

SUSTAINABILITY REPORT 2022



A NEW PARADIGM FOR THE FINANCIAL
MARKET DEVELOPMENT

300



new

KASE

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2022 IN TERMS OF SUSTAINABLE DEVELOPMENT

4 markets

1. stock market
2. money market
3. currency market
4. derivatives market

241

instruments in T+

1 433 instruments

927 securities
459 money market instruments
16 currency market instruments
31 derivatives market instruments

+341 thousand

new accounts opened by
individuals as of 01.01.2023
547 thousand accounts in the CD

11 issuers

raised funding
for sustainable
development
projects

in trading volume

+50%

from 174.4 trillion tenge to
261.6 trillion tenge

+96

new instruments
in the official list

76,9

billion tenge

worth of funding raised
for sustainable development
projects

6,8

billion tenge

net income
(3.9 billion tenge in 2021,
an increase of 74.6 %)

Focus on the development of ESG financing

The availability of expertise in the listing of green, gender, social and other bonds that comply with the sustainable development principles



A wide range of organizations that carry out independent evaluation of projects

A verification can be conducted by KASE's verification partners on favorable terms

Pre-verification consultation on compliance of the intended purpose of the funds raised under ESG projects, on compliance with ICMA, CBI criteria

No additional listing requirements

Preferential listing fees for ESG bonds

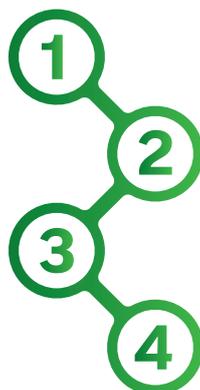
The possibility of inclusion in the international databases "Sustainable bond Database" – ICMA, CBI, upon agreement with the verifier

The amount of funds raised through KASE in this segment is growing year by year. While 14.0 billion tenge was raised on KASE's ESG bond market in 2020, in 2021 this figure was 29.4 billion tenge and in 2022 – 33.6 billion tenge

Focus on promoting ESG principles

The Exchange consistently promotes issues of sustainable development, transparency, as well as raising the responsible investment principles

The Exchange also holds events on PRI and global trends in ESG investment



KASE on a regular basis hosts events for issuers with the involvement of local and international experts from the IFC, PwC, Ernst & Young, EDB etc. to explain and popularize ESG disclosure among local companies

The Exchange's initiatives are of great educational value to companies and provide an opportunity to build the capacity needed to produce high-quality sustainability reports

KASE's sustainable development policy



KASE's sustainable development policy defines the essential principles and approaches that the Exchange must adhere to while building a sustainable development management system



The Green Office program implies an integrated approach to managing an organization and includes a number of technical, motivational and educational activities based on the generally accepted principles of the three Rs.



This report has been prepared in accordance with the GRI Standards' Core Option. The Report provides information on activities of Kazakhstan Stock Exchange JSC (referred to in the report as KASE, or the Exchange) in the period from January 1 to December 31, 2022. The financial data is presented in accordance with the consolidated audited financial statements prepared in accordance with International Financial Reporting Standards, unless otherwise expressly stated in the text.



KASE's Sustainability Report is subject to approval by the Exchange's Management Board and is brought to the attention of stakeholders by way of publishing it on the corporate website in Kazakh, Russian and English.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



Dear Clients and Shareholders!

Last year, KASE, as a pivotal infrastructure institution of the stock market, has confirmed its leading status, consolidating its position as a high-tech organization for the majority of its clients.

High profitability, modern technologies, focus on the interests of ultimate stakeholders are still key drivers behind KASE's activities, forming a solid foundation for the development of new business lines.

In 2022, the Exchange launched a new KASE Development Strategy for 2022–2024, which determined the priorities and objectives for the development of KASE in the next three-year strategic period.

The strategy is based on such key areas as increasing the liquidity in stock exchange markets by expanding the range of financial instruments and services; establishing trading and clearing links with partner exchanges, expanding the range of issuers and investors; the development of the Central Counterparty as a key infrastructure element; the continued modernization of the external and internal infrastructures and

the introduction of innovations; increasing the value of the exchange for stakeholders.

Another key area of KASE activities – promotion of ESG standards in Kazakhstan. A competent and consistent ESG management in today's reality is extremely important.

Last year, all the necessary legal framework for "green" financing was put in place in Kazakhstan: a new Environmental Code was adopted, within which a Taxonomy of "green" projects was introduced, which is aimed at improving the efficient use of available natural resources, reducing the level of negative impact on the environment, increasing the energy efficiency, energy saving, mitigating climate change and adapting to climate change. At the legislative level, the concepts of "green" financing are established, including "green" bonds, "green" loans and other financial instruments. Starting this year, the matters of issuing and verifying ESG bonds have been legally sorted out.

For KASE, which joined the UN Sustainable Stock Exchange Initiative back in 2015, today this is one of the priority development areas. The Exchange, by adhering to the ESG principles in its own activities, comprehensively promotes them in the country's economy.

KASE's Sustainability Report 2022 is a document that discloses the main aspects of the Exchange's activities in the field of environmental, social responsibility and corporate governance. The Board of Directors of the Exchange supports the Exchange's initiatives to develop the corporate governance, ESG, ecosystem and introduce new tools allowing it to improve the efficiency of its operation.

As part of the Exchange's Development Strategy for 2022–2024, KASE continued its work to increase the level of corporate governance, improve the managerial reporting, apply new approaches to evaluating projects taking into account their gross margin, as well as introducing new approaches to the dividend policy. These measures facilitated KASE's sustainable development and increased its investment attractiveness, strengthening the strategic and competitive advantages of the Exchange.

The Exchange has carried out work to determine approaches to the payment of dividends by the Exchange, taking into account the completed financial model of the central counterparty. Approaches to the payment of dividends of foreign exchanges and central counterparties were studied, a financial model of both the central counterparty as a stand-alone organization and the Exchange was prepared, and approaches to the payment

of dividends of the group (the Exchange and its subsidiaries) were developed. The Exchange's management has developed a new version of the Exchange's Dividend Policy, which defines the conditions for paying dividends on the Exchange's stock, as well as approaches to determining the amount (share) of the Exchange's income that can be recommended for distribution as dividends.

In the proposed report, we'd like to demonstrate and confirm the seriousness of our intentions to continue the course towards the further development of the ESG sphere and the consistent integration of the UN Sustainable Development Goals into the activities of all members of the Exchange and listed companies.

Sincerely,

Chairperson of the Board of Directors

Aliya Moldabekova



The Exchange consistently continues to enhance its position as a high-tech financial institution, retains its top position, and also firmly holds the title of the largest and most reliable infrastructure organization in the country.

MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD



Dear Shareholders and Clients of the Exchange!

Kazakhstan Stock Exchange, amid global challenges of volatility in markets abroad, key rates raised by regulators worldwide and an accelerating inflation, purposefully began to implement its Development Strategy for 2022–2024, ensuring the high-quality and smooth provision of services. The Exchange managed not only to retain its soundness as the country's financial institution, but also to enter a new technological stage of development. This allowed the Exchange to strengthen KASE's leading positions among stock exchanges of Kazakhstan and Central Asia.

KASE is recognized as the best stock exchange in Central Asia in 2022 according to the international CFI.co Awards 2022.

The timeliness and importance of the projects being implemented are reflected in the growing indicators of KASE and the stock exchange market.

The total volume of trading on KASE reached 261.6 trillion tenge, having increased by 50 %, or 87.2 trillion tenge, over the year. As of January 1, 2023, there were corporate securities of 584 names of 230 issuers on KASE trading lists. The volume of trading in the secondary government securities market increased 2.1-fold, by 19 % – in the secondary corporate bond market, and by 34 % – in the foreign currency market. An exception was the equity market amid the exit of foreign investors from developing economies and the volatility of shares traded on KASE. The equity market capitalization dropped by 26.4 % to 21.2 trillion tenge over the year. The value of KASE Index also decreased by 11.5 % – to 3,251.64 points. Based on 2022 results, the volume of trading in the KASE Global sector amounted to 25.8 billion tenge.

World practice shows that today compliance with the ESG principles plays an increasingly important role in companies' sustainable development and their ability to diversify funding sources. More and more investors prefer projects that comply with the ESG requirements and principles. In particular, according to Climate Bonds Initiative, the global volume of issued ESG debt and transition bonds exceeded 3.5 trillion US dollars by the end of the third quarter of this year.

In Kazakhstan, the implementation of sustainable development goals and the introduction of ESG criteria is one of the strategic tasks. The Exchange has consistently promoted the ESG agenda in Kazakhstan's stock exchange market, for more than 8 years being one of several dozen exchanges around the world that have joined the UN Sustainable Exchanges Initiative. The Exchange is a platform for achieving a synergy of business ideas and financial resources in the development of sustainable projects in our country.

With efforts initially concentrated on the popularization of the ESG principles, training and promoting the disclosure of sustainable development information, over the past few years KASE has been actively developing the ESG financing – the issuance of securities to fund sustainable projects, i.e. green, social and other projects that comply with the ESG principles.

The Exchange's official list has already been differentiated and adapted as much as possible for companies with different size and structure of business and, as well as for investors with different risk appetite. Such differentiation has been introduced with regard to listing requirements, the scope of disclosures and listing fees.

In particular, KASE official list includes the Main and Alternative markets. The Main market is intended for large companies, which, as a rule, aim at a wider range of investors, including retail ones. Listing on this market can only be done by large companies. At the same time, broader requirements are set for them regarding the disclosure of financial statements, information about corporate events, non-financial information, which are to tell investors about how and why the company achieves certain indicators and how consistent the company is in implementing its strategy, as well as information on ESG criteria.

The Alternative market is intended for medium and small businesses and, accordingly, features less listing and disclosure requirements. This differentiation allows you to "calibrate" the listing terms and conditions for different types of securities and different issuers as accurately as possible. Accordingly, there was no need for special differentiation of the listing structure to create an ESG financing market. It was only necessary to take into account the specific features of these issues, in particular, confirmation that the project proposed for financing meets the ESG criteria, as well as confirmation of the appropriate use of the funds raised. Otherwise, companies that plan to issue ESG bonds and have already issued them must comply with the standard listing criteria and meet the common listing rules.

KASE has decided to promote the introduction of such specific norms in stages in order to maintain the balance of costs for such issues of securities and the cost of funding. At the initial stage, focusing primarily on companies that have already adopted their own strategies or "a framework" for the implementation of sustainable projects, KASE has accepted declarative assurances from issuers that their bonds meet the ESG criteria, recommending that they obtain an independent assessment from professional verifiers of such projects. Later on, as Kazakhstan's regulation evolved, KASE introduced a rule requiring the availability of mandatory verification of bond issues both at the stage of their listing and in the process of utilization of funds raised by issuing bonds.

By now, this work has resulted in eleven issues of such bonds, with more than 76.9 billion tenge raised.

We will systematically and consistently implement projects and initiatives in the field of sustainable development, effectively building our activities and ensuring high financial and non-financial results for shareholders, investors, employees, and other stakeholders.

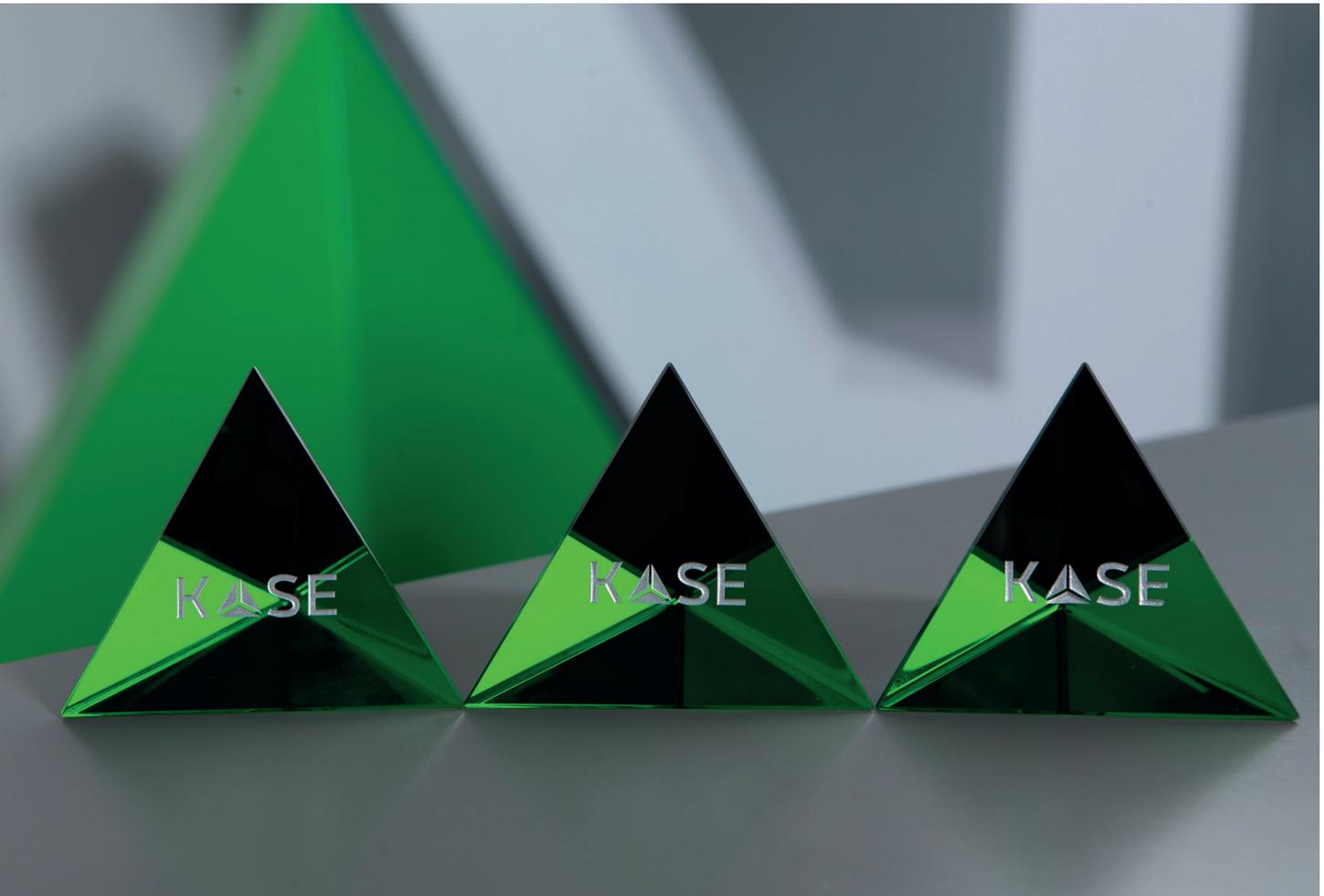
In this regard, I would like to express my gratitude and sincere appreciation to all ultimate stakeholders for taking a lively interest in the stock market development, for the productive cooperation and constant feedback, which contribute to the further modernization of the financial institution in the interests of our clients, partners and shareholders.

Sincerely,

Chairperson of the Exchange's Management Board

Alina Aldambergen

KASE PROFILE



KASE of today is a universal, multifunctional exchange providing an opportunity to trade almost all types of securities and financial instruments with settlements in different currencies and different modes.

About KASE

KASE of today is a universal, multifunctional exchange providing an opportunity to trade almost all types of securities and financial instruments with settlements in different currencies and different modes. KASE consists of 4 exchanges – a currency exchange, a stock (securities) exchange, a money (repo and swap transactions) exchange and a derivatives market.

As of January 1, 2023, there were 1,433 instruments in KASE trading lists, including 927 securities, of which 241 instruments are available for trading in the T+2 mode: shares of 57 names (including shares of the KASE Global sector and GDRs), 173 issues of bonds and 11 ETFs/unit investment trusts.

The Exchange provides a full range of services: listing procedures, becoming a trading or clearing member, the possibility of conducting a subscription at a securities offering for bookrunners, trading services, post-trading services (clearing, settlement), the formation of indices and indicators, as well as the dissemination of market data.

KASE was established in 1993, two days after the introduction of the national currency – tenge. During 30 years, the Exchange has evolved from voice trading to a full-fledged modern well-established trading, clearing and settlement facility that lives up to international standards. The versatility of the KASE platform gives trading participants the opportunity to actively conduct transactions in several markets. The possibility to work with various types of financial instruments provides the best conditions for the liquidity management and implementing the investment strategies of trading participants and their clients.



The Exchange is a full-fledged member of international exchange associations such as WFE, FEAS and IAE CIS, which confirms that the main aspects of the operation of Kazakhstan's trading platform meet international standards and best world practice.

The Exchange carries out its professional activities on the basis of the following licenses of the authority for the regulation and development of the financial market:

- 1. activities for operating the trading with securities and other financial instruments (License No. 4.2.3/1 dated July 19, 2012);**
- 2. clearing activities on transactions with financial instruments on the securities market (License No. 4.2.3/1 dated July 19, 2012);**
- 3. conducting banking operations in the national and foreign currencies (License No. 4.3.8 dated January 30, 2020).**

KASE has trading and clearing systems (TCS) that meet modern standards of reliability, security and business continuity.

The Exchange's TCS allow trading in various financial instruments and according to various rules, both with and without the CCP, in various currencies. The TCS support a wide range of trading methods and rules (including order-driven market, quote-driven market, opening and closing auctions, various types of special trades), there is no blocking of securities in auto-repo transactions with the CCP (securities can serve as the underlying asset of other transactions); a procedure is provided for transferring income on securities from the temporary owner of securities to the permanent owner on the day following the payment of interest by the issuer. In addition, real-time tracking of the current positions of trading participants, real-time index calculation, real-time provision of a wide range of trading information to users, and connection of a large number of local and remote users are provided for.

The institute of the central counterparty has been introduced on the basis of KASE, now effectively operating in all markets: stock, money, currency and derivatives markets. The launch and development of central counterparty services in all exchange markets of KASE ensures the reduction of participants' credit risk, guaranty for the fulfillment of settlements on transactions, and cutting transaction costs for participants due to cross-margining and netting.

The Exchange, as the Central Counterparty and a settlement organization, carries out settlements on exchange transactions concluded on the currency, stock and derivatives markets.

KASE makes cash settlements on deals with the central counterparty on the stock market independently using a correspondent account with the Central Securities Depository JSC. The securities settlement organization for all deals concluded at KASE is the Central Securities Depository JSC, which also makes cash settlements on deals made without the participation of the central counterparty. When making settlements, the Exchange uses its own network of correspondent accounts.

The Exchange's correspondent bank for the tenge is the National Bank of the Republic of Kazakhstan. The correspondent banks are world leaders in finance and are leading providers of global clearing services, with direct membership in many clearing systems. The correspondent banks can provide settlements in real time, during the business day, according to Almaty time. Foreign correspondents of the Exchange are such world-famous first-class financial institutions as: The Bank of New York Mellon (New York, USA), Citibank N.A. (New York, USA), JP Morgan Chase Bank N.A. (New York, USA) – for the US dollar, Citibank N.A. (London, UK) and JP Morgan AG (Frankfurt, Germany) – for the euro, the Eurasian Development Bank – for the ruble of the Russian Federation.

For settlements in the Chinese yuan, the correspondent banks of the Exchange are the Subsidiary Bank of the Bank of China in Kazakhstan and the Commercial and Industrial Bank of China in Almaty.





As of January 1, 2022, members of the Exchange were represented by 52 professional participants, including all licensed banks and brokerage organizations of the Republic of Kazakhstan, four foreign participants, two international financial organizations.



The Exchange's official list consists of several markets: "Main", "Alternative", "Mixed" and "Private placement".

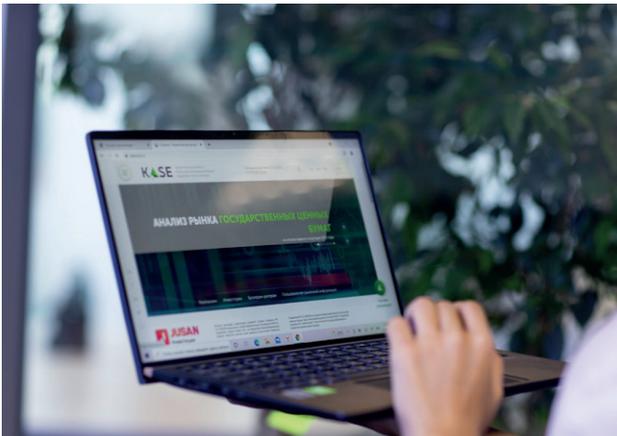
The "Main" market is intended for large companies with a proven track record, the "Alternative" platform is for companies with small and medium capitalization and it has less strict requirements compared to the "Main" market. Differentiating the list in this way allows both large companies and small and medium-sized businesses to raise funds on the stock market.

On the "Mixed" market, such financial instruments are traded as Islamic securities, derivatives, as well as government securities and securities of international financial organizations, which can be denominated both in national and foreign currencies.

The "Private Placement" market was created in 2021 and is intended for the listing of corporate securities subject to private placement. A private placement is a non-public offering of corporate bonds among a limited number of qualified investors, with the issuing conditions for such securities specified in a private memorandum.

The KASE Global sector of the "Mixed" market, established in 2021, is intended for trading in the most liquid securities of foreign issuers. Shares listed on the main market of the New York Stock Exchange – NYSE Equity, and the market of the NASDAQ stock exchange – NASDAQ Global Select, as well as on Euronext Paris and Euronext Amsterdam and quoted in the Standard & Poor's 500, NASDAQ 100 and Euronext 100 stock indexes are admitted to trading in the new sector.

As of January 1, 2023, corporate securities of 584 names of 230 issuers were on KASE trading lists (there are 580 instruments of 226 issuers in the official list). There are 459 instruments available for trading on the money market, 16 – on the foreign exchange market and 31 – on the derivatives market.



The Exchange independently calculates and maintains a number of stock and money market indicators.

Kazakhstan's stock market is represented by indices and indicators reflecting the stock and bond market of the Exchange. To characterize the stock market, the Exchange calculates the main indicator – KASE Index, which currently de facto acts as the main indicator of the national stock market. KASE Index reflects the change in the total market value of the most liquid shares listed on the Exchange, issued by the largest and most financially stable resident companies of the Republic of Kazakhstan.

In addition, the Exchange calculates and publishes the total capitalization of the equity market – the total market value of all companies whose shares are admitted to circulation on KASE.

To analyze the bond market, the Exchange has determined a number of indices: for the main market – KASE_BM* and for the alternative market – KASE_BA*, which show the change in "clean" prices and yield indicators of the most liquid issues of bonds of Kazakh companies. In the first quarter of this year, the Exchange plans to additionally introduce a number of indicators of the market of government securities of the Republic of Kazakhstan.

The government securities market is represented by a series of indices and indicators reflecting "clean" and "dirty" price indices, as well as yield indicators for different maturity periods.

Indices and indicators reflecting the repo market are

represented by the following indicators: TONIA – the main risk-free benchmark in the money market; in addition, the repo market is represented by such indicators as TRION, TWINA, TCI, TCR_1m, TCR_3m, TCR_6m. For the currency swap market, the Exchange calculates such indicators as SWAP-1D, SWAP-2D, as well as the composite repo and currency swap market index – MM Index.

KASE provides various information products that meet the needs of a broad range of consumers:

- » Streaming market data, which, depending on the goals of users, can be delivered in real time or with a delay of 15 minutes, both for the direct use of data and for the creation of derivative information;
- » Historical market data about deals and orders, as well as aggregated information about the trading day results;
- » Interface information services such as "Web-Quotes" and "IRIS Finance", displaying representative market data;
- » Reference information on the characteristics of financial instruments, as well as on securities issuers;
- » KASEInfoBot – an information bot in the Telegram app, where you can view real-time information about the currency and stock markets; it has the functions of sending notifications on a schedule, when the price changes or when the price is reached. It contains information about the last and weighted average price, about dividends, as well as about upcoming special trading sessions and their results.

Based on the FAST protocol, the service for providing market data ensures the optimization of the electronic exchange of financial information, in particular, the distribution of large amounts of data with minimum delay.



The Exchange carries out monitoring and analysis to identify actions of securities market entities or other persons as committed in order to manipulate the securities market, following the regulatory legal act of the authorized body.

Monitoring and analysis of transactions to check, whether certain actions of securities market entities or other persons were committed for the purpose of manipulating the securities market, is carried out by the Exchange using the surveillance system Scila Surveillance.

Scila AB is a leading independent provider of technologies in the field of market surveillance, anti-money laundering and risk management that offers tools to detect abuse in financial markets.

The Exchange's risk management system is aimed at timely identification, assessment, monitoring and control, as well as mitigation of potential risks that may affect the achievement of the Exchange's strategic and operational goals.

In addition, the Exchange operates a business continuity management system to ensure the continuity of critical activities in the event of incidents and emergencies, as well as minimization of their impact on core activities in order to quickly restore the Exchange's operations.

Regulatory changes, external challenges and the need to introduce the best corporate governance practices have become factors that predetermined the relevance of maintaining an effective compliance policy at the Exchange. In this regard, today compliance control is an integral part of the Exchange's risk management system and its organizational structure.

Mission and values



OUR MISSION

Contributing to the economic growth of the Republic of Kazakhstan by providing a wide range of tools for raising capital to local issuers, providing a platform for redistributing liquidity in the financial system and providing a transparent investment environment for local and foreign investors.

GOAL

Achieving and maintaining the status of the leading stock exchange in the region and increasing the value of KASE for stakeholders.

STRATEGY

KASE's development strategy for 2022-2024 is based on four key areas:

1. increasing liquidity in KASE's markets;
2. development of the central counterparty as a key infrastructure element;
3. introduction of innovations and technological modernization;
4. increasing the value of the Exchange for stakeholders.

OUR VALUES

Our activities are based on four key values:

1. Innovativeness, sustainability and adaptation to changes

We work on the principles of innovativeness and sustainability for the common good, constantly adapting to changes.

We:

- » think about our actions from the client's point of view when developing, promoting or modifying our products and services;
- » are focused on sustainability to improve processes, ensure growth and increase the value for our customers;
- » are open to ideas that challenge conventional wisdom and stimulate innovation;
- » are aimed at the professional sustainable development of each employee;
- » support the regions in which we operate, in our daily activities, as well as through charity and our social programs



2. Responsibility, professionalism and quality

We are responsible for our decisions, confirming the professionalism of our team and the high quality of services.

We:

- » are responsible not only for the result of our work, but also for the results of the entire team, constantly showing initiative and helping each other;
- » constantly hone our professional skills, keeping up with the times;
- » try to always do excellent work that pushes the whole organization forward;
- » have extensive experience and constantly improve the knowledge and skills of our employees.

3. Cooperation, openness and transparency

We cooperate with our partners, clients and each other on the principles of openness and transparency.

We:

- » work together for the benefit of our society;
- » understand and accept the differences between people and create a working environment that is friendly to all;
- » we comply with the rules and policies of the Exchange, assist colleagues in their compliance and report violations of which we become aware;
- » strive for impartiality in our decisions – we do not assume obligations outside the Exchange, which may create conflicts of interest, and thereby lead to an abuse of our position while seeking our own benefit or that of others;
- » are open to new ideas, new faces and new employees



4. Caring for the future and development

We care about the future of our country, customers and employees, creating conditions for their development.

We:

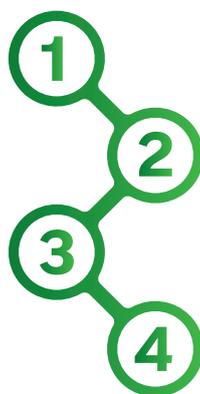
- » give priority to the interests of our clients during the decision-making process;
- » constantly maintain a respectful relationship with each other, with clients, members and counterparties of the Exchange;
- » we care about our employees at all levels of the organization, just as we care about our customers;
- » we protect our reputation, we understand the impact that actions of each of us may have on it;
- » take care of our own safety and health, as well as the safety and health of others who may be affected by our actions.

KASE has adopted the Code of Corporate Ethics of Employees, which declares the corporate values of the Exchange, on the basis of which the ethics of mutual relations within the Exchange, as well as the relationship of the Exchange with members, clients of the Exchange and other interested parties are determined.

The objectives of the Code of Corporate Ethics are:

consolidation of key values, principles, rules and norms of business ethics and conduct, which guide all employees of the Exchange in the performance of their duties both when making strategically important decisions and in everyday situations;

development of a unified corporate culture based on high ethical standards, maintaining an atmosphere of trust, mutual respect and decency in the team;



determining the standards of the Exchange's activity and the conduct of its employees aimed at maintaining high ethical standards, quality of services for members and clients of the Exchange, enhancing the Exchange's image, strengthening its business reputation, and, as a result, increasing the profitability, financial stability and efficiency of the Exchange as a whole;

increasing and maintaining confidence in the Exchange on the part of the business community, strengthening the reputation of an open and professional participant of the securities market.

The compliance with corporate values and principles of business ethics is aimed at forming a common view of the Exchange's development among its employees.

Employees build their relationship with the Exchange on the principles of loyalty to it, conscientious observance and implementation of policies, provisions, rules, instructions and other internal documents of the Exchange.

When communicating with third parties, an employee of the Exchange observes the generally accepted standards of business communication, etiquette, requirements for the norms of corporate behavior and business style, provided for employees of the Exchange.

Principles of the corporate conduct of the Exchange's employees

The Exchange applies the following corporate principles both for the interaction of employees with external counterparties and when communicating with each other:

1. openness, partnership, cooperation;
2. creation of a friendly environment based on respect for each individual and creation of conditions for his/her development. Focus on working together to achieve a common result;
3. taking measures to resolve the conflicts that have arisen;
4. compliance with the norms of the anti-corruption standard stipulated by the Exchange's internal document.

The Exchange builds relationships with its employees on the principles of respect for human rights and personal dignity, creating equal opportunities for employees, appreciates its employees and treats them with trust and respect. The Exchange is interested in building long-term relationships with employees and encourages those of them who seek self-education and professional development, creates equal and optimal conditions for improving the skills of employees at all levels in accordance with training and professional development programs.



KASE'S APPROACH TO SUSTAINABILITY MANAGEMENT



Corporate governance

High quality corporate governance is a necessary condition for the successful and efficient operation of the Exchange. Continuous improvement of corporate governance at the Exchange is the most important task for us, which is necessary to increase the stability, build an effective system of relationships between the Board of Directors, the Management Board and shareholders of the Exchange. The Exchange, as the most important structural element of the financial market, continues to make efforts to increase the value for its stakeholders.

Compliance with the Corporate Governance Code of the Exchange

The current Corporate Governance Code of the Exchange, approved by the General meeting of shareholders of the Exchange in February 2016, defines the main standards and principles applied in the management of the Exchange, including relations between the Board of Directors and the Management Board, shareholders and officials of the Exchange, the procedure for the operation of the Exchange's bodies and their decision-making.

The Corporate Governance Code of the Exchange has been developed in accordance with the provisions of the current legislation of the Republic of Kazakhstan, as well as taking into account the established national and foreign practice in the field of corporate governance.

Corporate governance principles

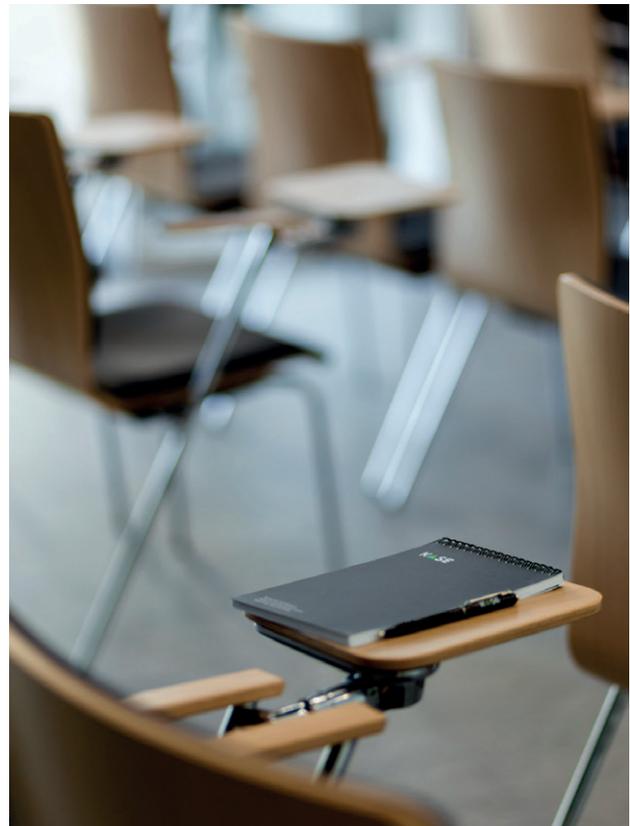
The Corporate Governance Code of the Exchange establishes the following principles of corporate governance, which are described in detail by this Code:

1. protection of the rights and interests of the Exchange's shareholders;
2. effective management of the Exchange by the general meeting of its shareholders, the Board of Directors and the Management Board of the Exchange;
3. transparency, timeliness and objectivity of disclosure of information about the Exchange and its activities;
4. legality and ethics;
5. effective dividend policy.

The Board of Directors and the Management Board of the Exchange confirm that the Exchange's activities are carried out in accordance with the principles, provisions and procedures of corporate governance determined by the Corporate Governance Code. Strictly following the provisions of the Exchange's Corporate Governance Code, the Exchange's Charter and other internal rules, the Exchange confirms its intention to promote the development and improvement of good corporate governance practices.

The text of the Exchange's Corporate Governance Code is posted on the Exchange's website at the following link:

» https://kase.kz/files/for_shareholders/CG_Code.pdf



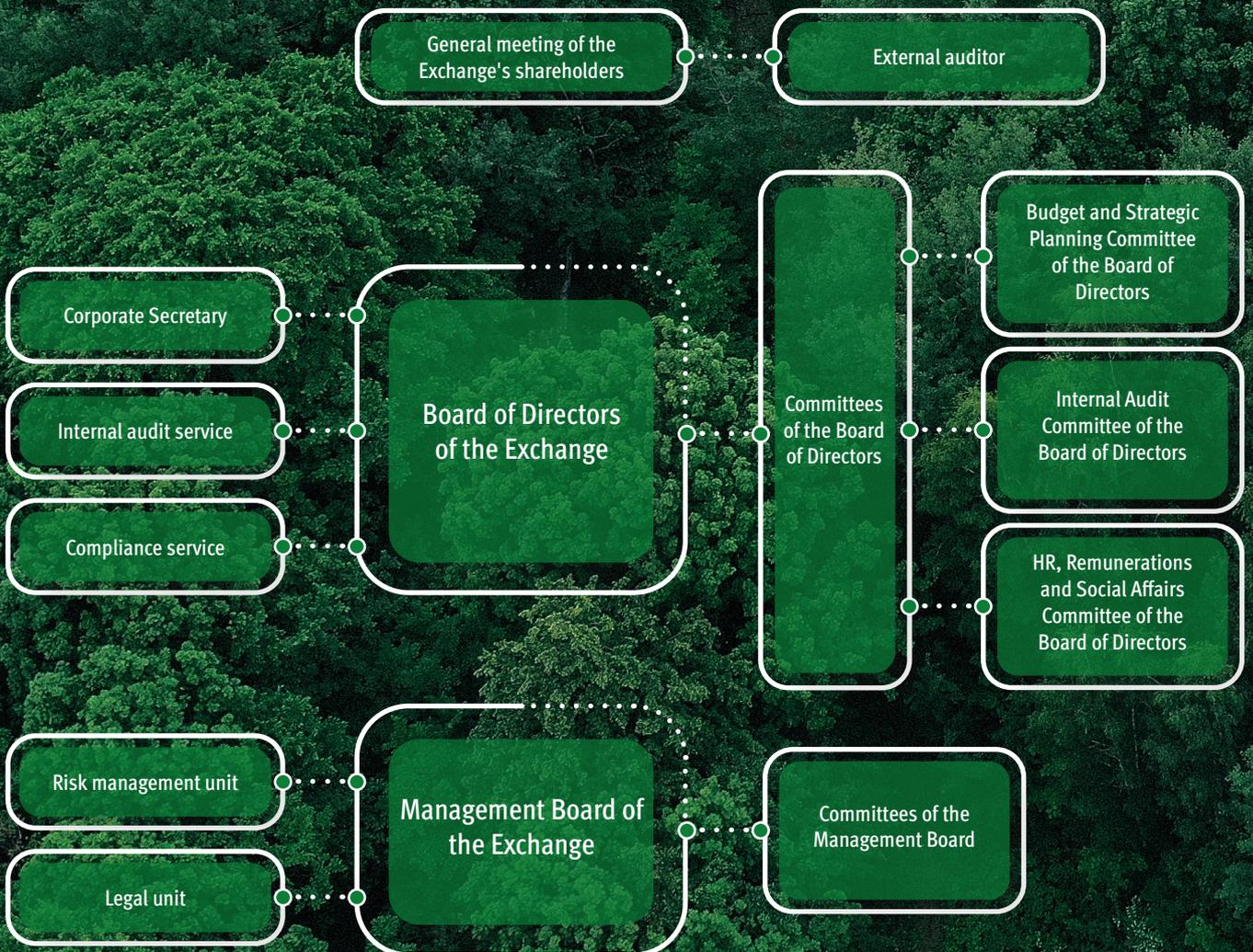
Corporate governance structure

The Exchange's Board of Directors has the following consultative and advisory bodies: the Budget and Strategic Planning Committee, the Human Resources, Remuneration and Social Affairs Committee and the Internal Audit Committee. The Management Board oversees several working bodies, such as Committees and working groups, which makes it possible to consider in detail the most important strategic issues.

In implementing the best corporate governance practices, the Board of Directors is assisted by the Internal Audit Service, the Compliance Service and the Corporate Secretary.

The distribution of functions between the General meeting of shareholders, the Board of Directors and the Management Board is made in accordance with the legislation of the Republic of Kazakhstan and the Exchange's Charter.

Fig. 1. The corporate governance structure



Composition of the Board of Directors

As of January 1, 2023, the composition of the Exchange's Board of Directors was as follows:

Fig. 2. The composition of the Board of Directors by age

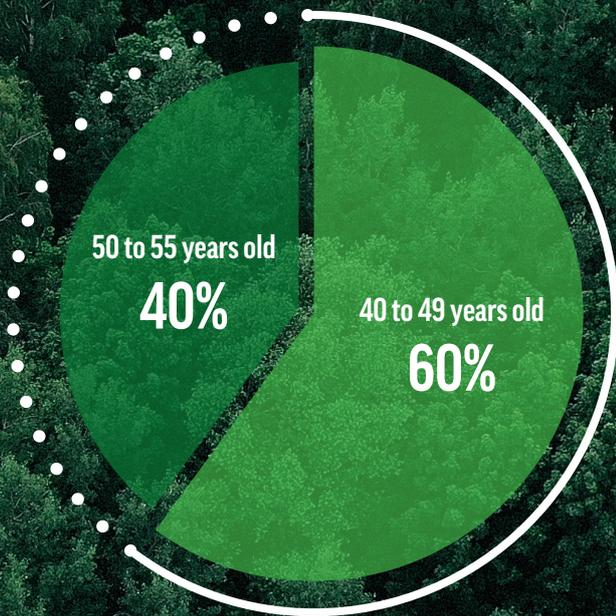
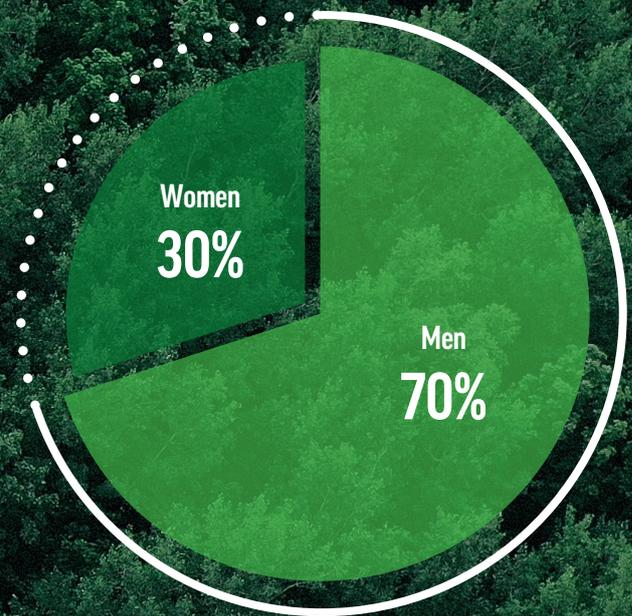


Fig. 3. The gender structure of the Board of Directors



Composition of the board of directors

Aliya Moldabekova	Chairperson of the Board of Directors, Deputy Chairperson of the National Bank of the Republic of Kazakhstan
Yeldar Abdrazakov	Member of the Board of Directors, person entitled to substitute the Chairman of the Board of Directors, Chairman of the Board of Directors, independent director of ForteBank JSC, member of the Board of Directors – independent director of Air Astana JSC, Chairman of the Board of Directors of Centras Securities JSC, Insurance company "Centras Insurance" JSC, Insurance Company "Kommesk-Omir" JSC, Life Insurance Company "Centras Kommesk Life" JSC
Alina Aldambergen	Member of the Board of Directors, Chairperson of the Management Board
Aleksandr Dronin	Member of the Board of Directors, independent strategic consultant in various projects in the field of insurance, investment and fintech sectors
Askar Yelemessov	Chairman of the Budget and Strategic Planning Committee, Chairman of the Human Resources, Remuneration and Social Affairs Committee, member of the Board of Directors – independent director, head of the branch of ACRA (Analytical Credit Rating Agency) JSC, member of the Board of Directors – independent director of Bereke Bank JSC, member of the Board of Directors – independent director of the Unified Accumulative Pension Fund JSC, member of the Board of Directors – independent director of Samanea Limited, member of the Board of Directors – independent director of SkyBridge Invest JSC
Doron Israeli	Chairman of the Internal Audit Committee, member of the Board of Directors – independent director, professor at Arison School of Business, IDC Herzliya; Professor at Nazarbayev University Graduate School of Business
Igor Marich	Member of the Board of Directors, Chairman of the Board of the Non-banking credit organization – the central counterparty "National Clearing Center" (joint-stock company)
Ertay Salimov	Member of the Board of Directors, deputy Chairman of the Management Board of Halyk Bank of Kazakhstan JSC
Mariya Khadzhieva	Member of the Board of Directors, deputy Chairman of the Agency for Regulation and Development of the Financial Market
Jan Willems	Member of the Board of Directors – independent director, Executive Director, Head of Global Markets Products of Clearstream Banking
TOTAL	10 directors

Skills of the Board of Directors

The Exchange strives for the best balance of experience, skills and horizons of the members of the Board of Directors. The presence of different points of view when discussing issues allows the Board of Directors to most effectively perform its functions and represent the interests of shareholders. Independent directors contribute their experience in international management, strategic vision, corporate governance, risk management. At the same time, many Directors have knowledge in the banking sector, finance in general, human resource management, including remuneration issues.

Fig. 4. Information about the skills and experience of members of the Board of Directors



Activities of the Board of Directors

The Exchange's Board of Directors and its Committees carry out their work in accordance with the action plans for the year.

During the period under review, the Exchange's Board of Directors considered strategic and current issues of the Exchange's activities related to its competence. 13 meetings of the Board of Directors and 30 absentee voting sessions were held.

An important and major block of the work of the Board of Directors in 2022 was the consideration of the following issues:

» As part of the Exchange's Development Strategy for 2022–2024, work continued to increase the level of corporate governance, improve management reporting, apply new approaches to evaluating projects, taking into account their marginality, and also the introduction of new approaches to the dividend policy. These activities are aimed at increasing the investment attractiveness of KASE, strengthening the strategic and competitive advantages of the Exchange.

- » The issue of creating a joint-stock company "KASE Clearing Center" with a single founder represented by the Exchange, in order to transfer to it the settlement and clearing functionality and the functionality of the central counterparty.
- » The Exchange carried out work to determine approaches to the payment of dividends by the Exchange, taking into account the completed financial model of the central counterparty. Approaches to the payment of dividends of foreign exchanges and central counterparties were studied, a financial model of both the central counterparty as a stand-alone organization and the Exchange was prepared, and approaches to the payment of dividends of the group (the Exchange and its subsidiaries) were developed.
- » We implemented the task of developing disclosure standards for issuers and creating an information section on disclosure of non-financial reporting on KASE's website (ESG guidance) – the possibility was established for the issuer to use additional international standards when preparing annual reports, and requirements were introduced for the issuer to disclose information on climate change in the annual report.

The Exchange's risk management system

The structure of the risk management system at the Exchange is represented by risk management at several levels involving the following bodies and divisions of the Exchange: the Board of Directors, the Management Board, the structural division responsible for risk management, the compliance division, the legal division, the Internal Audit Service, structural divisions – risk owners.

The continuous development and improvement of the risk management system allows the Exchange to respond in a timely manner to changes in the internal and external environment, to increase the efficiency and effectiveness of its activities.

The risk management system is aimed at timely identification, assessment, monitoring and control, as well as mitigation of potential risks that may affect the achievement of the Exchange's strategic and operational goals.

In 2022, in order to improve the risk management system at the Exchange, the Risk Management Rules were updated, which define the basic principles for the effective functioning of the risk management system, the tasks of the risk management system, risk management tools, the further development of the institute of risk coordinators and the improvement of the risk culture of the Exchange's employees.

The Board of Directors of the Exchange annually approves the risk register, key risk indicators, reviews the risk map, sets the maximum allowable value of risk indicators, constantly monitors the dynamics of risk events and takes measures to minimize risk events in the future.

In the reporting period, an annual risk identification procedure was carried out. Risks were identified both from the point of view of the past period and from the point of view of future possible events, as well as on the basis of a comprehensive analysis of all business processes. When mastering new directions of the Exchange's development, the risk register was supplemented with new identified risks. New risks associated with the current political situation in the country and in the world have been identified and assessed.

Taking into account the work done, the risk register and the risk map of the Exchange, which were approved by the Exchange's Board of Directors and Management Board at the beginning of 2023, were revised.

The risk culture at the Exchange is improved on an ongoing basis through the involvement of structural divisions in the risk management process, as well as through the exchange of information between the Board of Directors, the Management Board, committees of the Management Board and employees of the Exchange.

In 2022, measures were taken to increase the risk culture of the Exchange's employees. Once hired, new employees are introduced to the principles of the risk management system at the Exchange. As a result of the measures taken to improve the risk culture of the Exchange's employees, there is a higher degree of understanding of the involvement of each employee in the risk management system.

The Market Risks Committee – a permanent collegial body of the Exchange's Management Board – is in charge of the efficient management of the Exchange's market risks while it acts as the central counterparty. The functions of the Committee include approving the values of fundamental and approved risk parameters of financial instruments, preparing recommendations for the Exchange's Management Board on setting and applying individual limits and restrictions to clearing participants in the Exchange's markets, as well as other functions provided for in the Exchange's internal documents.

In order to identify areas, where the risk management system needs to be improved, the Exchange's Internal Audit Service, in accordance with the Internal Audit Plan, evaluates the effectiveness of the risk management system.

Domestic and foreign political events in 2022 seriously affected the economy of Kazakhstan, aggravating the existing problems that emerged after the COVID-19 pandemic, such as rising inflation, volatility in exchange rates and prices of financial instruments, disruption of transport and logistics chains, as well as the negative impact of sanctions imposed on entities of the Russian Federation, including those against subsidiaries of Russian banks. All these factors have a different degree of influence on the Exchange's activity. Thus, the disruption of transport and logistics chains led to significant delays in the delivery of equipment, the complication of procurement procedures, and the revision of plans to modernize the IT infrastructure of the Exchange.

The risk management system implemented at the Exchange, which monitors and controls the market risks of the Exchange as a clearing organization (central counterparty) in an automatic mode, made it possible to promptly respond to the increased volatility of financial instruments traded on the Exchange.

However, it should be noted that the January events influenced the manifestation of operational risk due to the shrinkage of the trading schedule. None of the materialized operational risks caused material damage to the Exchange.

Business continuity management

The Exchange is working to improve its business continuity management system. This activity is governed by internal documents – the Business Continuity Management Policy approved by the Exchange's Board of Directors on April 24, 2020, the Business Continuity and Recovery Organization Rules and the Business Continuity Plan approved by the Exchange's Management Board on July 30, 2020, developed taking into account requirements of international standards in order to ensure the continuity of critically important activities in the event of incidents and emergencies, as well as to minimize their impact on core activities in order to quickly restore the Exchange's activities. In order to ensure the recovery of the Exchange's activities along critically important lines, the Exchange's Management Board approved a Business Continuity and Recovery Plan, which is updated quarterly.

In the reporting period, work was carried out to update the Exchange's internal documents governing the business continuity management system. The need to update internal documents governing the business continuity management system is related to changes in the IT infrastructure of the Exchange. A system of several data processing centers has been built at the Exchange, as well as the business continuity management scheme has been modernized, and the Exchange's IT infrastructure is constantly being upgraded

in order to ensure a fault-tolerant system. The business continuity management system being built up to date, which includes an optimal IT infrastructure, ensures the restoration of critically important activities within the specified time from the moment an emergency situation occurs. Data processing centers that ensure the operation of the Exchange meet modern requirements – TIER II (fault tolerance – 99.75 %) and TIER III (fault tolerance – 99.98 %).

The business continuity and recovery plans are regularly tested (including testing of the operation of the trading and clearing systems in the backup data processing centers and using virtual workstations and the backup office) by the Exchange's specialized divisions.

As part of the improvement of the business continuity management system, there are plans to upgrade in 2023 the complex of virtual workplaces that are created on the Exchange's servers in the main and backup data processing centers (DPC) and provide access to all information systems of the Exchange from laptops, regardless of the user's location, also without using the resources of the Exchange's main office. Desktop virtualization allows you to quickly respond to emergency situations.

The Exchange's business continuity is ensured by the organization of internal work, but there is also the influence of external factors of a natural, social, economic and technological nature. In particular, certain key aspects of the Exchange's activities depend on the uninterrupted delivery of services by critically important suppliers, which are regularly analyzed by the Exchange for their fault tolerance and the availability of measures they take in order to ensure the continuity of the supply of services of adequate quality, taking into account the requirements of international standards.

The Exchange's activities were effective during the state of emergency and during the quarantine. The Exchange's management has taken the utmost measures to counteract the spread of the coronavirus (COVID-19) during the pandemic.

During the January events, the Exchange was able to ensure its business continuity, except on January 6, 2022, when the National Bank of the Republic of Kazakhstan, together with the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market, issued an order to temporarily suspend activities of all financial market entities.

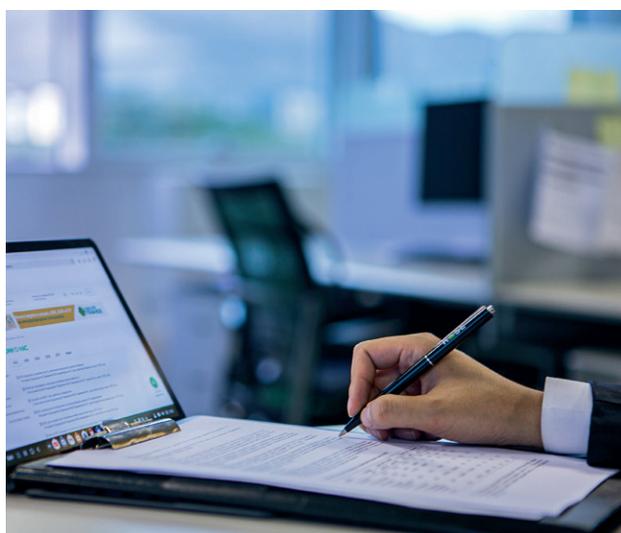
From January 10 to January 21, 2022, the Exchange was operating under a reduced trading schedule – until 13:00 o'clock, from January 24, 2022, the Exchange resumed its normal operation.

During this period, there was a slight slowdown in the speed of processing transactions associated with the restrictions on the Internet in the country.

The launch of the special military operation by the Russian Federation in Ukraine has had consequences such as supply chain disruption, particularly in procurement of servers needed for the data center modernization. As a result, some of the activities provided for in the Exchange's plans to improve its business continuity management system were postponed to 2023.

During 2022, the maximum allowable downtime/target recovery time for business processes was not exceeded.

There was no actual material damage from the materialization of risk events related to the business continuity management system in 2022.



Internal control and audit

Internal control and audit are important elements of the risk management system. The internal control system complies with the purpose, strategy and activities of the Exchange and ensures control over the timely identification and assessment on an ongoing basis of the risks pertaining to the Exchange, and the implementation of timely measures to minimize significant risks in accordance with the Exchange's internal documents.

Internal control allows:

- » ensuring the high performance of the Exchange, including the formation of a risk-based approach in making managerial decisions, effective management of the Exchange's assets and liabilities, timely identification of risks and ensuring the Exchange's business continuity;
- » ensuring the completeness, reliability and timeliness of financial, regulatory and other reporting for internal and external users, a wide choice of information products for investors and professional participants of the securities market, as well as information security;
- » ensuring that the Exchange complies with requirements of the laws of the Republic of Kazakhstan, applicable laws of foreign countries, as well as international standards in the field of compliance, including those on AML/CFT issues, and internal documents;
- » ensuring the timely detection of suspicious transactions and transactions subject to financial monitoring, as well as cases of misuse of insider information;
- » preventing the Exchange and its employees from engaging in illegal activities, including scam, errors, inaccuracies, fraud, legalization (laundering) of proceeds from crime, and financing of terrorism.

The function of the third line of defense at the Exchange is performed by the Internal Audit Service (hereinafter – the IAS). In accordance with the International Standards for the Professional Practice of Internal Auditing (hereinafter – the Standards), the mission of internal audit is to maintain and increase the value of the Exchange by conducting objective internal audits based on a risk-oriented approach, providing recommendations and sharing knowledge.

In its activities, internal audit is guided by the norms of legislation, requirements of the regulator, the Standards and internal rules of the Exchange. In order to ensure the independence and objectivity of the internal audit, the IAS is functionally subordinate and accountable to the Board of Directors of the Exchange. Interaction with members of the Exchange's Board of Directors is carried out both through the Internal Audit Committee of the Board of Directors and directly. The annual audit plan, budget and internal rules governing the IAS activities are approved by the Exchange's Board of Directors. The IAS regularly (on a quarterly and annual basis) submits reports on its activities to the Exchange's Board of Directors. The audits and discussions arranged by the IAS in 2022 were carried out in order to evaluate the performance of the risk management systems, internal control and corporate governance with regard to the trading, clearing and settlement activities, in the areas of the IT audit, the procurement process and work with suppliers, information security, listing procedures. Audits of the risk management system and surveillance activities were also carried out. Based on the results of the IAS surveys, more than a hundred recommendations were formulated to improve the internal control system, and corrective action plans were considered based on the results of audits conducted. Most of the recommendations were related to the need to improve the quality of methodological work, to improve the risk management system and improve the internal control system, develop business process maps and automate them, and bring the actual activities of subdivisions in line with the Exchange's internal rules.

The IAS was constantly monitoring the implementation of these plans and providing relevant opinions to the Internal Audit Committee and the Board of Directors.

At the same time, in order to improve their qualifications, the IAS employees took part in conferences and online training. Based on results of 2022, the IAS confirmed its independence to the Board of Directors.

Compliance control

The availability of an effective compliance risk management system is relevant for financial institutions in the face of increasingly stricter regulatory requirements, external challenges and the dynamics of financial markets. The Exchange adheres to high standards of corporate governance and business ethics on its way to achieve its strategic goals, taking into account the needs and expectations of stakeholders.

To organize, implement and control the compliance risk management system, the Exchange has established the Compliance Service (hereinafter – the Service), which is accountable to the Exchange's Board of Directors.

The Service's operation is aimed at preventing compliance risks, resolving problematic issues and monitoring compliance with legal and ethical standards, and is integrated with other business processes of the Exchange.

While carrying out its activities, the Service follows the laws of the Republic of Kazakhstan, internal documents and applicable international standards.

In order to prevent violations, minimize, control and prevent compliance risks, along with the Compliance Risk Management Policy (hereinafter – the Policy), the Policy on Conflicts of Interests, the Anti-Corruption Standards, the Rules for Controlling the Use of Insider Information and other internal documents have been developed and approved at the Exchange.

According to the Policy, compliance risk is defined as the risk of losses due to non-compliance by the Exchange with the requirements of the legislation of the Republic of Kazakhstan, including the regulatory legal acts of the authorized body, as well as the Exchange's internal documents governing the procedure for providing services and conducting operations in the financial market.

The Exchange's compliance risk management system is based on three lines of defense:

1. the first line of defense: all employees and departments;
2. the second line of defense: the Service, the surveillance unit, the legal unit and the risk management unit;
3. the third line of defense: the internal audit unit, which independently evaluates the efficiency of the compliance risk management.

The Policy defines the roles and responsibilities of each line of defense and management bodies of the Exchange in managing compliance risks.

The main functions of the Service include:

- » the development of internal documents regulating the methods and procedures for identifying, measuring, monitoring and controlling compliance risks of the Exchange;
- » conducting the compliance examination and approval of draft internal documents of the Exchange, changes and additions to them related to compliance with the legislation of the Republic of Kazakhstan on combating corruption, as well as legislation regulating the licensed types of activities of the Exchange;
- » carrying out periodic inspections of the Exchange's compliance with the legislation of the Republic of Kazakhstan, as well as the laws of foreign states that influence the activities of the Exchange, internal documents of the Exchange in order to determine the degree of the Exchange's exposure to compliance risk;
- » development of acts and implementation of measures to combat corruption in accordance with the requirements of the legislation of the Republic of Kazakhstan in the field of combating corruption.

In 2022, the Service took a number of measures aimed at ensuring the compliance of the Exchange's activities with the requirements of the legislation of the Republic of Kazakhstan and applicable foreign law, the elimination of conflicts of interest and the improvement of the compliance culture in accordance with the approved Action Plan (compliance program).

The Service constantly monitors compliance risks in the Exchange's activities to ensure compliance with the requirements of anti-corruption legislation, compliance with sanctions of foreign states and special conditions when making transactions, the availability (absence) of a conflict of interests, analysis of the surveillance response measures taken and/or sanctions by authorities. Based on the results of monitoring, the Service develops recommendations and provides compliance opinions to prevent violations, minimize, control and forestall compliance risks.

In the reporting period, the Service took part in the development and approval of measures to optimize business processes in order to take additional measures of the Exchange to strengthen the internal control, including in terms of:

- » expansion of the list of sanctions lists against which members of the Exchange, admission initiators, issuers of securities and other counterparties of the Exchange are checked as part of establishing and/or continuing business relations;
- » introduction of monitoring procedures for potential counterparties of the Exchange, including as part of procedures for the procurement of goods, jobs and services.

According to its functionality, the Service also carries out compliance expertise and approval of draft internal documents and changes and/or additions to them in accordance with the requirements of the legislation of the Republic of Kazakhstan and the applicable law of foreign states that regulate the procedure for the provision of services by the Exchange and operations in the financial market.

Against the backdrop of the current geopolitical situation in the world, when engaging with external partners, it is important to take into account all the risks associated with sanctions and new conditions for business relations. The Service uses a risk-based approach to identify and localize potential risks associated with the introduction of sanctions.

Starting from February 2022, due to the special military operation of the Russian Federation (hereinafter – the Russian Federation) in Ukraine, the United States of America, the European Union, Great Britain, as well as a number of other

countries imposed sanctions against the Russian Federation, the government of the Russian Federation, the Central Bank of the Russian Federation, citizens of the Russian Federation and companies, including those that are listed companies and/or members of the Exchange.

Under the current conditions, the Service has taken a series of measures due to the imposed sanctions regime, and also taken measures to strengthen the internal control.

At the same time, new restrictions and prohibitions against persons under the jurisdiction of the Russian Federation are monitored on an ongoing basis.

Anti-corruption

The Exchange has organized and operates an anti-corruption system based on international recommendations and requirements of the anti-corruption legislation of the Republic of Kazakhstan.

In accordance with the best international practices, the requirements of the anti-corruption legislation of the Republic of Kazakhstan and the Concept of the Anti-Corruption Policy of the Republic of Kazakhstan for 2022–2026, the Exchange has introduced anti-corruption compliance by expanding the functions of the Compliance Service (hereinafter – the Service). The Service develops and implements a set of measures and control procedures aimed at combating corruption and the formation of "zero tolerance" for corruption within the organization.

The Exchange has developed and approved Anti-Corruption Standards that define the tasks, principles and directions of anti-corruption activities aimed at preventing, detecting, suppressing and minimizing the consequences of corruption (https://kase.kz/files/normative_base/anticorruption_standart.pdf).

An internal analysis of corruption risks is carried out on a quarterly basis. In addition, the Service continuously monitors compliance of the Exchange's employees with the requirements of the Conflict of Interest Management Policy and anti-corruption restrictions. In the reporting period, there were no materialized conflicts of interest that could have a negative impact on the Exchange's activities.



In order to manage compliance risks and improve the anti-corruption culture, in 2022, the Exchange's employees were regularly trained on compliance risk management and compliance culture, compliance with the requirements of the anti-corruption legislation of the Republic of Kazakhstan, and conflict of interest management.

To prevent corruption offenses, the Service has prepared and sent to the Exchange's employees training leaflets on anti-corruption restrictions and the procedure for receiving and giving gifts.

During the reporting period, as a result of the measures taken among the newly hired and current employees of the Exchange, no corruption offenses were detected.

Engagement with stakeholder

Engagement with shareholders and investors

The Exchange adheres to high international standards of information disclosure and transparency, which require timely publication of adequate information on KASE's financial results, as well as on corporate governance practices. The main principles for information disclosure by the Exchange, the procedure for disclosure and dissemination of information by the Exchange are fixed in the Information Policy. The Exchange's relationship with shareholders is regulated by the Charter, Corporate Governance Code, and other internal documents of the Exchange. Realizing our responsibility to shareholders, we strive to ensure the exercise of their rights within the framework of corporate governance principles aimed at an effective key decisions making. In addition, we strive to provide all our shareholders and investors with reliable information on financial performance, additional information about plans, achievements, performance problems, as well as information about analytical materials.

Engagement with professional market participants

While interacting with entities of the regulated securities market, the Exchange follows the principles of information openness, professionalism, honesty, respect for the interests of mutual benefit, understanding the full responsibility for the obligations assumed, and also strives to comply with all conditions of contractual relations and generally accepted moral and ethical standards. The Exchange's internal documents are developed on the basis of applicable law and business ethics. Relationships between participants in corporate relations are based on mutual trust and respect. In order to comply with the rules of professional ethics and business conduct, relationships between entities of the regulated securities market and their activities in this market are governed by the legislation of the Republic of Kazakhstan, the Rules of Professional Ethics and Business Conduct adopted at the Exchange and other internal documents of the Exchange, contracts and business practices.

Engagement with employees

The relationship between the Exchange and its employees is based on a transparent and open personnel policy aimed at forming highly professional, motivated and qualified personnel. The Exchange strives to provide all employees with fair and equal opportunities to realize their potential in the course of their work, improve their skills and train, independently evaluate the results of their activities, as well as select and promote employees solely on the basis of professional abilities, knowledge and skills.

Engagement with government bodies and professional financial organizations

The Exchange and its employees build relationships with government bodies and civil servants on the principles of partnership and respect, realizing that all initiatives of government bodies and the Exchange should be aimed at developing the country's economy. The Exchange is in constant dialogue with representatives of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market and the ALE "Association of Financiers of Kazakhstan". It analyzes and monitors changes in the state of legislation and the legal environment as a whole in terms of their impact on activities of professional participants, and also participates in the writing and amending of a series of legal acts.

The Exchange is a responsible and conscientious taxpayer.

Table 1. Engagement with key stakeholders in 2022

Stakeholder group	Ways/channels of engagement and main results	
Shareholders	<ul style="list-style-type: none"> » General meeting of shareholders » engagement with the Exchange's shareholders for participation in the Annual general meeting of shareholders » Provision of materials and forms of voting ballots » Information messages and written requests by e-mail and/or telephone » official letters to shareholder requests 	<ul style="list-style-type: none"> » Annual financial statements » Published information on sustainable development » Publications on the website of the Financial statement depository » Press releases » General corporate website and sections for investors and shareholders
Investors	<ul style="list-style-type: none"> » Annual financial reports » Quarterly press conferences with a presentation on the financial results of the Exchange » Non-deal road show (virtual), participation in conferences » Annual reports and sustainability reports 	<ul style="list-style-type: none"> » Publications on the website of the Financial statement depository » Press releases » KASE press briefing on the results of the stock exchange market » E-mails, meetings, incl. virtual phone calls » Website for professional participants, investors and shareholders of the Exchange
Clients (professional participants)	<ul style="list-style-type: none"> » Contact center » Mobile app of the Exchange » Corporate website » Project "Issuer Day" » Field sessions in regions of Kazakhstan » Social media 	<ul style="list-style-type: none"> » KASE TALKS » Evaluation of satisfaction of professional participants with the quality of service
Employees	<ul style="list-style-type: none"> » Employee satisfaction surveys » Corporate mail » Annual reports 	<ul style="list-style-type: none"> » Townhall (internal communication and announcements) » Training » Volunteer activities » Corporate events

ACTIVITIES OF THE EXCHANGE IN THE FIELD OF SUSTAINABLE DEVELOPMENT



В 2022 году Биржа приступила к реализации Стратегии развития на 2022 – 2024 годы, которая была разработана как продолжение и развитие инициатив, заложенных в предыдущий трехлетний период. При разработке стратегии KASE ориентировалась на мировые и локальные макроэкономические тенденции и лучшие международные практики развития фондовых бирж.

Overview of the main results of the stock market for 2022

Today, KASE is a modern infrastructure of Kazakhstan's financial market and is a universal exchange servicing the stock, money and currency markets, as well as the derivatives market.

KASE is a recognized organization in the global exchange community, representing Kazakhstan's stock market in international exchange associations – the World Federation of Exchanges, the Euro-Asian Federation of Exchanges, the International Association of Exchanges of the CIS countries. It is KASE platform that is taken into account when positioning Kazakhstan in the global market ratings of FTSE and S&P.

Thanks to the implementation of the government policy on the development of the domestic stock market and the efforts of KASE, Kazakhstan's stock market is classified in the global market ratings of FTSE, S&P and MSCI as a "Frontier market" – a border market with full compliance with the quality indicators of developing, and partly developed markets.

In addition, KASE each year conducts a self-assessment in relation to compliance with the principles for financial market infrastructures (PFMIs), which set international standards for systemically important payment systems, central counterparties, central depositories, securities settlement systems, trading repositories.

The Exchange conducted such a self-assessment for the first time in 2019. In 2022, based on the results of the self-assessment, it was established that the Exchange fully complied with 19 principles and partially complies with two principles out of 24. Three principles are not applicable to the Exchange, as they set performance standards for depositories or repositories.

The Exchange conducts a self-assessment of the PFMIs compliance as an infrastructure organization that performs clearing activities, functions of the central counterparty and certain types of banking operations for all stock exchange markets, provides stock exchange market participants with a guarantee of the fulfillment of obligations on their transactions, and minimizes systemic risks in the markets serviced by the central counterparty.

The updated self-assessment confirms that the Exchange, as the central counterparty, complies with the main international principles and is a modern clearing organization that provides clearing participants and their clients with the necessary level of service. The Exchange will continue to take measures to bring its activities in full compliance with the IOSCO's PFMIs.

In order to build an effective system of communication with customers to assess the quality of services provided, the Exchange adopted the Rules for determining the criteria for the level of service of the Exchange's customers (approved by a decision of the Exchange's Management Board, minutes No. 105 of the meeting dated October 5, 2021) (SLA standards), and also developed an information system (web-application) to receive feedback from customers based on the results of each service received. The users of the system are the employees of all structural subdivisions of the Exchange, whose functional duties include customer service, as well as the Exchange's clients.

In addition, KASE conducts a comprehensive assessment of customers' satisfaction with the Exchange's activities. For these purposes, the Exchange conducts an annual survey of clients on the main business processes, including through the involvement of independent research companies. Based on results of the surveys, the Exchange, in an effort to continuously improve the quality of services provided, determines a set of measures to improve the Exchange's services, which are further included in the action plan for the next year.

Customer surveys based on the results of 2022 were conducted by an independent consulting company. 42 members of the Exchange (81 %), 85 listed companies (55 %) and 68 clients of the Exchange's information services out of 157 (43 %) took part in the survey. The overall rating of the Exchange's customer satisfaction based on results of 2022 was 87.6 % out of 100 %.

KASE maintains a stable position even during the pandemic and global volatility and continues to preserve a high level of efficiency, ensuring uninterrupted access of market participants, including the regulator, to its stock exchange markets.

A strong financial position, a wide range of financial instruments available for trading on the Exchange, allows it to withstand negative macroeconomic events and the challenges of the operating environment, a strong market position confirms the role of the Exchange on Kazakhstan's financial market.

As the infrastructure liquidity center of Kazakhstan's financial system, KASE during 2022 was the main channel for the redistribution of capital. Our functions and role have not changed following new challenges related to the decline in economic activity, as well as high volatility in the stock and commodity markets, but have become particularly sought-after. On the one hand, KASE acted as an operator of distribution of



funds under government programs, on the other hand, as a conductor of the monetary policy between the National Bank of the Republic of Kazakhstan and institutional participants. The volume of funds raised by the corporate sector made up 1.5 trillion tenge.

The total volume of trading in 2022 amounted to 261.6 trillion tenge, having increased by 50 %, or 87.2 trillion tenge.

A steady growth in the trading volume was observed in the money market, based on results of the year its value increased by 52 % to 231.8 trillion tenge. In the foreign exchange market, the growth made up 34 % reaching 20.8 trillion tenge.

On the stock market, a steady growth was observed in the government securities sector, the increase compared to 2021 amounted to 68 %, reaching 4,145.7 billion tenge. The growth in the volume of secondary trading in the government securities sector was as high as 30.5 %, reaching 1.5 trillion tenge. Government debt at par value, traded on KASE, reached 21.5 trillion tenge: an increase of 20.9 % on 2021. The share of non-residents in the gross turnover of the secondary market was 6.9 %.

Fig. 5. Dynamics of the trading volume over the past 5 years, billion tenge



Fig. 6. Trading volume by market in 2021-2022

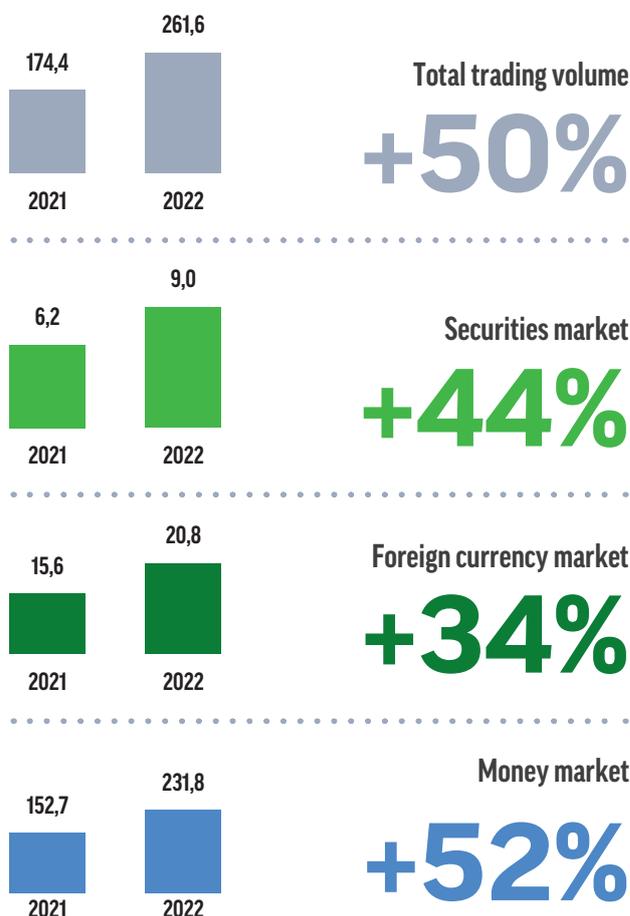
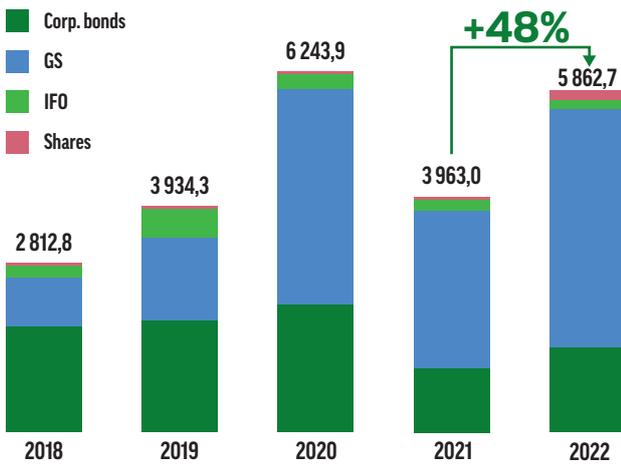


Fig. 7. Volume of initial offerings, billion tenge



The volume of outstanding corporate debt in 2022 decreased by 6.3 % to 14.4 trillion tenge. The total volume of trading in corporate bonds in 2022 amounted to 2,488.9 billion tenge: an increase of 508.2 billion tenge, or 25.7 %. The volume of trading in the secondary bond market compared to 2021 increased by 30.5 %, or 348.5 billion tenge, to 1,492.2 billion tenge.

In 2022, securities of 23 new issuers went through the listing procedure: 4 – in the shares sector, 8 – in the KASE Global sector, 10 – in the corporate bonds sector and 1 UIT.

As of January 1, 2023, corporate securities of 580 names of 226 issuers were listed on KASE.

As of January 1, 2023, there were about 547 thousand personal accounts opened by 513 thousand individuals in the Central Securities Depository (CSD), while as of January 1 last year – about 218 thousand personal accounts opened by individuals.

More than 340 thousand accounts were opened by individuals in 2022, of which about 14 thousand accounts were used to make at least one transaction after the opening, while during 2021 just over 87 thousand accounts were opened by individuals in the CSD.

In 2022, individuals opened more than 413,000 individual participant codes recorded through an omnibus account, while more than 78,000 of them were used to make at least one transaction during 2022.

Fig. 8. Dynamics of KASE official list over the last 5 years

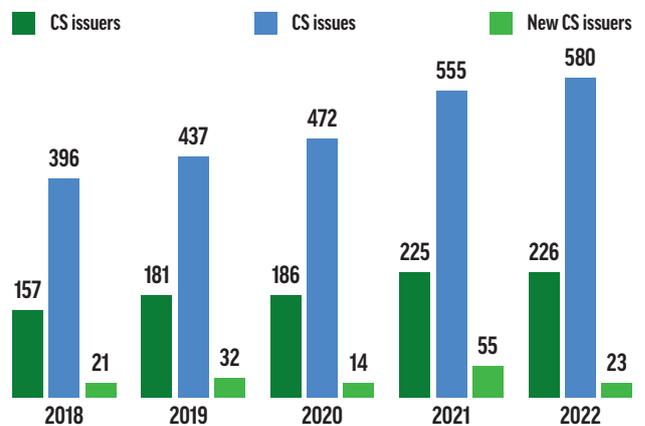
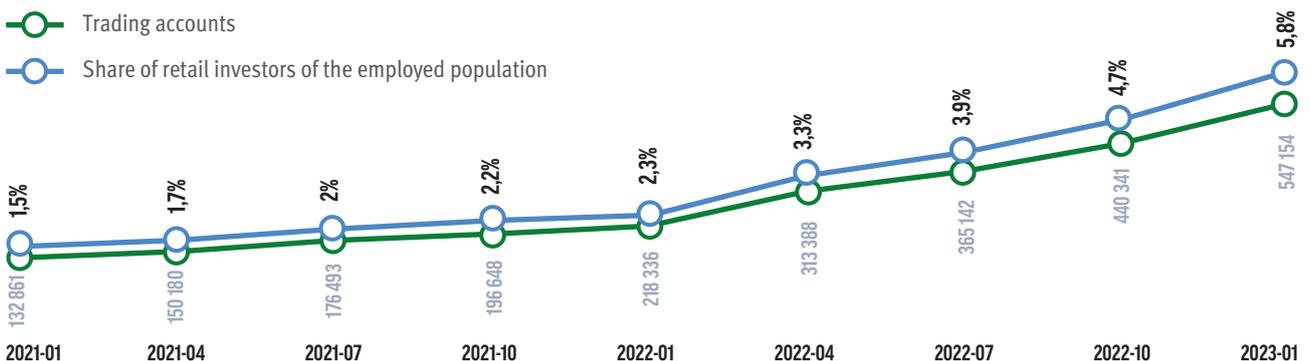


Fig. 9. Number of trading accounts of individuals in the CSD



Implementation of the Development Strategy for 2022–2024

In 2022, the Exchange started implementing the Development Strategy for 2022–2024. KASE's Development Strategy for 2022–2024 was drawn up as a continuation and development of the initiatives laid down in the previous three-year period. When preparing the strategy, KASE was guided by global and local macroeconomic trends and best international practices in the development of stock exchanges.

KASE's Development Strategy for 2022–2024 defines four key areas:



1 increasing the liquidity in stock exchange markets



2 the development of the central counterparty as a key infrastructure element



3 introduction of innovations and technological modernization



4 increasing the value for stakeholders

Strategic direction 1.

Increasing the liquidity in stock exchange markets

This strategic direction is divided in several main areas: expanding the range of financial instruments and services, establishing trading and clearing links with partner exchanges, expanding the circle of issuers and investors.

In order to attract local and foreign investors, it is planned to introduce new instruments: repo in foreign currency, ESG instruments, general collateral certificates, ETFs for KASE instruments, activation of short sales and securities lending, introduction of trading and clearing links.

The Exchange continues to work on creating conditions for small and medium-sized businesses to enter the stock market. With the support of the Ministry of National Economy of the Republic of Kazakhstan, amendments were made to the National Project for the Development of Entrepreneurship for 2021-2025, which provides for subsidizing the coupon rate and bond guarantees (optional). In order to attract issuers under this program in 2022, meetings were held with more than 70 potential issuers.

Another important focus of the development is on attracting retail investors through the implementation of sponsored market-making programs, financial literacy programs, and the development of a mobile application. In addition, the possibility of introducing new digital products based on a blockchain technology is being explored.

Work is in progress on the further development of the foreign securities sector KASE Global by expanding the range of instruments, improving the terms of trades and settlements in this sector.

The Exchange, being one of the conductors of the ESG policy in Kazakhstan's corporate market, consistently promotes ESG standards among its companies, and also creates opportunities for financing "green", social projects on its platform. Work continues on the creation of new products and services in the field of responsible investment and their application in Kazakhstan's financial market. Events are held among companies listed on the Exchange and potential issuers to promote sustainable development issues and develop interest in ESG tools.

Along this line, the Exchange implemented the following projects:

- » Indices and indicators of the GS market have been introduced – GS indices show changes in the value and yield of GS depending on the maturity
- » An updated browser-based version of the IRIS Finance information product has been launched – real-time broadcast of market data, including trading data, news of financial markets etc.
- » Subscription trading was transferred to the TCS ASTS+ – orders for KMG's IPO were collected through the subscription module in the TCS ASTS+
- » The possibility of trading using omnibus accounts has been introduced – in 2022, 413 thousand individual codes of participants registered through omnibus accounts were opened
- » The possibility of trading with a new instrument on the repo market – the general collateral certificate – was implemented



Strategic direction 2.

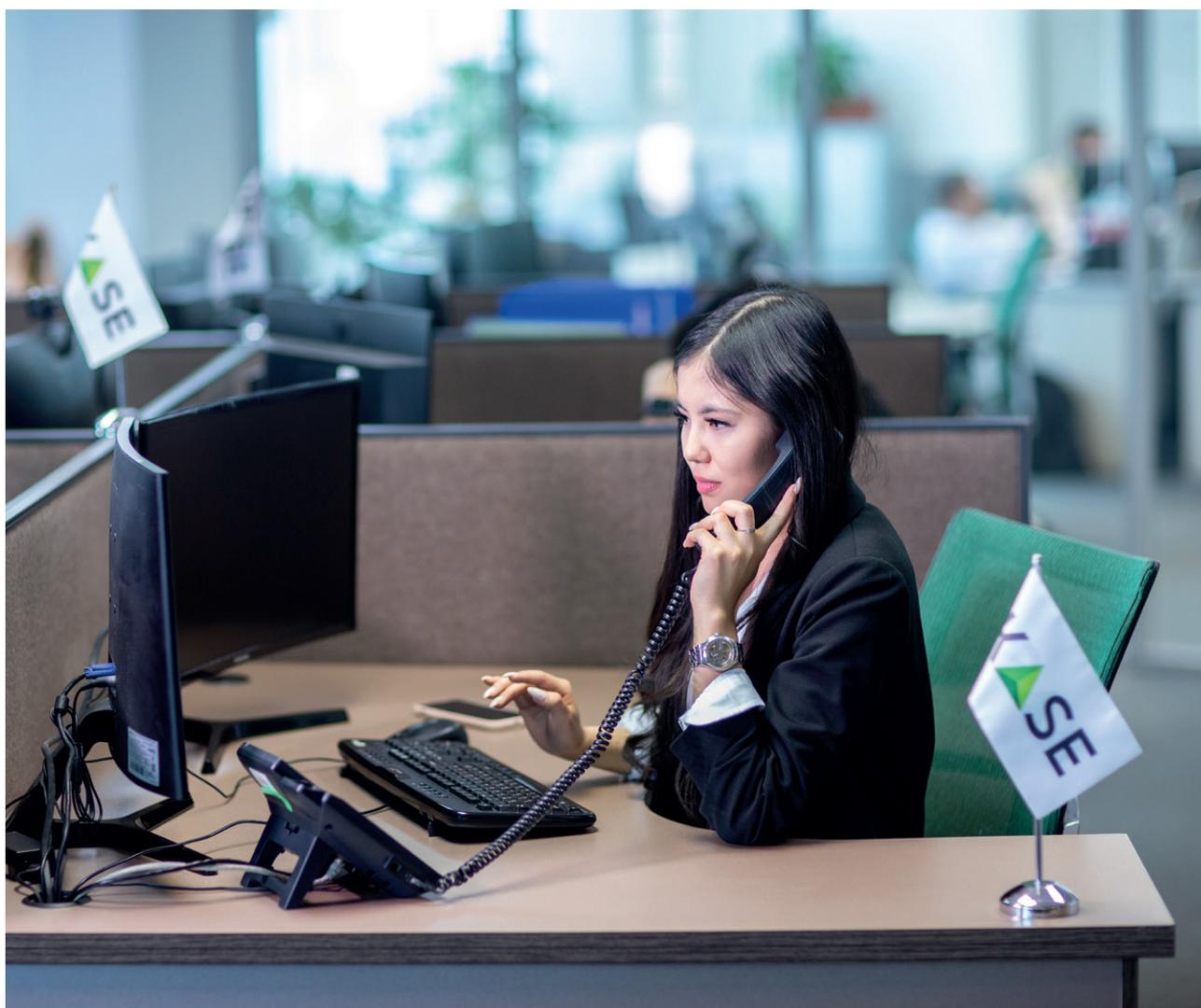
Development of the CCP as a key infrastructure element

The institute of the central counterparty has been introduced and is effectively operating on KASE in all markets: the stock, money and derivatives markets.

The launch and development of the central counterparty services on all exchange markets of KASE ensures the reduction of participants' credit risk, guarantees the completion of settlements on transactions, and the reduction of participants' transaction costs due to cross-margining and netting.

The next step, which is reflected in the new strategy, is bringing its services in line with the best international practices and standards: separating its functionality into a separate subsidiary, building a risk management system, business processes, and gaining international recognition.

In 2022, work began on assigning the functionality of the central counterparty to a separate organization. The Exchange's Board of Directors decided to establish KASE Clearing Center JSC by reorganizing the Exchange's 100 % subsidiary eTrade.kz LLP.



Strategic direction 3.

Introduction of innovations and technological modernization

For the Exchange, as a high-tech trading platform, the introduction of advanced technological solutions in accordance with the best world practices is of particular importance. As part of the new Strategy, information technology and information security continue to be brought in line with international standards, ensuring the achievement of high fault tolerance of the IT infrastructure, and the use of advanced technologies while carrying out surveillance of the trading participants' behavior.

It is planned to implement pilot projects based on a blockchain technology and other promising digital technologies. Modernization of the internal infrastructure will be carried out on account of the introduction of a new back office system using a microservice architecture on a modern Java platform.

As part of the IT products development, it is planned to introduce new market data products. Emphasis will be placed on individual corporate subscribers (including NDU, derived data, customized access to information).

Pilot projects on the introduction of digital financial instruments

Today, cryptocurrencies are rapidly gaining popularity around the world. Derivatives based on cryptocurrencies are actively traded on the stock markets of some countries.

Kazakh investors also do not stay away from the global growth in demand for crypto assets and are actively interested in investing in digital instruments.

The Exchange is also responding to market needs and considering the introduction of new products, including those using blockchain technologies. At the first stage, the possibility of expanding the range of instruments is being considered in order to popularize the derivatives market, attract potential investors to the derivatives market.

In particular, the Exchange is studying the possibility of launching trading in futures contracts, the underlying asset of which will be a cryptocurrency index (bitcoin or Ethereum) using the example of instruments traded on the New York Stock Exchange, or cryptocurrency ETFs traded on the NASDAQ or XETRA exchanges.

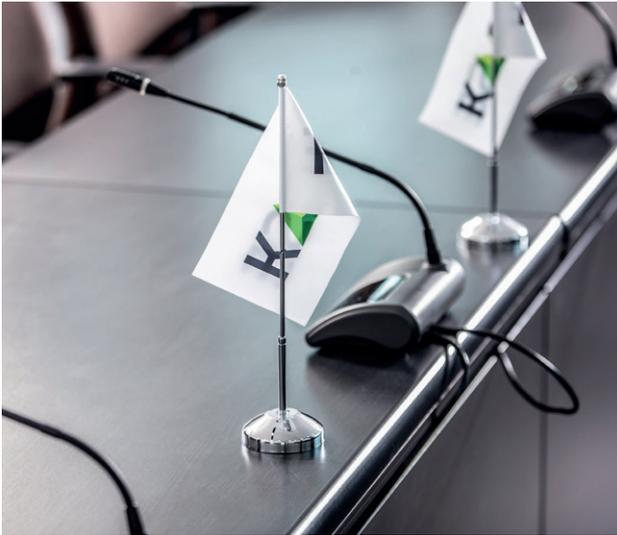
In the future, the issue of launching a pilot project for the issuance of tokenized securities or other promising products based on a blockchain technology will be worked out with the further prospect of assigning this line of business to a separate organization.

Taking into account that currently the issuance and circulation of digital assets is legally allowed only in the territory of the AIFC, the Exchange in cooperation with the authorized body is studying the issue regarding the possibility of organizing trading in derivatives, the value of which depends on that of digital assets, as well as the launch of a "regulatory sandbox" to implement a pilot project to create an ecosystem for the issuance and circulation of digital products based on a blockchain technology on KASE.



Strategic direction 4.

Increasing the value for stakeholders



The Exchange, as an important structural element of the financial market, continues to make efforts to increase the value for its stakeholders. In particular, as part of the new Strategy, work is underway to increase the level of corporate governance, improve management reporting, apply new approaches to evaluating projects taking into account their contribution margin, and introduce new approaches to dividend policy.

These measures will contribute to KASE's sustainable development and increase its investment attractiveness, strengthening of the strategic and competitive advantages of the Exchange.

Implementation of new approaches to dividend policy

Following a decision of an extraordinary general meeting of the Exchange's shareholders dated February 10, 2023, the new Dividend Policy of the Exchange was approved. The new approaches to paying dividends take into account international capital and asset adequacy standards for organizations that perform the functions of the central counterparty, approaches to paying dividends of foreign exchanges and central counterparties, changes in the financial model of the Exchange in connection with the forthcoming separation of the settlement and clearing functionality and the functionality of the central counterparty into a standalone organization.

Application of new approaches to project evaluation taking into account their contribution margin

In order to ensure the high-quality and efficient achievement of the goals of the Exchange's development and implementation of projects in 2022, new Rules for project planning and management have been adopted. The main objective of the Rules is to determine approaches to planning the Exchange's activities, its development and implementation of advanced practices of stock exchange activities. The Rules establish the procedure for developing and monitoring the implementation of the Exchange's development strategy, as well as projects being implemented as part of achieving strategic goals and other projects.

Setting goals for the Exchange's projects is based on the SMART approach, which assumes that goals must be specific, measurable, achievable in a specific period of time.

The main control instrument in the process of the project implementation is the principle of control points, which consists in a comprehensive assessment of the project at certain points in its implementation, predetermined by the project plan. At the same time, an assessment is made of the timing of the project stages, the sufficiency of human and material resources, and the achievement of the project goals.

For each project of the Exchange supposed to be included in the development strategy, a project passport is drawn up in the form of a scorecard, which includes a system of indicators for measuring and evaluating the effectiveness of the project based on the use of quantitative and qualitative KPIs (key performance indicators).





ESG infrastructure

The Exchange, as a conductor of the ESG policy in the corporate market of Kazakhstan, creates opportunities for financing "green", social projects on its platform. As part of the new Strategy, the development of information disclosure standards for issuers continues; it is planned to develop an ESG reporting platform for investors and introduce ESG indices, and brisk educational activities are underway to promote ESG principles in Kazakhstan's corporate market.

Green issues

The sustainable bond market in Kazakhstan was launched in 2020, and the amount of funds raised in this segment is growing year by year. While 14.0 billion tenge was raised in the ESG bond market on KASE in 2020, in 2021 it was 29.4 billion tenge, and in 2022 – already 33.6 billion tenge.

The history of the sustainable bond market in Kazakhstan began in 2020 with the first issues of "green" bonds for a total amount of 14.0 billion tenge: the Asian Development Bank placed two issues of "green" bonds on KASE for 13.9 billion tenge, with the raised funds invested in projects on reducing greenhouse gas emissions into the atmosphere.

In 2021, the Asian Development Bank placed the first issue of "social" bonds for 8.4 billion tenge for a period of ten years at 10.15 % per annum to finance projects aimed at reducing the gender inequality and promoting the empowerment of women and girls. In September 2021, Entrepreneurship Development Fund "Damu" JSC raised 1.0 billion tenge for a period of five years at 11.90 % per annum to finance SMEs, microfinance organizations, leasing companies amid the COVID-19 pandemic.

Also, in 2021, a new participant with "green" issues entered Kazakhstan's ESG market. The Eurasian Development Bank raised 20.0 billion tenge for a period of three years at 10.50 % per annum to finance the Bank's green projects in the Republic of Kazakhstan.

In 2022, despite the growth in interest rates and volatility, the volume of ESG-financing continued to grow. The Asian Development Bank raised 14.0 billion tenge more for social projects, as well as 3.4 billion tenge for green financing. Also, KEGOC raised 16.1 billion tenge for the implementation of the company's projects related to the construction of the necessary network infrastructure. These are the first social bonds issued with a floating coupon rate linked to the TONIA indicator + fixed margin.

ESG events

To successfully promote ESG, different stakeholder groups need to be involved. In July 2021, as part of the Green Financing and Debt Capital Market conference, KASE, together with the ARDFM and PwC Kazakhstan, signed a memorandum of cooperation to promote the sustainable financing principles. Within its framework, PwC Kazakhstan, as an independent consulting organization, undertook to provide methodological support and advice on international practice in creating an infrastructure for financing ESG projects. In turn, the ARDFM has formalized its intention to take measures to stimulate the transition of financial institutions and listed companies to ESG standards at a systemic level by integrating them into the regulation of risk management and reporting systems. Ernst & Young, Expert RA and ACRA, as well as the AIFC Green Finance Center have expressed their readiness to confirm the ESG goals for bonds placed on KASE in the future.

The Exchange regularly conducts training events, trainings and webinars on the issuance of ESG bonds and ESG reporting and on corporate governance in the ESG area.

In 2022, the Exchange organized 8 events (training seminars, webinars, round tables) on ESG topics for its existing and potential clients. The Exchange's employees also took part as guest speakers in similar events organized by other companies.

An important event in the corporate market was the International Conference called "ESG – a new paradigm for the financial market development", organized on November 16, 2022 as part of the Xth Congress of Kazakhstan's Financiers by the Exchange in partnership with the NBRK, ARDFM, AFC, IFC, UNEP. The conference was attended by more than 1,300 people in offline and online modes, including 41 speakers from 9 countries. Participants discussed global trends in financing sustainable development projects, the introduction of ESG principles and standards into public policy and regulation, the creation of information disclosure standards, the introduction of responsible investment and many other aspects of ESG in the financial market.





Information policy

Information dissemination channels should provide free and easy access to disclosed information.

The Exchange adheres to the following principles when disclosing and distributing information:

1. regularity, consistency, efficiency and timeliness;
2. completeness of disclosure of information within the capabilities and competence of the Exchange;
3. neutrality and objectivity;
4. equal opportunities for access and availability of public information of the Exchange for regulators, partners and stakeholders;
5. ensuring control over confidentiality and use of insider information of the Exchange;
6. observance of confidentiality: a reasonable balance between openness of information and observance of the interests of the Exchange as a commercial organization;
7. observance of the rights of the Exchange's partners to information about changes in their activities, provided to the Exchange as the trading operator in accordance with the requirements of the legislation of the Republic of Kazakhstan.

Information services

By now, KASE has not only introduced and improved a full range of standard information products supplied by world exchanges, but also created and develops its own data distribution channels for the convenience of retail and corporate consumers using KASE information in their activities.

In 2022, the circle of consumers of KASE's market data has expanded with such subscribers and vendors as Fusion Media Limited (Investing.com), Persefoni AI Inc, Factset, Interfax, Citibank Kazakhstan JSC, NMH "Baiterek" JSC, SO VTB (Kazakhstan) JSC, whose services use, among other things, KASE's market data and technical infrastructure. As a result, the number of corporate clients subscribed to KASE's information services reached 30. The number of clients distributing KASE's market data reached 22, of which three companies represented by Bloomberg, Refinitiv and Citigroup Global Markets LTD – global financial information providers, distribute KASE real-time market data with a combined audience of more than 200 end subscribers as of the end of 2022.

The number of paid subscribers to @KASEInfoBot bot in the Telegram app, commercialized at the end of 2021, reached 150 users by the end of 2022, with the total number of bot subscribers exceeding 12,000, which confirms the popularity of this service.

Users, who prefer to receive extended content of real time market data, monitor the course of trades on KASE through the corporate website of the Exchange. The number of such subscribers as of the end of 2022 was 178.

KASE intends to further develop financial information dissemination activities through information products. Thus, a browser-based version of the information platform IRIS Finance was launched in the first quarter of 2022. KASE's plans also include the development of a service for obtaining archival information and other products, which ultimately opens up new opportunities for users looking for a broader market analysis.

HUMAN CAPITAL DEVELOPMENT



The Exchange develops the principles of socially responsible behavior among employees, forms social management approaches in the field of sustainable development of the Exchange, without violating the economic efficiency principles.

Corporate social responsibility and responsible labor practices

When establishing labor practices, the Exchange is guided by the Exchange's Sustainable Development Policy, through the implementation of the principles of corporate social responsibility, in order to improve the quality of life of employees and their families.

In the field of personnel management the Exchange adheres to the principle of non-discrimination in hiring, remuneration, promotion, dismissal due to gender, race, language, religious, political and other beliefs, citizenship, ethnic or social background.

In order to create favorable conditions for the development and motivation of personnel to acquire theoretical and practical knowledge so as to improve their qualifications and professional level while the Exchange provides services to the public, the Exchange applies advanced forms of training for the Exchange's employees and third parties using modern technologies and information management systems.

To ensure fair and competitive remuneration for work, the Exchange independently studies the labor market or hires consultants to review salaries paid for similar activities, position, labor functions for motivational research.

The Exchange's internal document provides for a system of compensations, benefits and social guarantees for employees and members of their families.

In order to create safe working conditions and prevent risks associated with labor protection, to observe the right of employees to safe work, the Exchange takes measures to ensure the proper organization of employees' work in the workplace, including training and improvement of employees' qualification in this area, as well as purchase of high-quality equipment and hardware.

The Exchange develops the principles of socially responsible behavior among employees, forms social management approaches in the field of sustainable development of the Exchange, without violating the economic efficiency principles.

The labor organization system of the Exchange is determined by internal rules that are in effect in each area of personnel management and are based on the norms of the Labor Code of the Republic of Kazakhstan, the Code of the Republic of Kazakhstan "On taxes and other obligatory payments to the budget", the Act of the Republic of Kazakhstan "On the securities market", the Act of the Republic of Kazakhstan "On joint-stock companies" and other normative legal acts.



Employment

The Exchange provides equal opportunities in the process of selection, hiring, rotation and promotion of personnel, creates equal conditions for the development and advanced training of employees, creates and ensures a fair system of remuneration depending on the length of service of an employee at the Exchange, his personal contribution to the Exchange's performance. The recruitment of personnel is carried out on the principles of equality and non-discrimination, as well as the development of conditions and the creation of new jobs for the employment of young professionals and the disabled.

As of the end of 2022, the Exchange had 231 employees on the payroll, with the actual number being 199. The ratio of the employees by gender was as follows: women – 52 %, men – 48 %. The personnel structure by age looks as follows: the share of young people under 30 years old is 25 %, 30 to 40 years old – 38 %, 40 to 50 years old – 27 %, over 50 years old – 10 %. The average age of employees on the Exchange in 2022 was 37 years.

In 2023 the Exchange concluded agreements with 34 freelancers who provided services involving synchronous interpreting, development and maintenance of software, graphic design, call answering and business processes automation, development and implementation of a new back office systems.

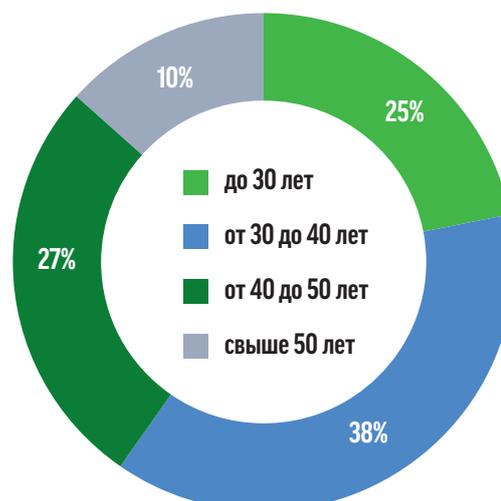
The Exchange does not use child labor, neither does it engage forced labor. The youngest KASE employee is 20 years old.

96 new employees were hired in 2022, which accounted for 52 % of the average head count. The Exchange is working to improve the quality of services, develop digital banking and implement new IT projects, which means an increase in employees newly hired in the Exchange's IT team – 44 % of the total number of new employees in the reporting period. The development of the modern labor market is distinguished by a number of global trends, one of which is the transition to digitalization and the role of information and communication technologies in the business processes of an organization. Digitalization, changing the content of labor and setting new requirements for employees' qualification and methods of their training, is constantly influencing organizations in their search for highly qualified specialists with new ideas, principles, approaches that would meet modern realities, and the Exchange is no exception.

Fig. 10. Gender diversity of staff in 2022, %



Fig. 11. Breakdown of personnel by age in 2022, %



Labor contracts were terminated with 69 employees. The employee turnover in 2022 was 398 %, of which:

- » 33% – among men;
- » 67% – among women.

The trend of an increased staff turnover worldwide, which appeared amid the pandemic, did not bypass the Exchange either, with employees quitting mainly due to a change in their career paths and for personal reasons (family circumstances).

Motivation and remuneration

The policy of remuneration and determining approaches to the motivation of the Exchange's personnel assumes the establishment of the principles of equal rights and opportunities for employees and the prohibition of discrimination in the field of labor.

The Exchange's employees are remunerated in accordance with the Rules for evaluating the performance of the Exchange's employees, approved by a decision of the Exchange's Management Board.

The Rules for evaluating the performance of the Exchange's employees provide for:

1. ensuring uniform principles for managing employees' performance;
2. ensuring the consistency of goals of structural units and individual goals of employees with the Exchange Development Strategy and the mission of the Exchange;
3. determining the degree of compliance of the professional and business qualities of employees with the requirements of the position held by the employee;
4. identifying the potential and development prospects of the Exchange's employees;
5. ensuring an organized approach to the professional development of employees in accordance with the goals of the Exchange;
6. providing support for management decisions on the transfer of an employee to another position, changes in the terms of remuneration, on the provision and amount of bonus remuneration;
7. providing transparent criteria for encouraging and rewarding an employee based on evaluation;
8. fixing the responsibility of employees for achieving measurable results.

The performance of the Exchange's employees is evaluated based on results of the calendar year.

The assessment of activities of the Exchange's employees is carried out according to the SMART criteria – criteria that describe the requirements for setting the goals of an employee's personal performance plan.

- » S – specific



- » M – measurable (quantitative and qualitative)
- » A – agreed (with the goals of the leaders and the strategy of the Exchange)
- » R – realistic, achievable
- » T – time-bound.

The remuneration of the Exchange's employees includes:

- » the employee's wage is the main part of his salary, with the wage making up 75 % of the established salary. The increment to an employee's wage is the variable part of his salary, the amount of the wage increment is 25 % of the established salary;
- » personal allowances – for individual employees with knowledge, experience and skills that are especially valuable for the Exchange;
- » bonuses to employees at the end of the year are possible in case of positive financial results based on the results of the Exchange's activities.



The Exchange provides cash assistance to its employees in the following cases:

1. due to the marriage of the Exchange's employee;
2. in connection with the birth of a child (children);
3. in connection with the funeral of a spouse or a close relative of the Exchange's employee;
4. in connection with a serious illness of the Exchange's employee;
5. in connection with the jubilee of the Exchange's employee (50 or 60 years old);
6. due to the retirement of the Exchange's employee;
7. in connection with a theft or loss of personal belongings of the Exchange's employee or in connection with damage caused to the Exchange's employee as a result of force majeure circumstances (including fires and natural disasters);
8. for other substantial reasons of a personal nature.

As part of the social package, the Exchange provides its employees with a voluntary medical insurance scheme, qualification improvement programs and training at the expense of the employer, gifts for children on holidays and corporate events.

Events after the reporting date

In the first quarter of 2023, the Exchange revised the remuneration system with the transition to a grading system for each position, according to the Korn Ferry leadership assessment methodology, which eliminates wage discrimination based on origin, social, official and property status, gender, race, ethnicity, language, attitude to religion, beliefs, place of residence, age or physical disability, membership in public associations or any other circumstances.

When reviewing the remuneration system, the Exchange took into account the current state of the labor market, including the high level of demand for IT specialties and the peculiarities of assessing their competencies.

Since March 2023, the remuneration of the Exchange's employees includes:

- » salary according to the grade;
- » personal allowances;
- » social payments;
- » additional payment – bonuses, which are remuneration intended to additionally stimulate the efficiency of employees' work.



Personnel training and development

Training and qualification improvement is part of KASE's personnel management policy. The Exchange encourages employees to seek new knowledge and develop existing ones, including through internal and external training.

Training of the Exchange's employees is carried out in accordance with the main activities of the Exchange and the work duties of the employees, including project activities, using all possible training formats, also distance and online training.

The Exchange provides all necessary conditions and pays for mandatory training of its employees.

Learning at the Exchange is categorized:

1. by type of learning – external and internal;
2. according to the formats of learning – full-time, distance learning (including online) and mixed learning (including elements of full-time and distance learning);
3. according to the form of participation – individual and corporate.

External training of the Exchange's employees is carried out according to the following programs:

1. professional training;
2. qualification improvement;
3. professional postgraduate education;
4. professional certification (including preparation programs for taking exams in professional certification programs);
5. corporate training;
6. language courses.

The Exchange has a program on recognizing employees' achievements. In recognition of the merits and achievements of employees in 2022, the Exchange rewards



the best performing employees in the following categories:

- » The Professional of the Exchange;
- » The Anchor and the Authority of the Exchange;
- » The High-Potential Employee (HiPo) of the Exchange.

In addition, according to the Corporate Ethics, the Exchange's employees annually choose the bearers of the Exchange's corporate values.

According to the long-established good tradition of the Exchange, letters of thanks are handed over on the eve of public holidays to the best performing members of the Exchange team. An important event for the employees is receiving state awards and marks of honor from the Association of Financiers of Kazakhstan, as well as letters of recognition from the Chairman of the National Bank.

Vocational education and compulsory training is a priority. Much attention is paid to the development of professional skills in the financial sector, corporate competencies and project management and IT skills necessary for the implementation of the Exchange's strategic projects.

In the reporting year, 53 employees of the Exchange underwent training, mainly in courses in the following areas: Corporate Finance, Financial Modeling, Financial Analysis, IT (Java, Oracle, Linux) and accounting courses (1C ZUP, Finance Director, Tax

Consultant) with a total duration of 1,056 academic hours. Also, a course on Project Management with IPMA certification was arranged for employees of several departments.

The Exchange's employees have passed the annual Attestation. According to the certification results:

1. 100 % of employees successfully passed the job performance test;
2. 34 employees scored 100 % (50 correct answers to a total of 50 questions);
3. the lowest score of 80 % was shown by 1 employee.

In order to determine the level of the employee satisfaction, the Exchange annually conducts an anonymous online survey among its employees. The results of the satisfaction evaluation allow assessing the level of employee motivation, the atmosphere in the team and the level of loyalty. In 2022, 114 out of 199 employees (the actual head count of the Exchange in December 2022), i.e. 57.3 %, took part in this survey.

To the question "Are you satisfied with your job at the Exchange?" the majority of respondents (45.6 %) answered "more yes than no". Compared to 2021, the satisfaction percentage increased from 37 % to 45.6 %.



Corporate culture

To ensure the development of the Exchange's corporate culture, the following corporate events were arranged:

- » Townhalls highlighting the quarter results. The events are held in a combined offline and online format.
- » Meetings of newly hired employees with the Chairman of the Exchange's Management Board. The events are held quarterly in the format of a "Get acquainted breakfast".
- » KASE Insight – with the involvement of external speakers: Viktor Malchikov, a business coach of the Agency Renaissance, conducted a training on the topic "Life without stress and emotional burnout" and a member of the Exchange's Board of Directors Y. Abdrazakov gave a lecture on the topic "Anti-crisis measures and assessment of the impact of sanctions on Kazakhstan's economy".
- » KASE employees took part in a summer transformational retreat training called "Changes are inevitable" and a quest trip to a waterfall, timed to coincide with the celebration of the state holiday "The Day of the Capital of Kazakhstan". The employees made a team ascent to the Butakovsky waterfall.
- » KASE organized the Donor Day with the assistance of the Republican Blood Center and the Red Crescent Society of the Republic of Kazakhstan. This year, 27 employees of the Exchange joined the good initiative and helped save someone's life. Each of them donated 400-450 ml. blood.
- » On the eve of World Cleanup Day, the Exchange conducted an eco-cleanup day. As part of the campaign, employees collected garbage in an apple orchard in the foothills of Almaty.
- » KASE team took part in Almaty Marathon 2022 at the distance "Ekiden" (team relay at a marathon distance of 42 km), also employees of the Exchange participated in individual races at different distances.
- » As part of the New Year celebration, a corporate evening was organized for KASE employees and a Children's New Year's party for the employees' children.

As part of its charity efforts, the Exchange's employees arranged for a children's party dedicated to Children's Day for young patients of the Scientific Center of Pediatrics and Pediatric Surgery, and KASE employees also provided assistance to children with special needs and disabilities. The children wrote letters to Santa Claus, and the employees of the Exchange fulfilled these wishes.



Ensuring equal rights and opportunities

The Exchange creates a comfortable and respectful working environment for its employees.

The Exchange promotes friendliness, mutual respect and recognition, stands for open dialogue and fairness in the working environment, diversity, considers inclusion through strategic perception as an important aspect of business.

The diversity of points of view, skills and experiences of employees of different ages, genders, cultural or ethnic backgrounds, and other characteristics is a valuable resource for us. Therefore, the Exchange provides employees with the opportunity to realize their potential by creating equal opportunities for participation in work processes, training and development that contribute to improving the competitiveness, productivity and efficiency of operations and management, as well as making a valuable contribution to the achievement of the Exchange's strategic goals.

When interacting with the employees, the Exchange adheres to the principle of compliance with the norms of the legislation of the Republic of Kazakhstan and internal rules of the Exchange, the principle of equality of the parties, as well as respect and consideration of the interests of the parties.

The Exchange considers it inadmissible to restrict civil rights of a person in the sphere of labor, except in cases and in the manner prescribed by the Labor Code and other laws of the Republic of Kazakhstan.

The Exchange and its employees strive to ensure respect for individual rights, equality, transparent organizational procedures, gender equality and other justice in the workplace and in the management structure.

The Exchange prohibits employment discrimination, forced labor and child labor. Everyone has equal opportunities to exercise their rights and freedoms in the sphere of labor.

No employee may be subjected to any discrimination in the exercise of labor rights based on origin, social, official and financial status, gender, race, ethnicity, language, attitude to religion, beliefs, place of residence, age or physical disabilities, membership in public associations or for any other reasons in the selection and hiring of personnel, distribution of responsibilities, professional training, evaluation of labor and its remuneration, guided only by the competencies, professionalism, knowledge, personal qualities and experience of employees.



ENVIRONMENTAL PROTECTION



Separate waste collection has been introduced at the Exchange. About 90 kg of waste paper, more than 32 kg of glass and 28 kg of plastic and 1 kg of aluminum were collected during 2022, in addition, the Exchange arranged for a tree planting event in Almaty with the KASE team involved.

Environmental protection

In the course of its activities, the Exchange seeks to reduce excess consumption of resources and minimize the existing negative environmental impact through the introduction of energy saving technologies, reducing water consumption, reducing paper consumption for office needs through the introduction of an electronic document management system and the practice of two-sided printing. The main resources consumed by the Exchange are electricity, heat, paper products and water.

Fig. 12. Consumption of paper by the Exchange, number of packs



Fig. 13. Consumption of water by the Exchange, bottles



In 2021, the Exchange introduced the Green Office program, which implies an integrated approach to managing an organization and includes a number of technical, motivational and educational activities based on the generally accepted principles of the three Rs:



Reduction – reasonable consumption of energy, water, electricity and more

Replacement – environmentally responsible procurement and acquisition of goods and services that minimize the impact on the environment, promotion of alternative and/or efficient use of transport. In order to implement the "Green Office" program, the Exchange has created a headquarters of eco-activists from among the Exchange's employees – KASE GREEN

Refinement – reuse of office materials, paper and other consumables

Contacts and requisites

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Казахстанская фондовая биржа (KASE)



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