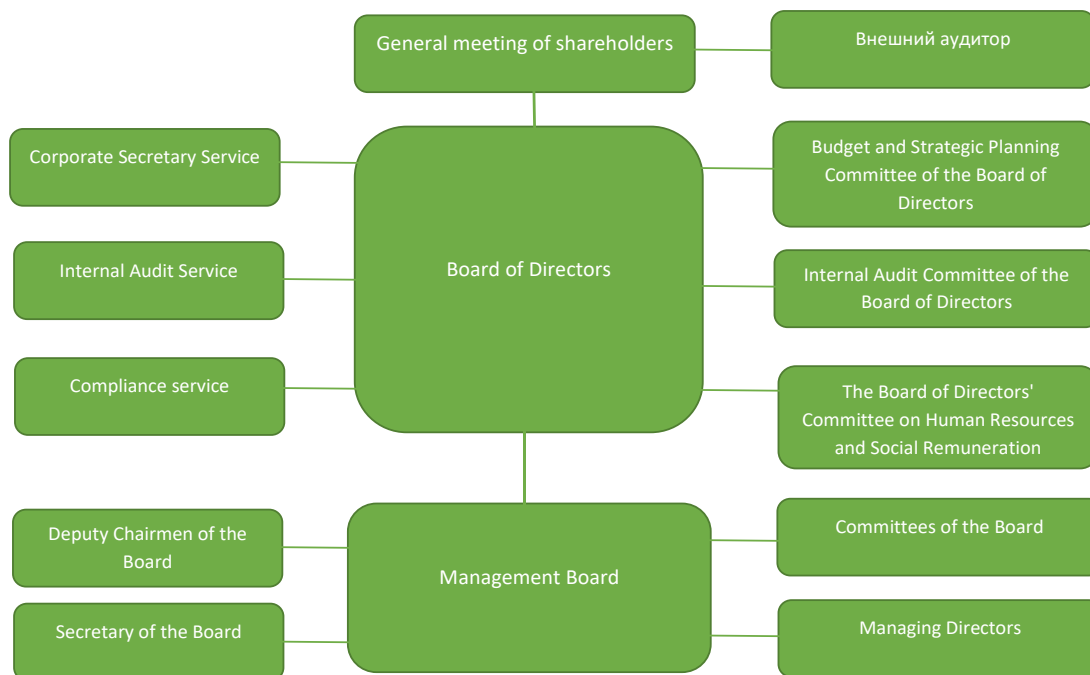


## Corporate governance structure



### I. General meeting of shareholders

The general meeting of shareholders is the supreme body. The competence of the general meeting of shareholders is defined by the Republic of Kazakhstan's Law "On Joint-Stock Companies" and the Exchange's [Charter](#).

KASE shareholders have the following rights:

- 1) participate in management of KASE by participating in general meetings of shareholders;
- 2) when owning individually or jointly with other shareholders five or more percent of the KASE's voting shares, propose to the Board of Directors to include additional issues into the agenda of the general meeting of KASE shareholders;
- 3) receive dividends in accordance with the Republic of Kazakhstan's Law "On Joint-Stock Companies" and the KASE's [Dividend Policy](#);
- 4) receive information about the KASE's activities, including review of the KASE's financial statements in the manner defined by the KASE's Charter;
- 5) receive statements from the central depository or nominee holder, confirming their ownership of KASE's common shares;
- 6) propose to the general meeting of KASE shareholders the candidates for election to the KASE's Board of Directors;
- 7) challenge in court the decisions taken by KASE bodies;
- 8) when owning individually or jointly with other shareholders five or more percent of the KASE's voting shares, apply to the courts on their own behalf in cases specified by the Republic of Kazakhstan's Law "On Joint-Stock Companies" with a demand for compensation to KASE by KASE officials for losses caused to KASE, and for return to KASE by KASE officials and/or their affiliates of the profit (income) received by them as a result of making decisions on concluding (proposing to conclude) major transactions and/or non-arm's length transactions;
- 9) submit written inquiries to KASE regarding its activities and receive reasoned responses within thirty calendar days from the date of KASE receiving the request;
- 10) and other rights in accordance with the Republic of Kazakhstan's Law "On Joint-Stock Companies".

**The shareholders' right to receive dividends** is exercised through participation in profits of the KASE Group. KASE Group means KASE and its subsidiary, KASE Clearing Center JSC, whose financial statements are consolidated with KASE's financial statements in accordance with the Republic of Kazakhstan's legislation. The KASE's main approaches to the issues of paying dividends on its shares, as well as the conditions and procedure for paying the KASE dividends are defined by the KASE's [Dividend Policy](#).

**Right to receive information** is exercised through receipt by KASE shareholders of the information on the KASE's activities as well as access to KASE documents in accordance with the Republic of Kazakhstan's legislation and the KASE's [Information Policy](#) located on the KASE's website.

A section "[For the Exchange Shareholders](#)" has been created on the KASE website and includes information on KASE's shareholder structure, information for shareholders, notifications for shareholders as well as publishes all KASE's corporate events, [financial statements](#), [annual and quarterly reports](#), including information on holding of general meetings of shareholders, decisions adopted at the general meeting of shareholders.

### **Share capital structure**

The Exchange's share capital structure is disclosed on the Exchange's website.

The Exchange's authorized capital is 4,189,030,500.81 tenge and is divided into 1,075,231 common shares.

The Exchange did not issue preferred shares.

State registration number of the issue: No. A1003 dated 12/20/2012.

ISIN code KZ1C10030019. The register of the Exchange shareholders is maintained by Central Securities Depository JSC.

## **II. Board of Directors**

### Personnel composition

The Board of Directors performs general management of the Exchange's activities, namely, it carries out strategic management of the Exchange, determines the basic principles and approaches to organizing the risk management and internal control system, monitors the activities of the Exchange's executive bodies and implements other key functions.

The Board of Directors is accountable to the General Meeting of Shareholders; members of the Board of Directors are elected by the General Meeting of Shareholders, and the powers of a member of the Board of Directors or the entire Board of Directors may be terminated by decision of the General Meeting of Shareholders. The exclusive competence of the Exchange's Board of Directors is defined by the legislation and the Charter and is delimited from the competence of other Exchange bodies that manage the Exchange's current activities.

Members of the Exchange's Board of Directors possess the professional knowledge, skills and experience necessary to effectively perform their functions, and also meet the business reputation requirements established by the Republic of Kazakhstan's Law "On the Securities Market".

The Exchange's Board of Directors includes an optimal number of independent directors, ensuring independence and objectivity of the adopted decisions. Of the 11 members of the Board of Directors, 5 are independent directors.

The Chairperson of the Board of Directors and persons entitled to replace the Chairperson of the Board of Directors in their absence are elected from among the members of the Board of Directors by a majority of the total number of their votes by open voting.

The composition of the Board of Directors and brief biographical details of its members are posted on the Exchange's website.

## **III. System of remuneration of members of the Board of Directors**

In accordance with subparagraph 5) of paragraph 1 of Article 36 of the Republic of Kazakhstan's Law "On Joint-Stock Companies" and subparagraph 8) of paragraph 2 of Article 15 of the Charter of Kazakhstan Stock Exchange JSC, the issue of determining the amount and conditions of payment of remuneration to members of the Board of Directors falls within the exclusive competence of the general meeting of the Exchange shareholders.

According to the Regulations on the Board of Directors, the amount of monthly remuneration of a member of the Board of Directors is set in the national currency (tenge), with taxes and mandatory deductions deducted from this amount in accordance with the Republic of Kazakhstan's legislation. The amount of monthly remuneration for members of the Board of Directors determined by the general meeting of the Exchange shareholders is established for the entire term of office of the Board of Directors, unless the general meeting of the Exchange shareholders makes a different decision.

Remuneration is not established and not paid to members of the Board of Directors who are representatives of the state bodies of the Republic of Kazakhstan or who are persons that cannot receive remuneration in accordance with the Republic of Kazakhstan's legislation.

When establishing the amount of monthly remuneration for a member of the Board of Directors, the general meeting of shareholders is guided by the Regulations on the Board of Directors, the recommendation of the Board of Directors, and also takes into account the expansion of the Exchange's scope of activities, in order to ensure competitiveness of the remuneration conditions for members of the Board of Directors, increase their motivation and retain the professional personnel, increase the scope of responsibility and successful achievement of the Exchange's strategic objectives.

Based on the said Regulations on the Board of Directors:

- after reviewing the results of the Exchange's activities for the reporting financial year, the general meeting of the Exchange shareholders may decide to pay members of the Board of Directors an annual bonus, determine its amount and distribute this bonus among the members of the Board of Directors;  
in this case, the amount of the annual bonus remuneration of any member of the Board of Directors must not exceed 85% of the total amount of monthly remuneration paid to this member of the Board of Directors for all months of the year for which the bonus is paid;
- the Board of Directors has the right, by its decision, to make a recommendation to the general meeting of the Exchange shareholders regarding distribution of annual bonus among the members of the Board of Directors;
- the annual bonus is not paid to members of the Board of Directors who in the reporting financial year participated in less than 50% of the meetings of the Board of Directors, absentee voting of members of the Board of Directors, meetings of committees of the Board of Directors, other standing committees and commissions of the Exchange, in which these members of the Board of Directors were involved;
- unless the general meeting of the Exchange shareholders makes a different decision, the annual bonus is distributed among the members of the Board of Directors in proportion to the amounts of monthly remuneration actually paid to them for the reporting financial year.

Information on the amount of remuneration of members of the Board of Directors is disclosed in [the Exchange's annual report](#).

#### **IV. Committees of the Board of Directors**

For the purpose of preliminary consideration and preparation of recommendations for the Board of Directors to make decisions on the most important issues, the committees have been formed under the Board of Directors.

The procedure for formation and operation of the committees of the Board of Directors, their objectives, competencies, compositions as well as the rights, duties and responsibility of the members of the Board of Directors' committees are defined by the [Regulations on the Committees of the Board of Directors](#).

##### **Budgeting and Strategic Planning Committee**

###### [Personnel composition](#)

The main objective of the Committee is to ensure effective and transparent management of the Exchange's financial resources in accordance with its strategic priorities and development goals, and to improve the operating efficiency of the Exchange and the KASE Group.

The Committee members are members of the Exchange's Board of Directors and experts having the necessary professional knowledge to work in a specific committee.

###### **Main objectives of the Committee:**

1. **Financial planning and control**  
Development, review and approval of budgets.  
Monitoring the budget execution.
2. **Strategic planning**  
Participation in the formation of a long-term development strategy.  
Monitoring the implementation of the development strategy.
3. **Analysis and evaluation of effectiveness**  
Evaluation of effectiveness of implementation of programs and projects.  
Making the decisions based on data analysis.
4. **Approval of the Exchange's internal documents related to the Committee's scope of activities**  
Rules of the Exchange according to the Republic of Kazakhstan's Law "On the Securities Market".  
Changes and/or additions to the Exchange's internal documents.

##### **Internal Audit Committee**

###### [Personnel composition](#)

The main objective of the Committee is to ensure effective control over the internal audit, internal control and risk management system as well as to promote the independence and objectivity of the internal audit functions, and compliance with anti-corruption standards and sanctions legislation.

The Internal Audit Committee consists only of members of the Board of Directors, the majority of whom are independent directors.

#### **Internal audit and control**

Review and approval of internal audit and Compliance Service's plans, followed by submission to the Board of Directors for review and approval.

Monitoring the implementation of recommendations of internal auditors.

Evaluation of effectiveness of internal control systems.

#### **Risk management**

Control over the risk management system, including operational, financial, legal, reputational, compliance and other risks.

Analysis of key risks and proposals for their mitigation.

#### **Accounting**

Monitors the accuracy of accounting, compliance with accounting policy and procedures, and analyzes changes that affect the reporting.

#### **Financial statements**

Oversees the preparation of statements, evaluates key assumptions and risks, approves the draft annual financial statements before submitting them to the Board of Directors.

#### **Conflicts of interest**

Analyzes potential and actual conflicts of interest, develops recommendations for their prevention and monitors compliance with the principles of ethics and independence

#### **External audit**

Recommends an external auditor, interacts with it following the audit results, analyzes the opinions and monitors the elimination of identified deficiencies.

### **The Board of Directors' Personnel, Remuneration and Social Issues Committee**

#### [Personnel composition](#)

The main objective of the Committee is to ensure an effective personnel policy, a fair and motivating remuneration system, as well as monitor the compliance with standards of business ethics, sustainable development, ensure the effective work of the Exchange's Board of Directors in resolving the issues related to appointment and remuneration of members of the Board of Directors, the Management Board of the Exchange and other employees accountable to the Board of Directors.

The Personnel, Remuneration and Social Issues Committee consists only of members of the Board of Directors; the Committee is chaired by an independent director.

#### **Personnel policy and appointments**

Review and approval of candidates for the Exchange's Management Board and for the services accountable to the Board of Directors.

Ensuring continuity of management.

#### **Remuneration system**

Development and monitoring of implementation of principles for remuneration of members of the Board of Directors, executive bodies and key employees.

Ensuring competitiveness and fairness of the remuneration systems, including long-term incentive programs.

#### **Management effectiveness evaluation**

Conducting regular evaluation of activities of the Exchange's Board of Directors and employees accountable to the Board of Directors.

In accordance with the Requirements for organizational structure of the trading organizer and composition of the listing commission of the stock exchange, as well as the Rules for activities of the trading organizer's structural unit supervising transactions in the trading system of the stock exchange, approved by resolution No. 249 of the Management Board of the National Bank of the Republic of Kazakhstan dated December 19, 2015, the Exchange has:

- **Listing Commission;**
- **the Board of Directors' Issuer Audit Committee.**

The procedure for formation and work of committees of the Board of Directors and commissions of the Exchange, their number, as well as their competences, functions and quantitative composition are governed by the Exchange's internal documents approved by the Board of Directors.

In accordance with the Procedure for resolving the disputes and conflicts arising in the process of transactions with financial instruments, approved by decision of the Board of Directors, **the Dispute and Conflict Resolution Commission** is in place.

## **Listing Commission**

### [Personnel composition](#)

The Listing Commission is the Exchange's permanent body which main objective according to the Republic of Kazakhstan's legislation is to consider and make decisions on issues of inclusion of securities into the Exchange's official list, transfer of securities from one category/market of the Exchange's official list to another, delisting of securities.

The composition of the Listing Commission, the terms of office of the Listing Commission members, the functions of the Listing Commission and the procedure for their implementation as well as the duties of the Listing Commission are regulated by [the Regulations on the Listing Commission](#).

## **The Board of Directors' Issuer Audit Committee**

### [Personnel composition](#)

The Committee is the Exchange's permanent body which main functions are:

inclusion of an audit firm in the list of audit firms recognized by the Exchange for the purposes of reviewing the financial statements of an issuer whose securities are included in the Exchange's official list or planned to be included into the Exchange's official list for compliance with IFRS or US GAAP requirements and the auditor's report issued for these financial statements for compliance with the ISA requirements, transfer of an audit firm from one list level to another, as well as exclusion of an audit firm from this list;

review of the financial statements of an issuer whose securities are included in the Exchange's official list or planned to be included into the Exchange's official list, for compliance of the issuer's financial statements with the IFRS or US GAAP requirements and the auditor's report for the financial statements for compliance with the ISA requirements;

The procedure for activities of the Board of Directors' Issuer Audit Committee is defined by [the Regulations on the Issuer Audit Committee of the Board of Directors of Kazakhstan Stock Exchange JSC](#).

## **Dispute and Conflict Resolution Commission**

### [Personnel composition](#)

In order to resolve disputes and conflicts arising in connection with failure of the Exchange members and users of the control and collateral system to fulfill their obligations in accordance with the Exchange's internal documents in the process of carrying out transactions with financial instruments in trading modes without using the central counterparty services, a Dispute and Conflict Resolution Commission was established and is functioning by decision of the Board of Directors.

The main competence of the Commission is to consider and resolve the disputes and conflicts between parties to a transaction or between a party to a transaction and the Exchange that are not settled through negotiations/correspondence and that arise in connection with failure of the parties to the transaction to fulfill their obligations in accordance with the Exchange's internal documents in the process of their transactions with financial instruments.

The definition of competence of the Dispute and Conflict Resolution Commission, its operation principles, the composition and procedure for its creation, the procedure for consideration and resolution of disputes and conflicts are regulated by the Procedure for resolving the disputes and conflicts arising in the process of transactions with financial instruments approved by the Board of Directors.

## **V. Executive body**

### [Personnel composition](#)

The Management Board is the collegial executive body of the Exchange and manages the Exchange's current activities, with the exception of issues put by the Republic of Kazakhstan's Law "On Joint Stock Companies" and the Exchange's Charter under the exclusive competence of the general meeting of shareholders and/or the Board of Directors of the Exchange.

The Management Board consists of the Chairperson and members of the Management Board who are Deputy Chairpersons of the Management Board or hold other positions at the Exchange.

Legislation establishes requirements for members of executive bodies regarding business reputation, professional experience and qualifications.

The Chairperson of the Management Board and the Management Board act based on the Republic of Kazakhstan's legislation, the Charter and [the Regulations on the Management Board](#).

The powers of the Management Board and the Chairperson of the Management Board are defined by Regulations on the Management Board.

The Chairperson of the Management Board and the Management Board are accountable to the Board of Directors and the General Meeting of Shareholders. The Chairperson of the Management Board organizes implementation of decisions of the General Meeting of Shareholders and the Board of Directors of the Exchange.

**Chairperson of the Management Board** heads the Management Board and organizes its work. The Chairperson of the Management Board acts on behalf of the Exchange without a power of attorney, including representing its interests and making transactions on its behalf within the scope of their authority.

**Management Board** makes decisions on the most important issues of the Exchange's current activities that require collegial discussion and are within the competence of the executive body. Such issues include: developing proposals for the Exchange's strategy, ensuring implementation of the development strategy, compliance with procedures, processes and policies approved by the Exchange's Board of Directors, implementing the instructions of the general meeting of shareholders, the Board of Directors, recommendations of the Internal Audit Service, requirements and measures of the authorized body of the Republic of Kazakhstan, approval of internal documents for the purpose of implementing the risk management and internal control policy, and other powers specified by regulatory legal acts of the Republic of Kazakhstan and internal documents of the Exchange.

The procedure for convening and holding the meetings of the Management Board is defined in the Regulations on the Exchange's Management Board.

#### **Remuneration of members of executive bodies**

Determination of the amount of salary including the official salary and the monthly salary supplement, and the conditions of remuneration and bonuses for the Chairperson of the Management Board and members of the Management Board falls within the exclusive competence of the Board of Directors.

The amount of remuneration for the Chairperson of the Management Board and members of the Management Board, the conditions and procedure for payment of remuneration as well as the conditions of early termination of contracts, including the annual bonus remuneration, are considered and approved by the Board of Directors based on recommendation of the Board of Directors' Personnel, Remuneration and Social Issues Committee.

Information on the remuneration amount of the Exchange's executive body members is disclosed annually in the annual report on the Exchange's activities and is published on the website of the financial statements depository annually no later than August 31 of the year following the reporting year, in the form of information on the total amount of remuneration of the Exchange's executive body members at the end of the year.

### **VI. Corporate secretary**

In order to coordinate the Exchange's actions to protect and ensure implementation of the rights and interests of the Exchange's shareholders, the Board of Directors appoints the Corporate Secretary of the Exchange. By decision of the Board of Directors, the Exchange has created a structural unit to provide assistance to the Exchange's Corporate Secretary – the Corporate Secretary Service.

The Corporate Secretary and the Corporate Service employees report to the Board of Directors and interact with the Chairperson of the Management Board.

[Regulations on the Corporate Secretary](#) and Regulations on the Corporate Secretary Service are posted on the Exchange's website.

### **VI. Control and audit bodies, risk management**

#### **External auditor**

In order to verify and confirm accuracy of the accounting (financial) statements prepared in accordance with the Republic of Kazakhstan's legislation as well as financial statements prepared in accordance with International Financial Reporting Standards, the Exchange, on a contractual basis, engages an audit organization that carries out audit activities in accordance with the Republic of Kazakhstan's legislation, which is chosen by decision of the general meeting of the Exchange shareholders.

The Exchange preliminary conducts a procurement procedure to select an auditor, taking into account the Board of Directors' recommendation, the KASE Group selects an auditor candidate from among the largest international audit firms every three years. Before being submitted for approval to the General Meeting of Shareholders, a potential independent auditor is first considered by

the Board of Directors' Internal Audit Committee and the Board of Directors of the Exchange. The General Meeting of Shareholders annually determines by its decision an audit organization based on recommendation of the Exchange's Board of Directors.

#### **Internal control and audit bodies, risk management**

**Internal control** – these are activities carried out by the Exchange (through its management bodies, structural units and employees) in order to ensure achievement of the objectives established in relation to operating activities, accuracy of reporting as well as compliance with the requirements of the Republic of Kazakhstan's legislation, including acts of the authorized body.

**Internal control system** is a set of organizational measures, policies, procedures, principles of corporate governance and ethics as well as other mechanisms aimed at ensuring the stable functioning and development of the Exchange. Such system serves to identify, assess and manage risks, ensure financial stability, asset safety, proper accounting, timely and reliable preparation of financial and other reports in accordance with requirements of the Republic of Kazakhstan's legislation, the charter and internal documents of the Exchange.

In accordance with international standards and methods applicable in the Republic of Kazakhstan, the internal control system at the Exchange is organized according to the principle of **three lines of defense**, ensuring effective risk management and control over the company's activities.

**First line of defense** is represented by employees of the Exchange's business units and operational services directly involved in implementation of current business processes. They are responsible for the initial identification, assessment and management of operational risks, as well as for development and implementation of internal policies, procedures and regulations aimed to ensure proper functioning of business processes and compliance with internal standards.

**Second line of defense** includes specialized structural units performing functions related to risk management, internal control, compliance, financial monitoring, legal support and control over tax and personnel issues. These units provide methodological support, regular monitoring of implementation of the control procedures, ensure compliance of activities with requirements of the Republic of Kazakhstan's legislation and internal regulatory documents, and also generate reports for the governing bodies based on results of the conducted monitoring.

The Compliance Service is a key element of the second line of defense, reports to the Board of Directors and ensures functioning of the compliance control system at the Exchange. Appointment and dismissal of the Compliance Service's head and employees is carried out by the Board of Directors, with the prior approval by the Internal Audit Committee of the Board of Directors.

The main tasks of the Compliance Service are legal compliance control and organization of internal control to ensure compliance of the Exchange's activities with requirements of the Republic of Kazakhstan's legislation, including anti-corruption legislation, the Exchange's internal documents as well as the legislation of foreign states that affect the Exchange's activities.

The Service ensures identification, assessment and management of compliance risks, including monitoring of compliance with anti-corruption legislation and international economic sanctions, as well as monitoring the implementation of measures to minimize them. It develops and updates internal compliance control documents, conducts compliance review of draft documents on the Exchange's core activities, organizes employee training, monitors client complaints and inquiries for risks and generates reports with recommendations for effective compliance risk management.

**Third line of defense** is represented by an independent unit - **Internal Audit Service** whose activities are regulated by the Republic of Kazakhstan's Law "On Joint-Stock Companies" and the Exchange's internal documents. The Internal Audit Service provides an independent assessment of effectiveness of the internal control system as well as the processes implemented within the first and second lines of defense. Based on the results of its activities, internal audit provides the management bodies with objective and reliable information on the degree of reliability of the internal control and risk management system, as well as recommendations for its improvement.

The Regulations on the Internal Audit Service, the Rules of Internal Audit, which determine the procedure for organizing and implementing the internal audit, as well as the activity plans and reports of the Internal Audit Service are approved by the Board of Directors, with preliminary consideration and approval by the Internal Audit Committee of the Board of Directors.

Appointment and dismissal of the Internal Audit Service's head and employees is carried out by the Board of Directors, with the prior approval by the Internal Audit Committee of the Board of Directors.

#### **VII. Disclosure**

The Exchange discloses information on the main results, plans and prospects of its activities. The Exchange divides information into two groups: information disclosed according to requirements of the Republic of Kazakhstan's legislation (about significant corporate events in its activities, information from the trading organizer) and information disclosed voluntarily at its own discretion in order to strengthen the trust in the Exchange of its shareholders and other financial market entities.

#### **Information subject to mandatory disclosure**

- as an issuer of securities - material facts, quarterly report, annual report, consolidated financial statements, charter and internal documents regulating the activities of bodies; other information which disclosure is required by the legislation on the securities market;
- as a trading organizer - information about licenses, rules of the trading organizer, as well as other information and documents important for financial market entities.

**Information disclosed at the Exchange's discretion**

- information about the strategy, mission, corporate values and objectives;
- press releases on significant corporate events of the Exchange;
- information provided to shareholders in preparation for the General Meeting of Shareholders;
- additional information included in the annual report (about the Exchange and its operating results, about corporate governance);
- results and materials on the held Exchange's events for professional market participants;
- contact information for inquiries/receiving advice on all matters relating to the Exchange's activities and the services it provides.