



# Guide to corporate governance





# **Welcome to the Corporate Governance Guide of KASE Clearing Center JSC**

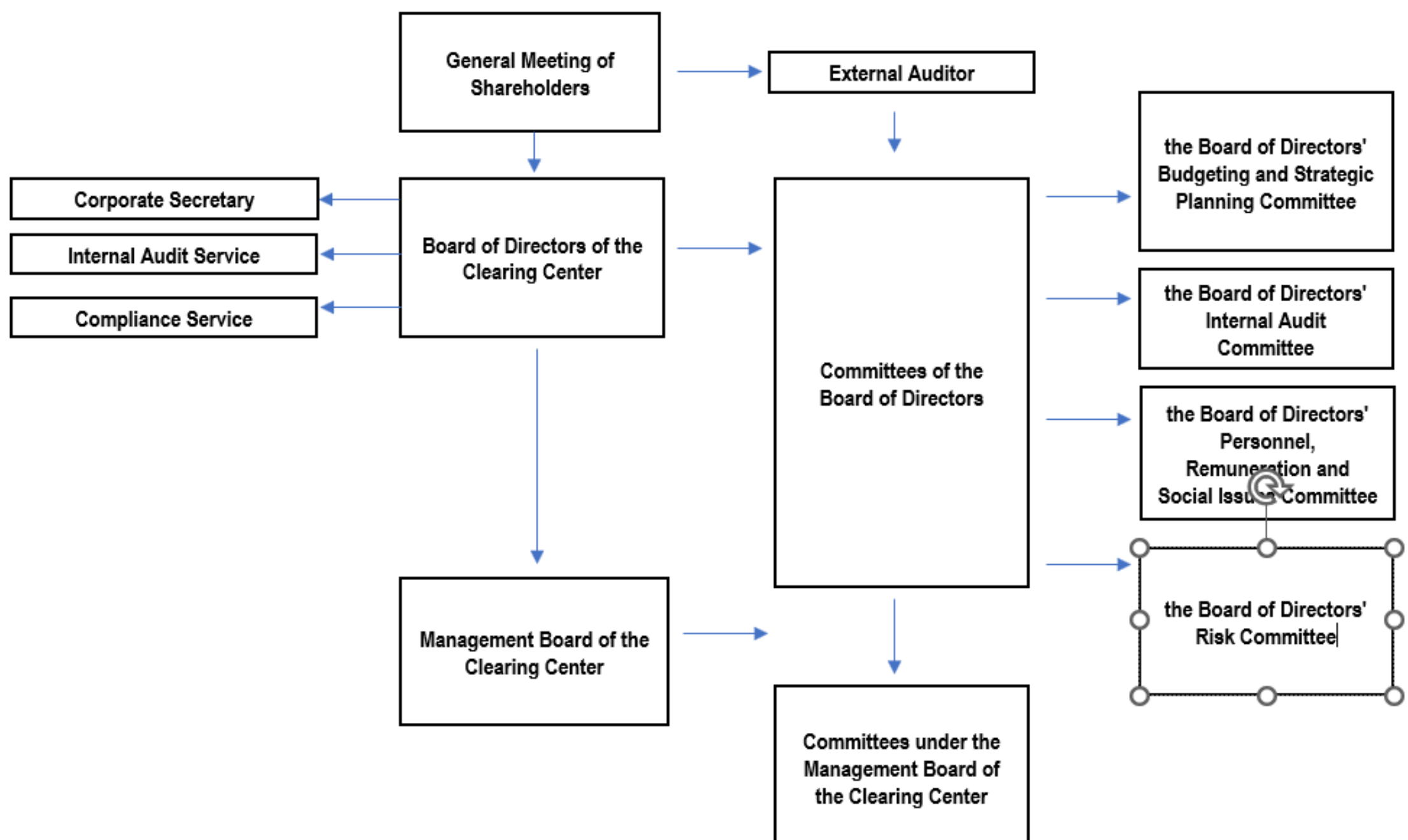
This guide has been created for all stakeholders - the sole shareholder of the Clearing Center, the Board of Directors, the Management Board, employees, partners and representatives of the Clearing Center - in order to explain the main approaches, principles and mechanisms ensuring sustainable and responsible development of the Clearing Center

## Corporate governance principles

We build a corporate governance system based on international standards and best practices, guided by the following fundamental principles:

- principle of protecting the rights and interests of the shareholders;
- principle of effective management of the Clearing Center by its general meeting of shareholders, the Board of Directors and the Management Board of the Clearing Center;
- principle of transparency and objective disclosure in corporate governance;
- principle of responsibility in corporate governance;
- principle of compliance with the law and corporate ethics;
- principle of risk management, internal control and audit;
- principle of effective dividend policy;
- principle of sustainable development.

## Corporate governance structure



## General meeting of shareholders

The general meeting of shareholders is the highest governing body of the Clearing Center. The competence of the general meeting of shareholders is defined by *the Republic of Kazakhstan's Law "On Joint-Stock Companies" and the Clearing Center's Charter*.

The sole shareholder of the KASE Clearing Center JSC is Kazakhstan Stock Exchange JSC. The sole shareholder's powers include:

- approval of the KASE Group's Development Strategy;
- appointment of members of the Board of Directors and the Chairperson of the Management Board;
- approval of financial results;
- receipt of dividends.

## External auditor

In order to verify and confirm accuracy of the accounting (financial) statements prepared in accordance with the Republic of Kazakhstan's legislation as well as financial statements prepared according to International Financial Reporting Standards, the Clearing Center, on a contractual basis, engages an audit organization that operates in accordance with the Republic of Kazakhstan's legislation and is chosen by decision of the Clearing Center's sole shareholder.



## Board of Directors

The Board of Directors is the governing body of the Clearing Center and carries out general management of the Clearing Center's activities, with the exception of resolving the issues put by the Republic of Kazakhstan's Law "On Joint Stock Companies" and/or the Clearing Center's Charter under the exclusive competence of the sole shareholder of the Clearing Center.

In carrying out its activities, the Board of Directors is guided by the Republic of Kazakhstan's legislation as well as *the Charter, the Corporate Governance Code of KASE Clearing Center JSC and the Regulations on the Board of Directors.*



The Board of Directors of KASE Clearing Center JSC is elected by the sole shareholder and reports to it. The sole shareholder has the right to terminate early the powers of individual members or the entire Board of Directors.

The Board of Directors determines the key activity areas of the Clearing Center, its competence is established by *the legislation and the Charter.*

The Board of Directors includes specialists with the necessary knowledge, experience and impeccable business reputation established by *the Republic of Kazakhstan's Law "On the Securities Market"*. To ensure independence of decisions, the participation of independent directors is provided. The Chairperson of the Board of Directors is elected from among its members by a majority of votes.

The composition of the Clearing Center's Board of Directors and brief biographical information are posted on *Clearing Center's website.*

## System of remuneration of members of the Board of Directors

In accordance with subparagraph 5) of paragraph 1 of Article 36 of the Republic of Kazakhstan's Law "On Joint-Stock Companies" and subparagraph 9) of paragraph 2 of Article 14 of the Charter of KASE Clearing Center JSC, the issue of determining the amount and conditions of payment of remuneration to members of the Board of Directors falls within the exclusive competence of the general meeting of the Clearing Center shareholders.

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

Information on the remuneration amount of members of the Board of Directors is disclosed in *the Clearing Center's annual report* and published on the website of the Financial Statements Depository annually no later than August 31 of the year following the reporting year, in the form of information on the total amount of remuneration of the Clearing Center's executive body members at the end of the year.



## Committees of the Board of Directors

Committees of the Board of Directors are created for consideration of the key issues and preparation of recommendations for the Board of Directors. Their activities are aimed at improving the performance of the Board of Directors and ensuring the quality of adopted decisions.

The procedure for formation and operation of the committees of the Board of Directors, their objectives, competencies, compositions as well as the rights, duties and responsibility of the members of the Board of Directors' committees are defined by the *Regulations on the Committees of the Board of Directors* approved by the Clearing Center's Board of Directors.

### **The Board of Directors' Committee for Budgeting and Strategic Planning**

The main objective of the Committee is to ensure a detailed analysis of the draft budgets, financial plans and strategic initiatives of the Clearing Center.

The Committee members are members of the Clearing Center's Board of Directors and experts having the necessary professional knowledge to work in the Committee.

The composition of the Committee is posted on *the Clearing Center's website*.

### **The Board of Directors' Committee for Internal Audit**

The main objective of the Committee is to assist the Board of Directors in ensuring the reliability of financial reporting, effectiveness of internal control and risk management, as well as independence of internal and external audit.

The Committee consists exclusively of members of the Board of Directors, the majority of whom are independent directors.

The composition of the Committee is posted on *the Clearing Center's website*.

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

The main objective of the Committee is to prepare recommendations to the Board of Directors on issues of HR policy, selection and evaluation of the Management Board members, the motivation and remuneration system, as well as compliance with principles of corporate ethics.

The Committee members are members of the Clearing Center's Board of Directors and experts having the necessary professional knowledge to work in the Committee.

The composition of the Committee is posted on *the Clearing Center's website*.

### **The Board of Directors' Risk Committee**

The main objective of the Committee is preliminary consideration and preparing the recommendations to the Board of Directors on issues of the risk management and internal control system, monitoring of key risks and assessing the effectiveness of measures to minimize them.

The Committee members are members of the Clearing Center's Board of Directors and experts having the necessary professional knowledge to work in the Committee.

The composition of the Committee is posted on *the Clearing Center's website*.



## Executive body

The Management Board is the collegial executive body of the Clearing Center, which manages the Clearing Center's current activities.

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

Candidates for membership in the Management Board must meet the requirements set by the Republic of Kazakhstan's legislation for executives of financial organizations, including:

- have professional experience (work experience in positions and areas established by the Republic of Kazakhstan's legislation), knowledge and an impeccable business reputation;
- have a higher education;
- have the authorized body's consent for appointment (election) to position of a managerial employee;
- has not been held liable for committing a corruption crime or has not been subject to administrative penalties for committing a corruption offense within three years prior to the date of filing the petition for their approval for a managerial position.

The Chairperson of the Management Board and the Management Board act based on the Republic of Kazakhstan's legislation, the Charter and *the Regulations on the Management Board*.

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

## Remuneration system for members of the Board of Directors

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

The amounts, procedure and conditions of annual bonus remuneration for the Management Board members are determined by decision of the Board of Directors based on assessment of work of each member of the Management Board during the reporting year.

The amounts of annual bonus remuneration for the Management Board members are determined based on the adequate performance evaluation and employees remuneration system related to implementation of the Clearing Center's work plans, fulfillment of the main tasks, achievement of performance indicators and financial stability of the Clearing Center.

Information on the amount of remuneration of the Management Board members is disclosed in *the annual report on the Clearing Center's operations*.



## **Committees under the Clearing Center's Management Board**

To improve effectiveness of current management of the Clearing Center's operations, the specialized committees are established under the Management Board, which objective is preliminary consideration and expert analysis of key issues within the Management Board's competence, as well as preparing the proposals and recommendations for making the management decisions.

The procedure for the formation and operation of committees under the Management Board, their tasks, competencies, compositions, as well as the rights, duties and responsibilities of members of the Management Board committees are determined by the regulations on the committees approved by the Management Board of the Clearing Center.

### **Investment Committee**

The main objective of the Committee is preliminary consideration and preparation of proposals to the Management Board on issues of investment activities, evaluation of investment projects and efficiency of using the Clearing Center's financial resources.

The Committee members are the Management Board members and the Clearing Center employees, the expert representative of Kazakhstan Stock Exchange JSC as well as head of the Exchange's structural unit for financial management.

The procedure for formation, composition and functions of the Committee, the work procedure, the regulations of the Committee's activities as well as the rights, duties and responsibility of the Committee members are defined in *the Asset Investing Rules*.

### **Information Security Committee**

The main objective of the Committee is preliminarily consideration and preparation of proposals to the Management Board on issues of ensuring protection of information systems, data security and risk management in the field of information security.

The Committee members are the Management Board members supervising the information technology, risk management, information security units, representatives of the information technology unit and information security unit, the head of the risk management unit, the expert representatives of Kazakhstan Stock Exchange JSC.

The procedure for formation, work, functions of the Committee, the composition, rights and responsibility of the Committee members and the regulations of its activities are defined in *the Regulations on the Information Security Committee*.

## **Default Settlement Committee**

The main objective of the Committee is preliminary consideration and preparation of proposals to the Management Board on issues related to settlement of defaults by settlement participants, as well as developing the measures to minimize the consequences and reduce the risks for the Clearing Center.

The Committee members are the Management Board members and the Clearing Center employees.

The procedure for formation, composition and functions of the Committee, the work procedure, the regulations of the Committee's activities as well as the rights, duties and responsibility of the Committee members are defined in *the Regulations on the Default Settlement Committee*.

## **Integrated Management System Committee**

The main objective of the Committee is preliminary consideration and preparation of proposals to the Management Board on issues of functioning and improvement of the integrated management system ensuring compliance of the Clearing Center's operations with international standards of quality, labor protection, ecology and information security.

The Committee members are members of the Management Board of the Exchange and the Clearing Center, the head of the Exchange's Quality Service, the head of the Exchange's Security Department, a methodology and certification specialist of the Information Technology Department of the Clearing Center, an employee of the Information Security and Safety Service of the Clearing Center.

The procedure for formation of the Committee, its functions, composition, rights and responsibility of the Committee members and the regulations of its activities are defined in *the Regulations on the Integrated Management System Committee and the Policy on Integrated Management System*.

## **Personnel Committee**

The main objective of the Committee is preliminary consideration and preparation of proposals to the Management Board on issues of personnel policy, recruitment, development and evaluation of personnel, as well as improving the system of engagement and remuneration of employees.

The Committee members are members of the Exchange's Management Board, one of whom is the curator of the Exchange's HR unit, a member of the Clearing Center's Management Board, head of the Exchange's structural unit for HR management, head of the Exchange's structural unit for financial management.

The procedure for formation of the Personnel Committee, its functions, composition, rights and responsibility of the Committee members and the regulations of its activities are defined in *the Regulations on the Personnel Committee*.

## **Market Risk Committee**

The main objective of the Committee is preliminary consideration and preparation of proposals to the Management Board on issues of market risk management, monitoring their level and developing the measures to minimize the impact of market fluctuations on the Clearing Center's operations.

The Committee members are members of the Clearing Center's Management Board, head of the market risks unit, head of clearing unit of the Clearing Center and invited experts from among the employees of Kazakhstan Stock Exchange JSC.

The procedure for formation of the Committee, its functions, composition, rights and responsibility of the Committee members and the regulations of its activities are defined in *the Regulations on the Market Risk Committee*.

## **Products and Projects Committee**

The primary purpose of the Committee, within the framework of ensuring the effective operation of the Clearing Center, is to coordinate and oversee project and product activities aimed at supporting strategic development, enhancing efficiency, and ensuring the economic feasibility of launched initiatives, products, and services. The Committee is composed of members of the Management Board of the Exchange / Clearing Center and employees of the Exchange / Clearing Center, as determined by a joint order of the Chairmen of the Management Boards of the Exchange and the Clearing Center. The procedure for the formation of the Committee, its composition and functions, the operating procedures, the rules of activity of the Committee, as well as the rights, duties, and responsibilities of Committee members are defined in the *Regulations on the Products and Projects Committee*.

## **Information Security Committee**

The Committee is a permanent collegial body established by a decision of the Board of the Clearing Centre, the main task of which is to consider and make decisions on issues of ensuring the information security of the Clearing Centre, including the assessment of information security risks, adjustment of methods and means of ensuring information security, modification of relevant business processes, maintenance and improvement of information security measures and prevention of risks of leakage of restricted information.

The members of the Committee are the members of the Board of the Clearing Centre supervising the departments of information technology, risk management, information security, a representative of the department of information technology, the head of the department of risk management, a representative of the department of information security and other persons (including experts - representatives of JSC "Kazakhstan Stock Exchange" by agreement).

The procedure for the formation, composition and functions of the Committee, the procedure for work, the regulations of the Committee's activities, as well as the rights, duties and responsibilities of the Committee members are defined in the *Regulations on the Information Security Committee*.



## **Corporate secretary**

In order to ensure protection of rights and legitimate interests of shareholders, as well as to coordinate the interaction of management bodies, the Board of Directors appoints a corporate secretary of the Clearing Center.

The Clearing Center's corporate secretary is responsible for:

- facilitating effective interaction between the shareholders, the Board of Directors and the executive bodies;
- organization of corporate procedures and monitoring their compliance with the Republic of Kazakhstan's legislation, the Charter and internal documents of the Clearing Center;
- observance of the corporate governance principles;
- providing the shareholders and stakeholders with the necessary information within the limits of their competence.

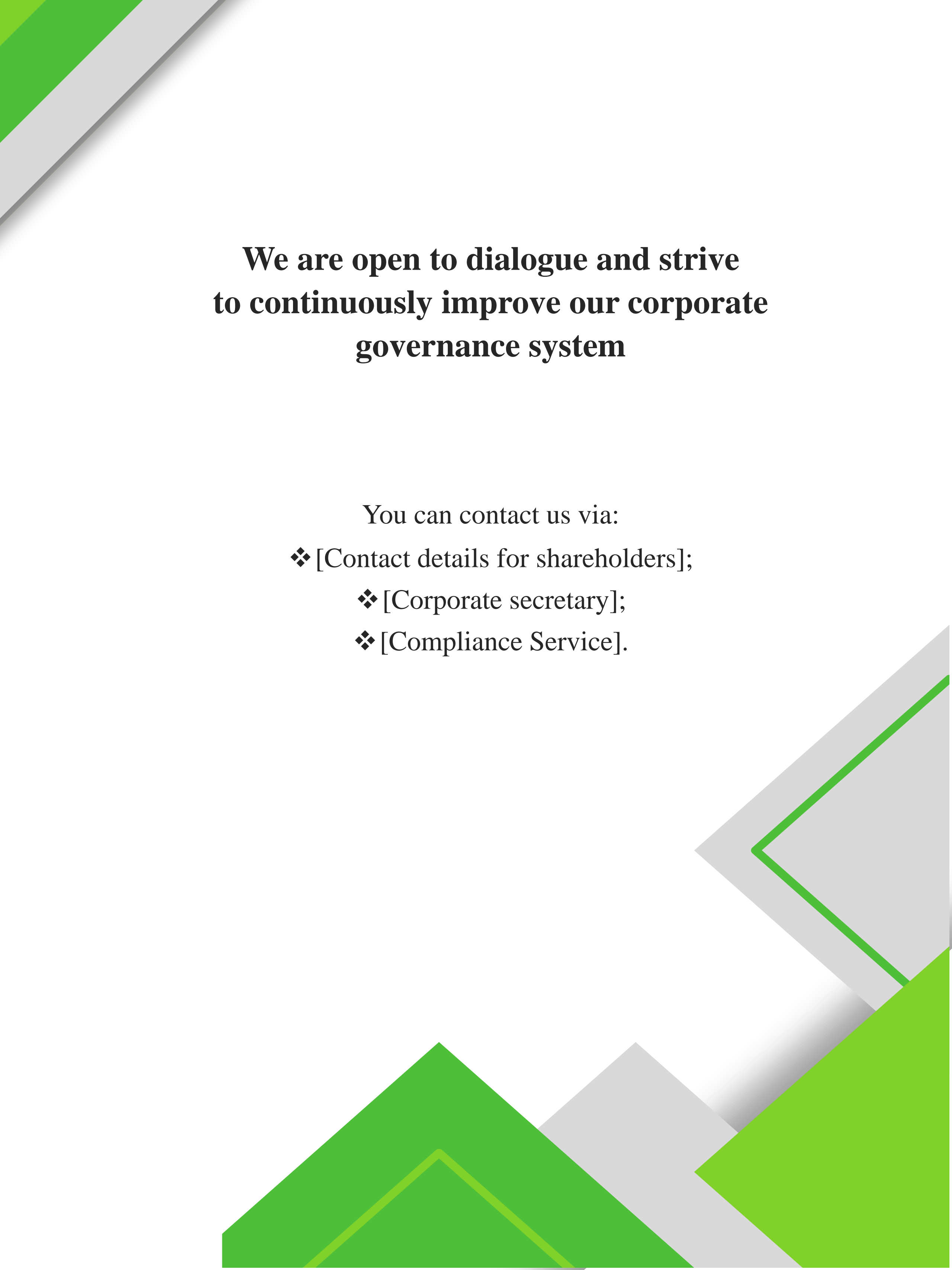
## **Internal Audit Service**

The Internal Audit Service is an independent structural unit of the Clearing Center, directly organizationally subordinate and functionally accountable to the Board of Directors, which creation, reorganization and liquidation is carried out based on decision of the Clearing Center's Board of Directors.

The Internal Audit Service ensures organization and implementation of internal audit – an activity to provide independent and objective guarantees and consultations aimed at improving the operation of the Clearing Center. Internal audit helps the Clearing Center to achieve its goals using a systematic and consistent approaches to assessing and improving the effectiveness of risk management, control and corporate governance processes.

## **Compliance Service**

The Service is an independent structural unit of the Clearing Center, accountable and subordinated to the Clearing Center's Board of Directors. In its activities, the Service is guided by the Republic of Kazakhstan's legislation, the Charter and internal documents of the Clearing Center.



**We are open to dialogue and strive  
to continuously improve our corporate  
governance system**

You can contact us via:

- ❖ [Contact details for shareholders];
- ❖ [Corporate secretary];
- ❖ [Compliance Service].