficiently;
- Approval of remuneration methodologies and systems;

- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management including the implementation of strategy and ensuring appropriate resources are available;
- Overseeing the management of business risks, safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- Assuring itself that appropriate audit arrangements are in place in relation to the Company's financial affairs;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
  - Code of Conduct;
  - Continuous Disclosure Policy;
  - Diversity Policy;
  - Performance Evaluation Policy;
  - Procedures for Selection and Appointment of Directors;
  - Remuneration Policy;
  - Risk Management and Internal Compliance and Control Policy;
  - Securities Trading Policy; and
  - Shareholder Communications Policy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Managing Director in conjunction with the Chief Executive Officer responsibility for the management and operation of KPC. The Managing Director in conjunction with the Chief Executive Officer are responsible for the day-to-day operations, financial performance and administration of KPC within the powers authorised to him from time-to-time by the Board. The Managing Director in conjunction with the Chief Executive Officer may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

The Board has not formally constituted a nomination committee or remuneration committee. The whole Board conducts the functions of a nomination committee and remuneration committee. Further details of Board responsibilities, objectives and structure are set out in the Board Charter on its website.

<p><b>Recommendation 1.2: A listed entity should:</b></p> <p><b>undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director; and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Directors.</b></p>	<p>The Board undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director.</p> <p>The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election. In conserving the overall Board balance, the Board will give due consideration to the value of a diversity of backgrounds and experience of members.</p> <p>The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment. In its evaluation of candidates for the directorship, the Board will have regards to normally accepted nomination criteria, including:</p> <ul style="list-style-type: none"> <li>• Honesty and integrity</li> <li>• The ability to exercise sound business judgement</li> <li>• Appropriate experience and professional qualifications</li> <li>• Absence of conflict of interest or other legal impediment to severing on the Board</li> <li>• Willingness to devote the require time and</li> <li>• Ability to attend Board and committee meetings</li> </ul>
<p><b>Recommendation 1.3: A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.</b></p>	<p>The Company maintains written agreements with each Director and senior executive. The written agreements outline all relevant roles and obligations. Further, Directors and senior executives are provided with all other information they may require to fulfil their obligations and duties.</p>
<p><b>Recommendation 1.4: The Company Secretary of a listed entity should be accountable directly to the Board, through Chairman, on all matters to do with the proper functioning of the Board.</b></p>	<p>The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary is accountable to the Board, through the Chairman and is responsible for the following:</p> <ul style="list-style-type: none"> <li>• Advising the Board and its Committees on governance matters;</li> <li>• Monitoring that Board and Committee policies and procedures are followed;</li> <li>• Coordinating the timely completion of Board and Committee papers;</li> <li>• Communication with regulatory bodies and the ASX and statutory and other filings;</li> <li>• Ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and</li> <li>• Helping to organise and facilitate the induction and professional development of Directors.</li> </ul>
<p><b>Recommendation 1.5 A listed entity should:</b></p> <p><b>have a diversity policy which includes requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; disclose that policy or a summary of it;</b></p>	<p>The Company has a diversity policy which requires the Board to set measurable objectives for achieving for achieving gender diversity and to assess the objectives of the Company's progress towards achieving them on an annual basis. The policy aims to provide a work environment where employees have equal access to career opportunities, training and benefits.</p> <p>It also aims to ensure that employees are treated with fairness and respect, and are not judged by unlawful or irrelevant reference to gender, age, ethnicity, race, cultural background, disability,</p>

and disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them and the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation.

religion, sexual orientation or caring responsibilities. This commitment enables the Company to attract and retain employees with the best skills and abilities.

The respective proportion of women and men in the Company including its subsidiaries ('consolidated entity') as at 31 December 2017 are as follows:

	Proportion of Women %	Proportion of Men %
On the Board	25%	75%
In Senior Executive Position	17%	83%
Across the Whole Organisation	33%	67%

**Recommendation 1.6: A listed entity should:**

**have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Company's Diversity Policy is available on its website.

On an annual basis, the Board conducts a review of its structure, composition and performance. The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- Identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairperson has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

The Board conducts an annual performance assessment of the Managing Director against agreed key performance indicators. Given, the size of the Board and the current level of operations of the Company, no formal appraisal of the Board was conducted during the financial year.

**Recommendation 1.7: A listed entity should:**

have and disclose a process for periodically evaluating the performance of its senior executives; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board has the role of the Remuneration Committee where the performance of its senior executives is discussed and resolved by the Board. A performance evaluation was undertaken during this reporting period as part of the Company’s annual review process.

**Principle 2: Structure the Board to add value**

**Recommendation 2.1: The Board of a listed entity should:**

have a nomination committee or if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board does not have a separate Nomination Committee and assumes that role as it does with the role of Remuneration Committee when required.

**Recommendation 2.2: A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.**

Information relating to the Directors of the Company is detailed in the Directors’ report section of the Company Annual report. The Company does not have an established Board skills matrix on the mix of skills and diversity for Board membership.

The Board continues to monitor the mix of skills and diversity on the Board. However, due to the size of the Company, the Board does not consider it appropriate at this time to formally establish a matrix on the mix of skills and diversity for Board membership. When the need for a new director is identified, the Board considers the required skills, experience and competencies of candidates and the mix of skills of the existing directors.

**Recommendation 2.3: A listed entity should disclose:**

the names of the Directors considered by the Board to be independent Directors; if a Director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and the length of service of each Director.

Currently the Board was comprised of the following members:

- Madam Freada Cheung (Chairperson, Managing Director) – appointed 21 November 2011
- Mr Wei Jiafu (Chief Executive Officer, Executive Director)– appointed 11 November 2015
- Mr Grant Thomas (Executive Director, Chief Technical Officer)– appointed 16 March 2018
- Mr Lyu Xiaokang (Executive Director)– appointed 23 July 2014
- Mr Marco Marcou (Executive Director)– appointed 19 November 2011
- Mr Terence Wong (Executive Director)– appointed 23 February 2011
- Mr Edward Wen (Non- Executive Director)– appointed 19 November 2011 (Independent)

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process. Generally a list of potential candidates is identified based on these skills required and other issues such as geographic location and diversity criteria. Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities.

In addition, candidates are sought who have a proven track record in creating security holder value and the required time to commit to the position.

**Recommendation 2.4: A majority of the Board of a listed entity should be independent Directors.**

The Board comprises one Non-Executive Director and six Executive Directors. KPC has adopted a definition of 'independence' for Directors that is consistent with the Recommendations. During the reporting period at least two Directors were considered independent. For much of the reporting period and as at the date of this report there was not a majority of independent Directors on the Board. As the size and resources available to the Company grow, additional independent Directors will be considered to add substance to the objective decision making of the Board.

**Recommendation 2.5: The chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.**

Madam Cheung is the Managing Director and Chairperson of the Board. Mr Wei Jiafu is employed as the CEO of the Company.

**Recommendation 2.6 A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.**

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern KPC. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review. The Company has an established induction procedure which allows new Board appointees to participate fully and actively in Board decision making at the earliest opportunity.

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of the appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work. An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Director effectively.

### **Principle 3: Act ethically and responsibly**

**Recommendation 3.1 A listed entity should:**

**have a code of conduct for its Directors, senior executives and employees; and disclose that code or a summary of it.**

The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company. All employees and Directors are expected to:

- act honestly, in good faith and in the best interests of the Company as a whole;
- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company

information, assets or facilities;

- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace
- and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

The Code of Conduct is available on the website.

#### Principle 4: Safeguard Integrity in corporate reporting

**Recommendations 4.1 The Board of a listed entity should:**

**have an audit committee; or if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.**

The Board has an Audit and Risk Committee. The Committee monitors internal control policies and procedures designed to safeguard Company assets and to maintain the integrity of financial reporting.

The Audit and Risk Committee during the year and subsequently comprised the following members:

Mr Marco Marcou (Appointed 1 May 2012); and  
Mr Edward Wen (Appointed 16 March 2018);

The relevant qualifications and background of the above are summarised on this website.

Part of the role of the Committee is to provide a direct link between the Board and the external auditors. It also provides the Board with additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in Financial Statements.

The functions and responsibilities of the Committee are set out in the Audit and Risk Committee Charter which is located on the website.

**Recommendation 4.2 The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.**

The Board has received certifications from a Director in connection with the financial statements for KPC in relation to relevant Reporting Periods. The certifications state that the declaration provided in accordance with Section 295A of the Corporations Act as to the integrity of the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

**Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.** The Company's external auditor, BDO, attends the Company's AGM and is available to answer questions from security holders relevant to the audit.

## **Principle 5: Make timely and balanced disclosure**

**Recommendation 5.1 A listed entity should:**  
**have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and disclose that policy or a summary of it.** The Company has a Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded. The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company. The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Chairperson, Managing Director and the Company Secretary are responsible for ensuring that:

Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and

Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

The Communications and Disclosure policy is located at the website.

## **Principle 6: Respect the rights of security holders**

**Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.** This website is regularly updated to ensure that investors are informed of relevant major developments affecting the affairs of the Company. Such information is communicated via the Company's website, the annual and half year reports, disclosure made to the ASX, notices of meetings and occasional letter to investors where appropriate. All investors are invited to contact the Company Secretary regarding any queries they may have.

**Recommendations 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.** The Company maintains information in relation to investor relations including its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the website.

**Recommendations 6.3 A listed entity should:**  
**disclose the policies and processes it has in place to facilitate and encourage** Security holders are encouraged by the Board to participate in the Annual General Meeting so as to promote transparency and accountability.



participation at meetings of security holders.

**Recommendations 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.**

Security holders are given the option to receive communication from, and send communications to, the Company and its security registry Computer Share, electronically.

## **Principle 7: Recognise and manage risk**

**Recommendation 7.1 The Board of a listed entity should:**

**have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent Director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.**

The Board has an Audit and Risk Committee. The members of the committee are detailed in Recommendation 4.1. The charter of the committee is located on the website. The Audit and Risk Committee in conjunction with the Board is responsible for ensuring there are adequate policies in relation to risk oversight, management, compliance and internal control systems, but recognises that no cost effective internal control system will preclude all errors and irregularities. The Company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Consolidated Entity's business objectives.

The Company's senior management are delegated with the tasks of management of operational risk and implementation of risk management strategies. The Company's risk management systems and control framework include the Audit and Risk Committee in conjunction with the Board's ongoing monitoring of management and operation performance, a comprehensive system of budgeting, forecasting and reporting to the Audit and Risk Committee in conjunction with the Board, regular presentations to the Audit and Risk Committee in conjunction with the Board by management of the management of risk, approval procedures for significant capital expenditure above threshold levels, comprehensive written policies on specific activities and corporate governance, regular communication between Directors on compliance and risk and consultation and review between the Audit and Risk Committee in conjunction with the Board and external accountants.

The Audit and Risk Committee in conjunction with the Board recognises that material risks facing the Consolidated Entity are the more significant areas of uncertainty or exposure to the Consolidated Entity that could adversely affect the achievement of the Consolidated Entity's objectives and successful implementation of its business strategies.

**Recommendation 7.3: A listed entity should disclose:**

**if it has an internal audit function, how the function is structured and what role it performs; or if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control**

The Company does not have an internal audit function. The Company's Audit and Risk Committee in conjunction with the Board is responsible for carrying out the processes that would be employed by an internal audit function and are detailed in the Audit and Risk Committee's Charter located on the website.

processes.

**Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.**

The Company does not have any exposure to economic, environmental and social sustainability risks to disclose during the 2017 reporting period.

## **Principle 8: Remunerate fairly and responsibly**

**Recommendations 8.1 The Board of a listed entity should:**

**have a remuneration committee; or if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

The Board as a whole fulfils to the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Policy located at the Company's website. KPC has implemented a Remuneration Policy which was designed to recognise the competitive environment within which KPC operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in KPC's performance.

The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of KPC.

**Recommendations 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.**

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the all Directors and senior management based on an annual review. KPC's executive remuneration policies and structures and details of remuneration paid to directors and senior managers are set out in the Remuneration Report.

**Recommendations 8.3: A listed entity which has an equity-based remuneration scheme should:**

**have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and disclose that policy or a summary of it.**

The use of derivatives or other hedging arrangements for unvested securities of the Company or vested securities of the Company which are subject to escrow arrangements are prohibited. Where a Director or other Senior Executive uses derivatives or other hedging arrangements over vested securities in the Company, this will be disclosed.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report of the Annual Report.