



SUSTAINABLE DEVELOPMENT REPORT

2023



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2023 IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT

01

KEY RESULTS IN SUSTAINABLE DEVELOPMENT IN 2023

01 8 new issues of green and social bonds traded on KASE

02 Total volume of green and social bonds is over 211 billion KZT

03 Small and medium-sized enterprises entered the sustainable bond market for the first time

04 For the first time, SME bonds subsidized by DAMU were placed

05 Women in middle management positions account for 51%

06 Percentage of women in the Management Board – 40%, Board of Directors – 30%

ABOUT THE REPORT

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This report is a regular Sustainable Development Report (hereinafter referred to as the Report). The Report is part of the KASE Group's annual report and contains information about sustainable development practices of the KASE Group in the calendar year ending on December 31, 2023.

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The annual 2023 report contains information about strategic goals of the KASE Group and results of their implementation, corporate governance system, results of the KASE market, as well as 2023 financial indicators of the KASE Group.

This Report contains information about main results of the KASE Group in sustainable development, description of approaches to managing factors of sustainable development, as well as certain quantitative data in the field of sustainable development. Content of the report takes into account recommendations of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market on disclosure of information in environmental, social and corporate governance (ESG) for banks and other financial organizations.

Boundaries of the Report include the following organizations of the KASE Group: Kazakhstan Stock Exchange JSC (hereinafter referred to as KASE, the Exchange) and KASE Clearing Center JSC (hereinafter referred to as KACC).

Report on sustainable development of the KASE Group is approved by a decision of the Management Board of the Exchange and is brought to the attention of stakeholders through posting on corporate Internet resource of the Exchange in the Kazakh, Russian and English languages.



ADDRESS OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS

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The Exchange regularly arranges events to increase awareness of ESG standards and principles of responsible finance.

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Dear shareholders, clients and partners!

In 2023, the Kazakhstan Stock Exchange once again confirmed its status as a systemically important infrastructure financial organization. In its activities, KASE promotes criteria of environmental friendliness, social responsibility and corporate governance, being a main promoter of sustainable development and ESG principles on the stock market of the country.

As you know, KASE is actively involved in investment issues, diversification of financial instruments, promoting financial literacy and expanding the range of issuers and investors. Along with that, the Exchange continues to implement the 2022-2024 Development Strategy. To increase liquidity on exchange markets and value for stakeholders, the Kazakhstan Stock Exchange creates new ESG tools and implements “green” financing for small and medium-sized enterprises.

The Exchange regularly arranges events to increase awareness of ESG standards and principles of responsible finance. KASE regularly conducts webinars to understand responsible investing and increase the level of knowledge in ESG among the population of Kazakhstan, in particular the youth.

Every year the Exchange organizes the Ring the Bell for Gender Equality trading opening ceremony. This event is intended to draw the attention of the global community to prospects of development of gender inclusivity and support for gender equality in the context of sustainable development policies and ESG principles.

In 2023, KASE held the International Exchange Forum “Role of Exchanges in Transformation of Financial Markets” in Almaty as part of the XI Congress of Financiers of Kazakhstan. At the event, foreign and local experts raised the topic of crucial role of the financial market in implementation of the global ESG agenda.

The Exchange also provides its issuers and members with advisory support in the area of issuing ESG bonds. KASE pays special attention to cooperation with ESG bond verifiers, which is a key aspect to ensure that green bonds comply with established standards. In this sense, the Exchange has achieved favorable terms of cooperation with verification companies, which certainly contributes to further development and popularization of ESG bonds.

KASE, thanks to its inclusion in the international network, is successfully integrated into the processes of integrating ESG factors and strives to comply with existing recommendations and best practices for sustainable development. To support the transformation processes of the Kazakhstan market, the Exchange aspires to provide the best conditions for market participants. KASE is implementing its goals of creating an effective platform for promotion of ESG products.

Every year, sustainability issues gain more ground. The range of organizations involved in development agenda of various aspects related to environmental protection, fight against climate change, pressing social issues and quality of corporate governance constantly expands. 2023 witnessed the inclusion of the first representatives of small and medium-sized enterprises in the ESG topics.

The Exchange seeks to provide full support to all stock market participants in their pursuit of applying ESG values. Activities of the KASE on all tasks in 2023 are reflected in this report. The Board of Directors fully supports efforts of the Exchange in development of the ESG area. I thank all employees, partners and stakeholders of KASE for their contribution to phased implementation of the UN Sustainable Development Goals and improvement of products and services on the platform of the Kazakhstan Stock Exchange.

Aliya Moldabekova
Chairperson of the Board of Directors

ADDRESS OF THE CHAIRPERSON OF THE MANAGEMENT BOARD

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2023 highlighted the important role of the Exchange in ensuring sustainable development of the financial market of Kazakhstan. KASE, like its 100% subsidiary – KASE Clearing Center JSC, received the status of a systemically important infrastructure financial organization.

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Last year, the Kazakhstan Stock Exchange, as part of implementation of its Development Strategy, carried out a number of tasks in the field of sustainable development, expanding the range of KASE instruments and ensuring transparency of the investment environment.

2023 highlighted the important role of the Exchange in ensuring sustainable development of the financial market of Kazakhstan. KASE, like its 100% subsidiary – KASE Clearing Center JSC, received the status of a systemically important infrastructure financial organization.

In November last year, within the XI Congress of Financiers of Kazakhstan, KASE held an international forum “Role of Exchanges in Transformation of Financial Markets.” Foreign and local experts discussed current topics in development of exchange markets, digital infrastructure, organization of trading in government securities on global and local markets, trends in IPO development, digitalization and expansion of activities of retail investors, as well as promotion of the ESG principles and “green” products.

As part of implementation of the UN Sustainable Development Goals, the Exchange promoted bond issues of SMEs. As a result, in 2023, for the first time, trading and placement of subsidized bonds of SMEs took place on the KASE platform under the program of Damu Entrepreneurship Development Fund JSC within the framework of the 2021-2025 national project for development of entrepreneurship. The first three bond issues with subsidized coupon rate passed the listing procedure – bonds of BRBAPK LLP, green bonds of KazWind Energy LLP and Black Biotechnology LLP.

Dear shareholders, clients and partners!

In general, the past year was marked by an increase in the number of sustainable development bonds traded on the KASE. Total volume of the “green” and social issues surpassed 211 billion KZT.

ESG topics are among key vectors of the KASE Development Strategy. Thus, PRI Academy held an online webinar “Introduction to PRI: development of responsible investment practices and increasing the level of knowledge in ESG in the global investment sector.” Steps have been taken to further develop and implement the principles of sustainable development on the stock market of Kazakhstan – KASE and Green Investment Group (GIG) entered into a Memorandum of Mutual Cooperation in 2023.

In our policy, we are consistent with and support publication of the Regulation on Information Disclosure in Field of Environmental, Social and Corporate Governance for Organizations, introduced by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market. On its part, KASE plans to further improve its requirements in this area.

Summing up the 2023 results, I would like to express my gratitude and sincere appreciation to the stakeholders for their interest in development of the stock market, productive cooperation and constant feedback. All these efforts contribute to further modernization of the financial institution in the interests of our clients, partners and shareholders.

Alina Aldambergen
Chairperson of the Management Board of the Exchange

APPROACH OF KASE GROUP TO SUSTAINABLE DEVELOPMENT

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As a group of systemically important infrastructure financial organizations, the KASE Group strives to ensure compliance of its activities with international principles, norms and standards of sustainable development.



APPROACH OF THE KASE GROUP TO MANAGEMENT OF SUSTAINABLE DEVELOPMENT IS DETERMINED BY ITS MISSION TO PROMOTE THE ECONOMIC GROWTH OF THE REPUBLIC OF KAZAKHSTAN THROUGH:

- 01** provision of a broad range of tools for fund raising by local issuers;
- 02** provision of a platform for redistribution of liquidity in the financial system;
- 03** provision of a transparent investment environment for local and foreign investors.

Subject to the Sustainable Development Policy, the Exchange continuously develops a system for management of sustainability aspects, taking into account improvement of best practices in sustainable development, requirements of regulatory authorities and opinions of stakeholders.

COMPLIANCE WITH THE GLOBAL SUSTAINABLE DEVELOPMENT AGENDA

Since 2015, the Exchange has been a member of the UN Sustainable Stock Exchanges initiative, consistently contributing to achievement of the UN Sustainable Development Goals – 17 interrelated goals designed to stimulate actions to eliminate poverty, protect the planet, improve life quality and improve prospects for people worldwide.



Having analyzed all aspects of its activities and the external environment in which the Exchange conducts its business, KASE has identified a list of relevant Sustainable Development Goals (SDGs) to which the Exchange seeks to contribute.



The Exchange contributes a lot of efforts in training and development of its employees, market participants and the community, including developing in employees the competencies necessary to effectively manage aspects of sustainable development, as well as organizing events to promote financial literacy of the population, thereby contributing to implementation of “SDG 4 – ensure inclusive and equitable quality education and promoting lifelong learning opportunities for all.”

Tasks designed to support “SDG 5 – achieve gender equality and the empowerment all women and girls” have always been relevant for KASE.

The Exchange contributes to development of the gender agenda in Kazakhstan by supporting and promoting gender-focused products and services, making efforts to develop the gender agenda among issuers, investors and other market participants; and also strains after leadership in its own gender politics.

An important block of the Exchange’s tasks is to contribute to “SDG 8 – foster sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.” The Exchange places great importance on contributing to SDG 8.3 by encouraging the formal recognition and development of micro, small and medium-sized enterprises, including by providing them with access to financial services.

As a systemically important infrastructure financial institution, the Exchange sets a task contribute to “SDG 9 – build resilient infrastructure and foster inclusive and sustainable industrialization and innovation.” We see our important task as accelerating improvements in efficiency of markets and regulation, and we pro-actively interact with stakeholders to create a sustainable market ecosystem.

KASE is committed to creating and maintaining a work environment where professional development and personal well-being of our employees is valued. We use a broad range of learning and development approaches to support our team. We are committed to improving our approach to employee wellbeing by striving to ensure physical, mental and financial well-being of our employees.

The Exchange contributes to development of the climate agenda, seeking to support efforts of the Republic of Kazakhstan to achieve carbon neutrality according to the commitments made as part of participation in the Paris Climate Agreement, signed on December 12, 2015 at the 21st session of the Conference of the Parties to the United Nations Framework Convention on Change climate.

The Exchange strives to expand partnerships with involvement of numerous stakeholders for the purpose of sustainable development to mobilize and disseminate knowledge, experience, technology and financial resources to support achievement of the Sustainable Development Goals.

The Exchange is a member of the following professional organizations:

1. World Federation of Exchanges (WFE);
2. Federation of Euro-Asian Stock Exchanges (FEAS);
3. International Association of Financial Information Distributors and Consumers (SIIA/FISD);
4. International Association of Exchanges of the Commonwealth of Independent States (IAB CIS);
5. Association of Financiers of Kazakhstan (AFK);
6. Exchange forum of the countries of the Organization of Islamic Cooperation.

APPROACH TO SUSTAINABLE DEVELOPMENT MANAGEMENT

In general, sustainable development management is carried out as part of implementation of the overall Development Strategy of the Exchange, it is an integral part of it and is designed to implement the mission and strategic goals and objectives of the Exchange. Development strategy of the Exchange is developed and updated, taking into account goals and objectives of the Exchange in sustainable development.



The Exchange seeks to integrate aspects of sustainable development into strategic planning, corporate governance, risk management, personnel management and other areas of the Exchange’s activities.





The Exchange manages its activities with a purpose to create sustainable and long-term value for a wide range of stakeholders. As a systemic infrastructural element of the financial market, the Exchange attaches special importance to expectations and interests of stakeholders and the organization of regular interaction with them.



INTERACTION WITH STAKEHOLDERS

The Exchange regularly reviews and evaluates its activities, business relations and external operating environment in order to identify stakeholders who are or may be impacted directly or indirectly by activities of the Exchange.

When organizing interaction with stakeholders, the Exchange is guided by the following principles:

- ⦿ it respects and takes into account interests of its stakeholders;
- ⦿ it strives to actively inform interested parties about its activities;
- ⦿ it ensures objectivity, reliability, independence and a high level of information transparency in its activities, as well as disclosure of financial statements and non-financial information;
- ⦿ it ensures open and productive cooperation with stakeholders;
- ⦿ it discharges its obligations to stakeholders;
- ⦿ it receives feedback from stakeholders on a regular basis.



INTERACTION WITH SHAREHOLDERS AND INVESTORS

The Exchange sticks to high international standards of information disclosure and transparency, which require timely publication of adequate information about financial performance of the KASE, as well as corporate governance practices. Basic principles for disclosure of information of the Exchange, procedure for disclosure and dissemination of information of the Exchange are set out in the Information Policy. Relations of the Exchange relationship with shareholders are regulated by the Charter, Corporate Governance Code, and other internal documents of the Exchange. Being aware of our responsibility to shareholders, we do our best to ensure implementation of their rights within corporate governance principles designed for effective adoption of key decisions. In addition, we strive to provide all our shareholders and investors with reliable information about results of financial activities, additional information about plans, achievements, operational problems, as well as information about analytical materials.

INTERACTION WITH PROFESSIONAL MARKET PARTICIPANTS

When interacting with subjects of the organized securities market, the Exchange is guided by principles of information openness, professionalism, honesty, respect for interests of mutual benefit, understanding of full responsibility for accepted obligations, and also aspires to comply with all the terms of contractual relations and generally accepted moral and ethical standards. Internal documents of the Exchange are developed on the basis of applicable laws and business ethics. Relations between participants in corporate relations rest on mutual trust and respect. In order to comply with the rules of professional ethics and business conduct between subjects of the organized securities market and their activities on this market are regulated by the rules of the Republic of Kazakhstan, Rules of Professional Ethics and Business Conduct adopted by the Exchange and other internal documents of the Exchange, agreements and business customs.

INTERACTION WITH EMPLOYEES

Relations of the Exchange with employees rests on a transparent and open personnel policy designed to develop highly professional, motivated and qualified personnel. The Exchange strives to provide all employees with fair and equal opportunities to realize their potential in the process of work, advanced training and training, independent evaluation of results of their activities, as well as selection and career growth of employees solely on the basis of professional abilities, knowledge and skills.

INTERACTION WITH GOVERNMENT AGENCIES AND PROFESSIONAL FINANCIAL ORGANIZATIONS

The Exchange and its employees build relations with government agencies and civil servants on the principles of partnership and respect, understanding that all initiatives of government agencies and the Exchange should be designed to develop economy of the country. The Exchange maintains an ongoing dialogue with representatives of the ARRDF and ALE Association of Financiers of Kazakhstan. It conducts analysis and monitoring of changes in the state of rules and the legal environment as a whole from the point of view of their impact on activities of professional participants, and it also participates in writing and amendment of a number of regulations.



The Exchange is a responsible and conscientious taxpayer.



INTERACTION WITH KEY STAKEHOLDERS IN 2023

SHAREHOLDERS

- general meeting of shareholders
- interaction with shareholders of the Exchange for participation in the Annual General Meeting of Shareholders
- submission of materials and forms of voting ballots
- informational messages and written inquiries by email and/or phone
- official letters to inquiries of shareholders
- annual financial reports
- published information about sustainable development
- publications on Internet resources of the depository of financial reports
- press releases
- general corporate site and sections for investors and shareholders

INVESTORS

- annual financial reports
- quarterly press conferences with a presentation covering financial results of the Exchange
- non-deal road show (virtual), participation in conferences
- annual reports and sustainable development reports
- publications on Internet resources of the depository of financial statements
- press releases
- electronic letters, meetings, etc., virtual telephone calls
- website for professional participants, investors, shareholders of the Exchange

CLIENTS (PROFESSIONAL PARTICIPANTS)

- contact center
- mobile application of the Exchange
- corporate website
- "Issuer's Day" project
- field sessions in regions of Kazakhstan
- social networks
- KASE TALKS;
- evaluation of satisfaction of professional participants with service quality

EMPLOYEES

- research of the level of satisfaction of employees
- corporate mail
- annual reports
- townhall (internal communication and announcements)
- training
- voluntary and volunteer activities
- corporate events

KEY DIRECTIONS OF SUSTAINABLE DEVELOPMENT

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KASE is keen to ensure consistency of its economic, environmental and social goals and objectives for sustainable development in the long term guided by the UN Sustainable Development Goals and other international standards and best practices for sustainable development.

The Exchange ensures effective operation and development of high-quality, reliable, sustainable and resilient financial infrastructure in order to support economic development and well-being of financial market participants.



DEVELOPMENT OF RESPONSIBLE FINANCE PRACTICES

Exchanges worldwide play an important role in mobilization of capital flows to support sustainable development and in development of financial mechanisms for investing in projects that support transition to sustainable economy. Therefore, KASE pays great attention to development of best practices in responsible financing, work is underway to introduce and expand the range of financial instruments for sustainable development, which contributes to creation and expansion of the market designed to solve environmental and social problems.

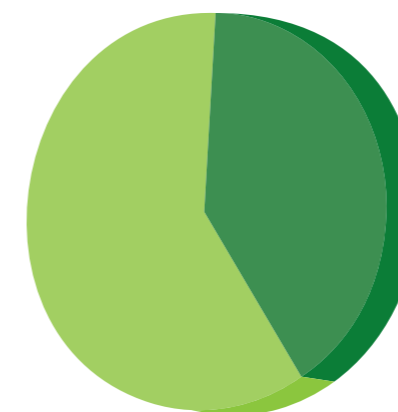
Sustainable bond market in Kazakhstan was launched in 2020, and the amount of funds raised in this segment grows year by year. While in 2020, 14.0 billion KZT were raised at KASE on the ESG bond market, in 2021 – 29.4 billion KZT, in 2022 – 33.6 billion KZT, and in 2023 – 41.9 billion KZT.

Overall, by the end of 2023, 18 issues of ESG bonds were listed on the Exchange (2 issues were redeemed) by 9 issuers, volume of issues was 211.5 billion KZT. Companies that issued such bonds raised funds in the amount of over 150 billion KZT.

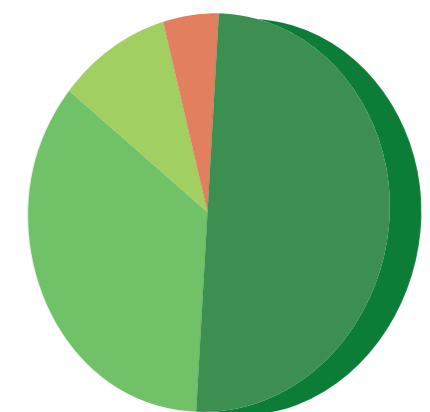
In 2023, eight issues of ESG bonds were carried out on KASE: five issues of green bonds and three issues of social bonds. The issuers were the Asian Development Bank, KEGOC JSC, MFO OnLineKazFinance JSC, Development Bank of Kazakhstan JSC, BlackBioTechnology LLP, KazWindEnergy LLP and MFO Arnur Credit LLP.

Special feature of 2023 was appearance of sustainable bonds on the market, where previously issues of international financial organizations and quasi-public sector companies, representatives of small and medium-sized enterprises and microfinance organizations prevailed.

Structure of bond issues as of 31.12.2023



■ Social
■ Green



■ MFO
■ quasi-state sector
■ Financial organizations
■ SME

Thus, in 2023, MFO OnlineKazFinance JSC and MFO Arnur Credit LLP placed their first gender bonds. The announced issue volumes totaled 20 billion KZT and 1.5 billion KZT, respectively.

Funds from the issues were intended for projects that comply with the Policy in gender financing of MFO OnlineKazFinance JSC and Sustainable Development Policy of MFO Arnur Credit LLP, including to finance companies:

1. headed or owned by women;
2. which promote gender equality in the workplace;
3. where women account for 70% of the staff or more;
4. which develop products and services that improve quality of life of women.

In fall 2023, two issuers from the SME sector issued green bonds. KazWind Energy LLP placed a green issue in the amount of 3 billion KZT to finance the project "Construction of a 48 MW capacity wind power plant in Arkalyk District of Kostanay Region." 1.5 billion KZT received by Black Biotechnology LLP through issue of the green bonds will be used to implement a project to build a plant for production of innovative biofeed additives and fertilizers for development of organic agriculture in the Republic of Kazakhstan.

Successful promotion of the ESG requires involvement of diverse stakeholder groups. In July 2021, PwC Kazakhstan, as an independent consulting organization, committed to provide methodological support and advice on international practice in creating infrastructure for financing ESG projects. In the future, the rating agencies Ernst&Young, Expert RA and ACRA, as well as the AIFC Green Finance Center, expressed their readiness to confirm ESG goals for bonds placed on KASE. In 2023, KASE and Green Investment Group (GIG) signed a Memorandum of Mutual Cooperation for further development and implementation of the principles of sustainable development on the stock market of Kazakhstan.

The Exchange attaches great importance to its tasks of training financial market participants, increasing their awareness of trends, standards and practices of sustainable development, expanding the coverage and enriching the content of educational events.

Thus, for example, in 2023 the Exchange organized the following events:

- ⦿ "KASE Opportunities for Business" at NPP Atameken facility in Astana, where speakers covered stock market instruments for business, their types and advantages, government programs to support small and medium-sized enterprises as well as listing procedures on the Exchange;
- ⦿ "ESG Insights: trends, development and integration" with participation of international company RepRisk, where company representatives spoke about advanced innovations and features of ESG, about main trends and prospects for development of the ESG market worldwide and in Central Asia, about research in ESG risks and their management as well as integration of ESG risks into corporate, investment and banking activities.
- ⦿ "Introduction to PRI: Advancing Responsible Investment Practices and Raising ESG Knowledge in the Global Investment Sector." Speakers at this event were senior experts on responsible investment in Northern Europe, Central and Eastern Europe and the CIS PRI Academy. At the webinar, participants were introduced to the principles of responsible investment and PRI's activities with the global investment sector, as well as promotion of the ESG and opportunities for expanding competencies in this direction.

In 2023, KASE, together with ARRDF and IFC, held the first REGIO TAFF contest for companies from the SME sector. Two winners out of ten participants received free IFC support: (1) assistance in drawing up sustainable development policies and preparing non-financial reporting; (2) assistance in obtaining an independent external assessment (second party opinion); (3) financing financial advisor services; (4) conducting training sessions for employees.

SUPPORT FOR SMALL AND MEDIUM ENTERPRISES AND RETAIL INVESTORS



KASE has an important task to promote expansion of an access of small and medium-sized enterprises and individuals to financial services, as well as attraction of investments by small and medium-sized enterprises.



In February 2023, the Exchange held a webinar "KASE Opportunities for Business" together with DAMU Federal Investment Fund JSC and Eco Product LLP. Speakers of the event covered stock market instruments for business, their types and advantages, and government programs to support small and medium-sized enterprises when they enter the stock market. Also, to increase business awareness, round table discussions were held with Union of Industrialists and Entrepreneurs "El Tiregi", Association of Confectioners, Union of Grain Processors of Kazakhstan, Waste Management Association KazWaste, Association of Organic Farming, Union of Mechanical Engineers, at which speakers of the Exchange told entrepreneurs about stock market tools for business and government support measures for entering the stock market.

In June 2023, the Exchange invited entrepreneurs to the training program "Attracting financing on KASE".

As part of this comprehensive program, the following aspects were covered:

- ⦿ at the webinar "Goals and advantages of fund raising on the stock market," representatives of the Exchange spoke about stock market instruments for business, their types and advantages, as well as government programs to support small and medium-sized enterprises;
- ⦿ as part of the webinar "Managing a company's capital and ways to raise funding," analysts from the Exchange and KPMG in Central Asia and Caucasus spoke about international and local practices in choosing the optimal capital structure, influence of micro and macro factors on deviations from the optimal capital structure, as well as how to independently calculate a fair financing rate;
- ⦿ as part of the third webinar "Stages of preparation for placement of securities on the stock market", Exchange speakers discussed requirements for potential issuers in terms of corporate governance, content of documents and financial reporting, about procedures and stages of listing, as well as requirements to information disclosure during the period of circulation of securities.



From October 10 to November 10, 2023, annual Retail Investor Competition on the stock market was held. The event was designed to promote stock exchange trading in Kazakhstan. The competition was attended by individuals who are clients of brokerage companies being members of the KASE stock market. The list of financial instruments available to competition participants included shares of the KASE Index and shares of the KASE Global sector. More than 130 retail investors participated in the competition. As a result of the competition, its participants closed 5,448 transactions worth 485.9 million KZT. Three winners of the competition, who received the maximum profitability based on results of transactions with shares during the period of its implementation, obtained valuable prizes.

Another project of the Exchange designed to attract potential investors to the stock market is the Stock Exchange Simulator Competition, which is a student project conducted by the Exchange twice a year since 2008. During the competition, project participants being university students are provided with a portfolio (virtual set of financial instruments/shares) with a nominal size of 1 million KZT for management at the beginning of trading. The main task of the participants of the "Stock Simulator" is to form the best investment portfolio.

Since 2022, the list of eligible participants has been expanded (i.e., not only for university students) and is held for everyone through the launched mobile application of the KASE Mobile Exchange. As part of the project, over 60 instruments are available to bidders. In addition to the shares of the representative list, as well as shares of such well-known brands as Exxon Mobil, Coca-Cola and others, securities of investment funds were added to the trading.

In 2023, this competition was held in two stages: the first stage from April 3 to May 31, 2023, the second stage from October 2 to November 30, 2023. More than 6,000 participants from over 100 higher educational institutions in Kazakhstan, Hungary, the UAE, Russia, Turkey and other countries were registered to participate in the "Exchange Simulator" project in 2023.

To improve financial literacy, the Exchange regularly conducts introductory seminars for students of Kazakhstan's universities on stock market basics and use of the KASE Mobile application for the "Exchange Simulator" project; online webinars on the topic "Futures on KASE"; comprehensive training program "My Portfolio on KASE" to improve financial literacy of retail investors. The Exchange also organizes fairs of Kazakhstan brokers "KASE FEST" at the sites of leading universities in five cities of Kazakhstan in support of the annual World Investor Week 2023 program of the World Federation of Stock Exchanges (WFE) and the "Ring the Bell for Financial Literacy" ceremony.

The Exchange annually allocates significant resources to carry out activities designed to improve financial literacy of the population, as this contributes to development of the stock market and involvement of the population in investing. With this end in view, a number of different-scale projects was arranged in 2023.

As part of the global project Global Money Week designed to improve financial literacy of children and the youth, the Exchange held webinars "5 steps to investing" and "Taxation and declaration of securities".

Offline lectures on "Stock Market Fundamentals" were held for university students throughout the year. The Exchange also conducted webinars covering the topics "Futures on KASE" and "Opportunities of the repo market for investors."

In order to increase public awareness of stock market instruments, KASE conducted comprehensive training program "My Portfolio on KASE", which covered the following topics: "Introduction to the securities market", "Selection of shares", "Selection of bonds", "Selection of investment funds (MIFs and ETF)", "Introduction to the derivatives market", "Building an investment portfolio", in cooperation with brokerage organizations.

INFORMATION DISCLOSURE



Having joined the UN Sustainable Stock Exchanges Initiative in 2015, the Exchange committed to developing a methodology for disclosure of ESG information by listed companies.



This methodology was developed and put into effect in late 2016. At that time, main provisions of the methodology determined disclosure of information regarding the environmental criteria: description of used materials, water and energy consumption, emissions of pollutants and greenhouse gases. Social issues covered employment, occupational health and safety, training and education, diversity and equal opportunity. Part 7 of corporate governance provided for a description of the corporate governance system, management, internal control and audit.

In 2018, together with the International Finance Corporation (IFC), the methodology was updated. Its main difference from the original one was definition of a list of key performance indicators in relation to general environmental and social issues, corporate governance issues, as well as a description of industry specifications for key sectors of the economy.

In February 2020, the Exchange updated its requirements for annual reports that listed companies must submit to the Exchange. The requirements provided for additional disclosure of information on social responsibility and environmental friendliness in case of companies which have their securities in the "Main" category of the official list of the Exchange. In 2021, the Exchange completed the process of transferring all the terms and conditions of the Methodology into requirements for preparation of annual reports, which are established by the Rules for Disclosure of Information by Initiators of Securities Admission and provide for disclosure of ESG information.

In 2023, the Exchange modified its rules to expand the list of companies that will be required to disclose ESG information. From January 1, 2025, this requirement will apply to companies placing their securities on the "Alternative" platform (medium and small businesses).

KASE annually holds a competition of annual reports among listed companies. The Exchange has developed a procedure for evaluation of annual reports, taking into account evaluation of various characteristics of reports of competition participants. A total of 150 criteria were evaluated. The best 2022 sustainable development report was recognized as a report of National Wealth Fund Samruk-Kazyna JSC and reports of National Company KazMunayGas JSC and First Heartland Jusan Bank JSC were also winners.



GENDER EQUALITY

The Exchange aspires to promote values of diversity and equal opportunity, including promoting programs on gender equality and inclusion, and helping ensure gender balance among employees of the Exchange and in the business environment.

On March 6, 2023, KASE, together with the International Finance Corporation, held the annual Ring the Bell for Gender Equality trading opening ceremony, which included a discussion on the topic "DigitALL: Women in FinTech."

The Ring the Bell for Gender Equality Opening Ceremony is designed to highlight prospects of gender inclusivity and support for gender equality. Discussion on the topic "DigitALL: Women in FinTech" was held with involvement of experts in the field of digital technologies and fintech, who discussed topics related to supporting gender inclusivity in the context of development of digitalization and IT technologies.

This campaign is traditionally supported worldwide by the UN Women, the International Finance Corporation (IFC) and the World Federation of Exchanges. The opening ceremony of trading has become a good tradition for the financial community of Kazakhstan and a platform for dialogue on the topic of gender diversity in modern business conditions.



CLIMATE AGENDA

The Exchange seeks to assist the Republic of Kazakhstan in discharge of its carbon neutrality obligations undertaken as part of its participation in the Paris Climate Agreement adopted on December 12, 2015 by the 21st session of the Conference of the Parties to the UN Framework Convention on Climate Change.

In 2022, by decision of the Board of Directors of the Exchange, requirements for preparation of the annual report included a section on climate information disclosure, development of which used the recommendations of the TCFD. This section is advisory in nature.

The Exchange plans to expand its activities in support of global efforts to combat climate change, including:

1. make efforts to implement measures to reduce own carbon footprint;
2. implement measures to develop the market for carbon units;
3. continue to support measures to expand volume of investments in climate projects of Exchange issuers;
4. promote high-quality disclosure of climate information by Exchange issuers, including in terms of understanding and managing climate risks.



ENVIRONMENT

The Exchange shares responsibility for the state of the environment, striving to implement a rational model of consumption and production, efficient use of natural resources, reducing a waste volume by taking measures to prevent its formation, reduce it, recycle and reuse it.

Main resources consumed by the Exchange are electricity, heat, paper products and water. In 2021, the Exchange implemented 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 R's:

- **REDUCTION** – reasonable consumption of energy, water, electricity, etc.;
- **REFINEMENT** – reuse of office materials, paper and other consumables
- **REPLACEMENT** – environmentally responsible procurement and acquisition of goods and services that minimize the impact on the environment, promoting alternative and/or efficient use of transport.

In order to implement the Green Office program, the Exchange established headquarters of environmental activists from among employees of the Exchange – KASE GREEN. Separate waste collection was introduced at the Exchange. During 2023, almost 131 kg of waste paper were collected (2022: 163 kg, 2021: 96 kg), over 109 kg of glass (2022: 33 kg, 2021: 24 kg) and 48 kg of plastic (2022: 28 kg, 2021: 24 kg). In 2023, the Exchange abandoned the use of plastic tableware when holding corporate events.

In April, employees of the Exchange took part in a citywide cleanup event in Baum Grove in Almaty within large-scale environmental campaign Almaty Clean & Green. On May 4, 2023, in honor of its 30th anniversary, KASE, together with Astana Akimat and the Earth Fund "Sustainable Development" held a ceremony to lay the foundation of the KASE alley in the Presidential Park of the capital of the Republic of Kazakhstan. Participants of the action planted 100 sakura seedlings.

In 2024, KASE plans to further improve responsible procurement practices of the Exchange.

ANTI-CORRUPTION EFFORTS



The Exchange arranged and operates an anti-corruption system based on international recommendations and requirements of the anti-corruption rules of the Republic of Kazakhstan.



In line with the best international practices, requirements of the anti-corruption rules of the Republic of Kazakhstan and the 2022–2026 Concept of the Anti-Corruption Policy of the Republic of Kazakhstan, the Exchange has introduced anti-corruption compliance by expanding functions of the Compliance Service (hereinafter referred to as the Service). The Service develops and implements a set of measures and control procedures intended to combat corruption and create “zero tolerance” for corruption within the organization.

The Exchange has developed and approved Anti-Corruption Standards that define tasks, principles and directions of anti-corruption activities intended to prevent, identify, suppress and minimize consequences of corruption.

Internal analysis of corruption risks is carried out on a quarterly basis. In addition, the Service constantly monitors compliance by employees of the Exchange with requirements of the Conflict of Interest Management Policy and anti-corruption restrictions. During the reporting period, no realized conflicts of interest that could have a negative impact on activities of the Exchange were identified.

In order to promote and improve compliance culture of Exchange employees, the Service conducted 4 training sessions on the following issues:

- ⦿ management of compliance risk and compliance culture;
- ⦿ management of conflicts of interest;
- ⦿ anti-corruption measures and restrictions adopted at the Exchange, including requirements for providing a declaration of assets and liabilities.

To prevent corruption offenses, the Service has prepared and regularly sends training instructions to all employees of the Exchange related to anti-corruption restrictions and the procedure for gift receiving and giving.

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

In order to study requests related to corruption violations, as well as complaints (applications) against actions of the Exchange or its employees, a “hotline” has been established, contacts of which are set out on the website of the Exchange.

SPONSORSHIP AND CHARITY



The Exchange supports corporate volunteering practice. KASE employees periodically provide voluntary support to projects designed to help children and medical institutions.

On June 1, 2023, in honor of the International Children’s Day, KASE employees used funds raised to organize a holiday for patients of the Scientific Center of Pediatrics and Pediatric Surgery. The Scientific Center of Pediatrics and Pediatric Surgery is a multidisciplinary clinic that provides high-tech medical care to preserve and improve health of the child population of Kazakhstan.

In 2023, KASE worked to regulate its charitable and sponsorship activities. The Exchange developed principles for carrying out charitable activities, identified its priority areas and procedure for interaction with partners within the framework of its implementation. The Exchange studies opportunities to expand the areas of its charitable activities in order to support projects related to significant topics in sustainable development of Exchange. In 2024, the Exchange plans to approve the Policy for Sponsorship and Charitable Activities.



SUSTAINABLE DEVELOPMENT MANAGEMENT

07



Sustainable development management is carried out as part of implementation of the overall Development Strategy of the Exchange, it is its integral part and is intended to achieve the mission and strategic goals and objectives of the Exchange.

Development strategy of the Exchange is prepared and updated, given the goals and objectives of the Exchange in sustainable development. Aspects of sustainable development are integrated into strategic planning, corporate governance, risk management, personnel management and other areas of the Exchange's activities.



CORPORATE GOVERNANCE

High-level corporate governance is a necessary condition for successful and efficient operation of the Exchange. Continuous improvement of corporate governance at the Exchange is the most important task for us, necessary to increase sustainability and build an effective system of relations between the Board of Directors, the Management Board and shareholders of the Exchange. The Exchange adheres to best practices and standards of corporate governance, ethics and business conduct, creating effective internal corporate governance systems and implementing operational processes and policies to ensure activities of the Exchange in sustainable development.

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

Corporate Governance Code of the Exchange was developed in line with provisions of the current rules of the Republic of Kazakhstan, as well as taking into account established national and international practice in the field of corporate governance.

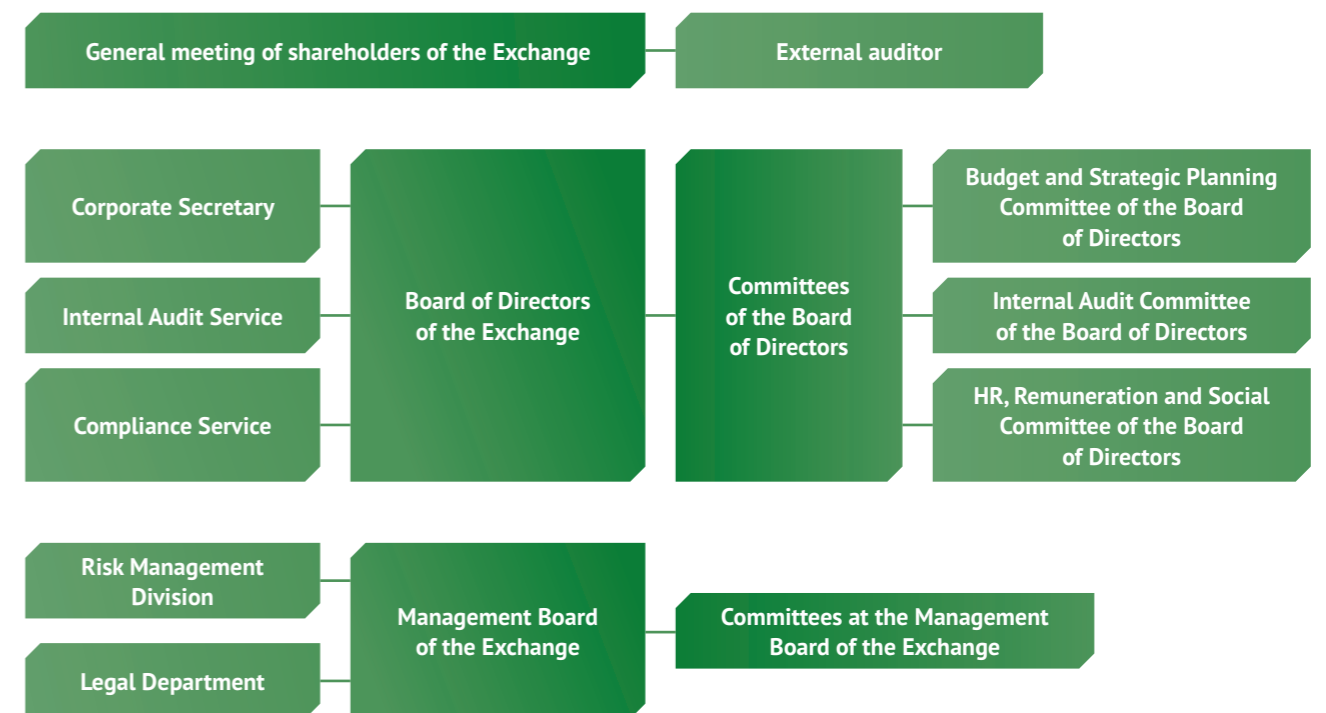
Corporate Governance Code of the Exchange establishes the following principles of corporate governance, which are described in detail by this Code:

1. protection of rights and interests of shareholders of the Exchange;
2. effective management of the Exchange by the general meeting of its shareholders, the Board of Directors of the Exchange 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.

Sustainable development issues are managed by the Board of Directors, Management Board and the Chairperson of the Management Board of the Exchange. The Board of Directors oversees integration of the principles of sustainable development and implementation of the ESG practices in activities of the Exchange, including by approving the Sustainable Development Policy of the Exchange and other documents related to aspects of sustainable development.

Distribution of functions between the General Meeting of Shareholders, the Board of Directors and the Management Board was carried out subject to the rules of the Republic of Kazakhstan and the Charter of the Exchange.

Corporate governance structure



Members of the Board of Directors are elected subject to the rules of the Republic of Kazakhstan related to joint stock companies. In line with the Charter of the Exchange, competence of the Board of Directors includes determining the priority areas of activities of the Exchange and its development strategy.

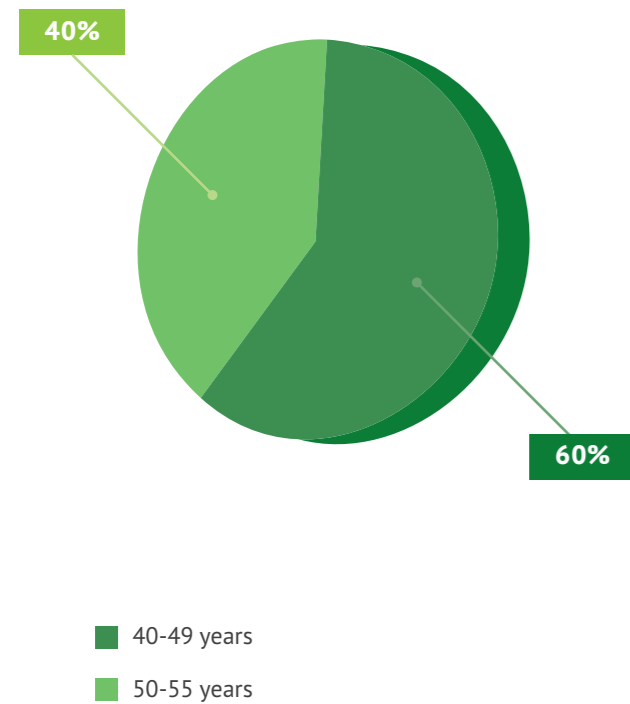
The Board of Directors on a permanent basis with voting rights includes a representative(s) of the National Bank of the Republic of Kazakhstan and a representative(s) of the authorized body for regulation, control and supervision of the financial market and financial organizations.

Other members of the Board of Directors are elected from among: 1) shareholders of the Exchange being individuals; 2) persons offered (recommended) for election to the positions of members of the Board of Directors as representatives of the shareholders of the Exchange; 3) persons who are not shareholders of the Exchange, offered (recommended) for election to the positions of members of the Board of Directors as independent directors of the Exchange.

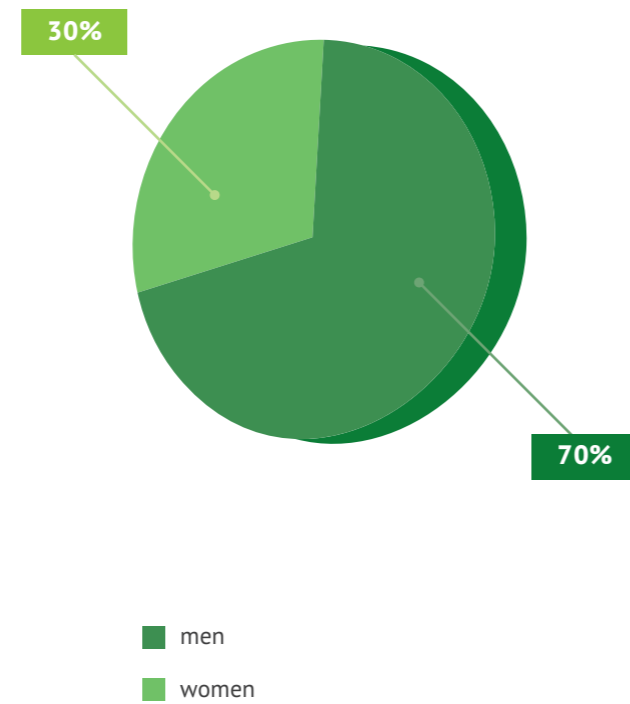
Subject to the Regulations on the Board of Directors of the Exchange, at least thirty percents of the Board of Directors must be independent directors of the Exchange.

As of January 1, 2024, composition of the Board of Directors of the Exchange was as follows:

Age structure of the Board of Directors



Gender structure of the Board of Directors



STRUCTURE OF KASE BOARD OF DIRECTORS



Moldabekova Aliya Meirbekovna

Chairperson of the Board of Directors, Deputy Governor of the National Bank of the Republic of Kazakhstan



Abdrazakov Eldar Sovetovich

Member of the Board of Directors, person entitled to substitute Chairperson 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 Insurance Company Sentras Securities JSC; Insurance Company Kommesk-Omir JSC, Insurance Company Sentras Kommesk Life JSC



Aldambergen Alina Utemiskyzy

Member of the Board of Directors, Chairperson of the Management Board



Dronin Alexandr Vladimirovich

Member of the Board of Directors, independent strategic consultant in different projects in insurance, investment and fintech sectors



Yelemessov Askar Raushanovich

Chairman of the Budget and Strategic Planning Committee, Chairman of the HR, Remuneration and Social Committee, member of the Board of Directors/ independent director, chief of branch of ACRA JSC (Analytical Credit Rating Agency) member of the Board of Directors/ independent director of Bereke, Bank JSC, member of the Board of Directors/ independent director of Uniform Accumulation 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



Israeli Doron

Chairman of the Internal Audit Committee, member of the Board of Directors/ independent director, professor of Arison School of Business, IDC Herzliya; professor of Higher School of Business, Nazarbayev University



Khajiyeva Mariya Jamalovna

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, chief of the global market products division, Clearstream Banking



Marich Igor Leonidovich

Member of KASE Board of Directors, representative of Moscow Stock Exchange group



Salimov Yertay Ismaiovich

Member of the Board of Directors, deputy chairman of the Management Board of Halyk Bank JSC

Composition of the KACC Board of Directors as of January 1, 2024:

KACC BOARD OF DIRECTORS



Aldambergen Alina Utemiskyzy

Chairperson of the Board of Directors, Chairperson of the Management Board of the Exchange, representative of the sole shareholder



Sarzhakov Zhainar Naurzbayevich

Member of the Board of Directors, Deputy Chairperson of the Management Board of the Exchange, representative of the sole shareholder



Tashmetov Mirlan Zhaparbekovich

Member of the Board of Directors, independent director, chairman of the Board of Directors for strategic planning, staff, remuneration, social issues and Internal Audit Committee of the Board of Directors.

The following consulting and advisory bodies have been established and operate at the Board of Directors of the Exchange: Budget and Strategic Planning Committee, HR, Remuneration and Social Committee, Internal Audit Committee. A number of working bodies in the form of committees and working groups have been created at the Management Board, which enables a detailed study of the most important strategic issues. With a view to implement best corporate governance practices, the Board of Directors is assisted by the Internal Audit Service, the Compliance Service and the Corporate Secretary.

Regarding issues of sustainable development management, competence of the Budget and Strategic Planning Committee includes preliminary study of planning documents of the Exchange subject to study by the Board of Directors, including strategies (strategic plans) for development of the Exchange, as well as the plan for main work of the Exchange, including sustainability issues development, as well as reports on their implementation.

Competence of the Audit Committee includes approval of performance indicators of managers and employees of the Internal Audit Service and the Compliance Service and study of results of their implementation, including on issues of sustainable development.

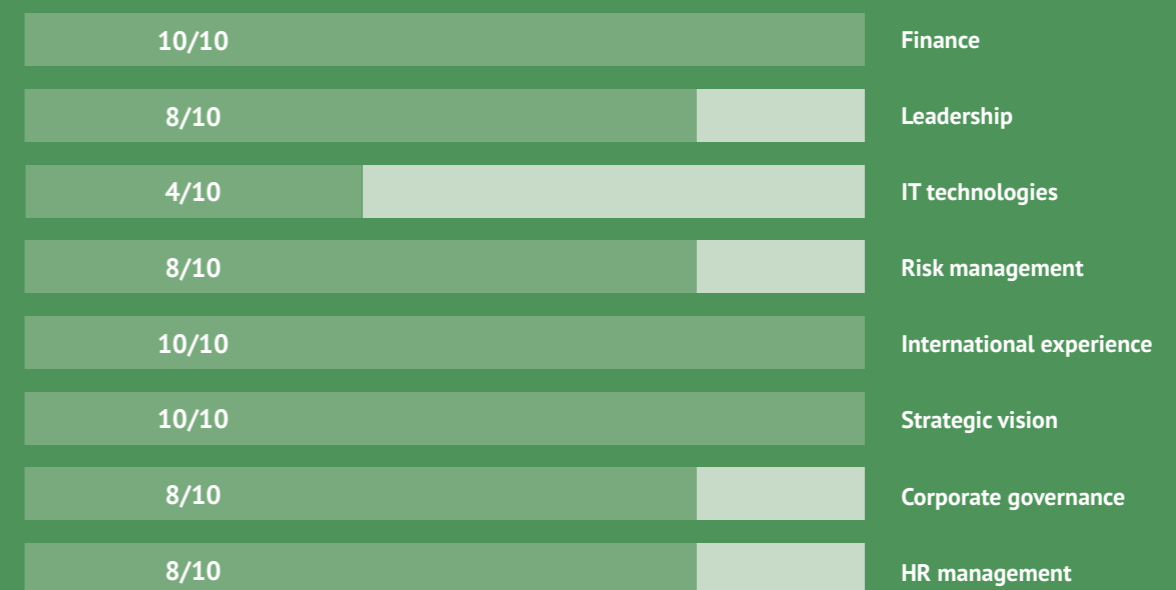
Competence of the Personnel Committee includes issues of determining qualification requirements for management employees of the Exchange and determining their remuneration, HR policy of the Exchange, the system

of assessment and remuneration of employees, system of social support for employees of the Exchange, system of corporate behavior of employees of the Exchange, occupational health and safety at the Exchange, and business conduct and business ethics practices.

The Exchange strives for the best balance of experience, skills and outlook of the members of the Board of Directors. Different views voiced at discussion of issues allow the Board of Directors to most effectively perform its functions and represent interests of the shareholders. Independent directors bring experience in international governance, strategic vision, corporate governance, and risk management. Along with that, a lot of Directors have knowledge in the banking sector, finance in general, human resource management, including remuneration issues.

The Board of Directors of the Exchange and its Committees carry out their work subject to annual action plans. During the reporting period, the Board of Directors reviewed strategic and current issues of activities of the Exchange that fall within its competence. 12 meetings of the Board of Directors and 24 absentee voting were held. As part of the 2022–2024 Exchange Development Strategy, efforts were continued to increase the level of corporate governance, improve management reporting, apply new approaches to evaluating projects taking into account their marginality, as well as introduce new approaches to dividend policy. These measures are designed to increase investment attractiveness of KASE and enhance strategic and competitive advantages of the Exchange.

Information about skills and experience of members of the Board of Directors



RISK MANAGEMENT SYSTEM

Risk management is an integral part of activities of the Group designed to identify, evaluate and monitor all significant risks of the Group, as well as take measures to reduce the level of risks.

Structure of the risk management system in the Group is represented by risk management at several levels with involvement of the following bodies and subdivisions: Board of Directors, Management Board, structural subdivision responsible for risk management, compliance subdivision, legal subdivision, Internal Audit Service, structural subdivision – risk owners.

Continuous development and improvement of the risk management system allows the Group to promptly respond to changes in the internal and external environment, increase efficiency and effectiveness of its activities.

Risk management in the Group is a constant, dynamic and continuous process.

During the reporting period, the Group carried out the following risk management work:

- ⦿ internal documents were developed in the risk management system of subsidiary of the Exchange - KASE Clearing Center JSC (hereinafter referred to as the Clearing Center), transformed into a joint stock company in 2023 from subsidiary company eTrade.kz LLP;
- ⦿ risk appetite for significant risks was approved, which the Group and its managers are ready to accept as part of their business development strategy;
- ⦿ self-evaluation was carried out to determine compliance of the risk management system of the Exchange with recommendations of the international standard ISO 31000:2018;
- ⦿ an annual risk identification procedure was carried out during the reporting period. 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 based on a comprehensive analysis of business processes. When mastering new areas of development of the Exchange, the risk register has been supplemented with new identified risks (ESG risks). New risks associated with the current political situation in the country and in the world have been identified and evaluated. Taking into account the work carried out, the risk register and the Exchange risk map were revised.

On a quarterly basis, the Management Board of the Exchange and the Clearing Center inform their management bodies about the current situation regarding realized risks and measures taken to minimize them.

Improvement of the risk culture in the Group is carried out on an ongoing basis through involvement of structural subdivisions in the risk management process, as well as through exchange of information between the Board of Directors, the Management Board, committees at the Management Board and employees of the Exchange/Clearing Center.

In 2023, measures were taken to improve the risk culture of employees of the Exchange/Clearing Center. When hired, new employees are acquainted with the principles of functioning of the risk management system at the Exchange/Clearing Center. As a result of the measures taken to improve the risk culture of the Exchange/Clearing Center employees, there is a higher degree of understanding of involvement of each employee in the risk management system.

To effectively manage the market risks of the Exchange/Clearing Center when carrying out activities of the Central Committee, there is a Market Risk Committee – a permanent collegial body under the Management Board of the Exchange. Functions of the Committee include approving the values of fundamental and approved risk parameters of financial instruments, preparing recommendations to the Management Board of the Exchange on establishing and applying individual limits and restrictions to clearing participants on exchange markets, as well as other functions provided for by internal documents of the Exchange.

To identify areas in which the risk management system needs to be improved, the Internal Audit Service of the Exchange, subject to the Internal Audit Plan, evaluates effectiveness of the risk management system.



BUSINESS CONTINUITY MANAGEMENT

The Exchange works to improve its business continuity management system. This activity is regulated by internal documents – Business Continuity Management Policy as approved by the Board of Directors of the Exchange, Rules for ensuring business continuity and recovery and the Business Continuity Plan which are developed taking into account requirements of international standards in order to ensure continuity of critical activities in case of incidents and emergencies, and also minimizing their impact on core activities in order to quickly restore activities of the Exchange and CASS.

During the reporting period, internal documents of the Exchange regulating the business continuity management system were updated. The need to update internal documents governing the business continuity management system is associated with creation of a unified business continuity management system for the Exchange and CASS, and the approaches to creating a list of critical activities and types of testing have been revised.

The Exchange operates a system of several data processing centers, and the IT infrastructure of the Exchange is constantly being modernized in order to ensure a fail-safe system. The business continuity management system being built to this day, which includes an optimal IT infrastructure, ensures restoration of critical activities within a specified time from the moment a critical situation occurs.

Self-evaluation of the business continuity management system was carried out for compliance with the international standard ISO 22301-2019, and a plan was developed to implement recommendations of the standard in terms of identified inconsistencies.

Core divisions of the Exchange regularly test plans to ensure continuity and restore operations (including testing the operation of the trading and clearing systems in backup data processing centers and using virtual workplaces and a backup office).

As part of changing the approaches to the business continuity management system, the system of virtual workplaces was upgraded, which are created on the Exchange servers and provide an access to all information systems of the Exchange, regardless of the user's location. Desktop virtualization allows to quickly respond to emergency situations.

Continuity of activities of the Exchange is ensured through organization of internal work but there is also influence of external factors of a natural, social, economic and technological nature. In particular, certain key aspects of activities of the Exchange depend on uninterrupted supply of services by critical suppliers, which are regularly analyzed by the Exchange for their fault tolerance and availability of measures taken by them to ensure continuity of delivery of services of adequate quality, taking into account the requirements of international standards.

In 2023, no excesses of the maximum permissible downtime/target recovery time for business processes were recorded.

There was no actual financial damage from implementation of the risk events associated with the business continuity management system in 2023.

INTERNAL CONTROL AND AUDIT

Internal control and audit are vital elements of the risk management system. The internal control system corresponds to the purpose, strategy and activities of the Exchange and ensures control over timely identification and assessment on an ongoing basis of risks inherent in the Exchange, and adoption of timely measures to minimize significant risks subject to the internal documents of the Exchange.

Internal control allows to achieve:

- ⦿ ensuring efficiency of activities of the Exchange, including formation of a risk-based approach when making management decisions, effective management of the assets of the Exchange and liabilities, timely identification of risks and ensuring continuity of the activities of the Exchange;
- ⦿ ensuring completeness, reliability and timeliness of financial, regulatory and other reporting for internal and external users, a broad selection of information products for investors and professional participants on the securities market, as well as information security;
- ⦿ ensuring compliance by the Exchange with requirements of the rules of the Republic of Kazakhstan, applicable rules of foreign countries, as well as international standards in the field of compliance, including on AML/CFT issues, and internal documents;
- ⦿ ensuring timely detection of suspicious transactions and operations subject to financial monitoring, as well as cases of unlawful use of insider information;
- ⦿ preventing involvement of the Exchange and its employees in illegal activities, including fraud, errors, inaccuracies, deception, anti-money laundering and counter-terrorism financing.

The Internal Audit Service (hereinafter referred to as the IAS) of the Exchange operates on the basis of the Internal Audit Regulation which is developed subject to requirements of the International Professional Standards of Internal Auditing.

Thus, it fixes the right of IAS to have a free and full access to any assets, to all documents, accounting records and any other information about activities of the Exchange, including confidential information, as well as to have a free and full access to information databases, software provided in passive viewing mode, without the right to enter and correct data.

In order to ensure objectivity of internal auditors and independence of the IAS, subject to the requirements of the rules of the Republic of Kazakhstan and the regulator, functional accountability to the Board of Directors and administrative subordination to the Management Board of the Exchange have been determined. As part of the current accountability, the management bodies of the Exchange are provided with reliable and up-to-date information on the level of effectiveness of corporate governance, risk management and internal control systems.

Activities of the IAS are consistent with the International Framework for Professional Practice of Internal Auditing, including the IAS Mission, which is to preserve and increase value of the organization by conducting objective internal audits based on a risk-based approach, providing recommendations and sharing knowledge.

In connection with entry into force of the IFRS standards on disclosure of information in sustainable development – IFRS S1. General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2. Climate-related Disclosures, IAS plans to update the internal audit methodology by the end of 2025, taking into account evaluation of the ESG issues.

Within the current methodology, the IAS checks and evaluates reliability and effectiveness of the internal control system and risk management system, as well as effectiveness of information technology and information security systems, including monitoring the integrity of databases and their protection from an unauthorized access and/or use, given the measures taken in case of non-standard and emergency situations subject to the action plan designed to ensure continuity of activity and/or restoration of the activities of the Exchange in case of non-standard and emergency situations.

Feedback from the Audit Committee, which supervises the IAS, is received by the head of internal audit in various forms during interaction with the Audit Committee, including analysis of decisions/recommendations of the Audit Committee on issues within competence of the internal audit.

In 2023, audit plan of the Internal Audit Service was completed by more than 100%, taking into account unfinished tasks remaining from previous periods. Based on results of the audit and consulting assignments, the Internal Audit Service issued recommendations, including offers how to improve the existing internal control and risk management systems, processes, principles and methods of business conduct. Information on results of monitoring the implementation of issued recommendations and implementation of the audit plan was provided to the Internal Audit Committee and the Board of Directors of the Exchange on a quarterly basis.



COMPLIANCE CONTROL

In a rapidly changing external environment, global upheavals, sanctions confrontations and more stringent regulatory requirements, the Exchange, like other participants of the financial market of Kazakhstan, faces compliance risks, management of which requires a special approach and attention, as well as presence of an effective compliance control system. For these purposes, the Exchange has organized and operates a Compliance Service (hereinafter referred to as the Service), reporting to the Board of Directors, which ensures compliance of activities of the Exchange with requirements of the rules of the Republic of Kazakhstan and internal documents regulating the procedure for provision of services and conduct of transactions on the financial market, as well as applicable provisions of the foreign law.

The Exchange, subject to the requirements of the rules of the Republic of Kazakhstan, taking into account international practice and standards in the field of compliance, has developed and approved Compliance Risk Management Policy, Code of Corporate Ethics, Anti-Corruption Standards, Conflict of Interest Management Policy, Rules for Control of Use of Insider Information and other internal documents.

The compliance risk management system at the Exchange rests on a model of three lines of defense, in which functions and powers of all employees and departments involved in the process of managing this type of risk are clearly distributed.

Compliance risk management includes the following steps:

1. identification of compliance risk (compliance risk definition and identification);
2. compliance risk analysis (measurement and assessment of identified compliance risk);
3. risk minimization (elimination of causes and taking actions designed to eliminate or minimize the compliance risk);
4. control and monitoring of compliance risk;
5. information and communication.

The Service carries out continuous monitoring of compliance risks in activities of the Exchange to ensure compliance with provision of the laws of the Republic of Kazakhstan regulating its activities, including in terms of suppression of corruption, compliance with sanctions restrictions of foreign countries and special conditions when making transactions, minimizing conflicts of interest, analyzing measures taken with parties of authorized government bodies and study of complaints (appeals) of clients/counterparties of the Exchange.

As part of its work on compliance risk management, the Service carries out:

1. compliance examination and approval of draft internal documents of the Exchange, amendments and additions to them related to compliance with the anti-corruption laws of the Republic of Kazakhstan as well as the laws regulating licensed types of activities of the Exchange;
2. analysis of business processes, implemented products, services and planned methods of their implementation for presence of compliance risks, including those associated with the risk of disclosure of personal data.

In 2023, the Service implemented measures intended for timely identification, evaluation and control of compliance risks in core activities of the Exchange, including measures designed to suppress corruption and improve sanctions compliance, subject to the approved Action Plan for this year.

Subject to the 2023 Inspection Plan, the Service carried out scheduled compliance inspections of processes for compliance with sanctions requirements and anti-corruption measures in relations with counterparties, as a result of which shortcomings and potential compliance risks inherent in the inspected processes were identified. Responsible departments have developed action plans to reduce compliance risks and manage them effectively.

During 2023, external operating conditions of the Exchange were featured by emergence of new challenges associated with a significant expansion of sanctions restrictions by Western countries against subjects of the Russian Federation. With a view to minimize sanctions risks, the Exchange carried out a number of measures, within which sanctions monitoring and analysis of impact of the imposed sanctions on activities of the Exchange were carried out, internal control measures were enhanced and requirements for Exchange members and listed companies were modified. The Service analyzed trends in development of the international sanctions regimes and brought them to the attention of all responsible departments and employees of the Exchange.

In 2023, Service employees took part in educational seminars/trainings of the European Union, OSCE and the US Embassy, organized for financial organizations of Kazakhstan in order to explain the sanctions regimes of the European Union, Great Britain and the USA.

To promote and improve compliance culture of employees of the Exchange, the Service conducted 4 training sessions covering the following issues:

- management of compliance risk and compliance culture;
- management of conflicts of interest;
- anti-corruption measures and restrictions adopted at the Exchange, including requirements for providing a declaration of assets and liabilities.



HUMAN CAPITAL

08



As of December 31, 2023:

1. The Exchange had 207 employees
2. Women accounted for 54.1% of the employees of the Exchange
3. Turnover of the Exchange employees – 27%
4. Average age of Exchange employees is 38 years



RESPONSIBLE LABOR PRACTICES

Activities of the Exchange comply with the applicable human rights rules. The Exchange is committed to complying with the principles of protection of and respect for human rights set out in the UN Guiding Principles on Business and Human Rights.

The Exchange strives to promote values of diversity and equal opportunities, including promotion of programs on gender equality and inclusion, it is keen to provide opportunities and inclusion in active use of Exchange products and services for users with disabilities, promotes gender balance among Exchange employees and in business environment.

The Exchange builds labor relations with its employees on the following principles:

1. compliance with the legal labor rights of the employee, including the right to occupational safety and health of the employees;
2. providing equal opportunities and non-discrimination in hiring, remuneration, access to training, promotion, dismissal on such grounds as gender, race, language, religious, political and other beliefs, citizenship, national or social origin, limited opportunities;
3. fair remuneration and effective motivation of personnel, objectivity in selection, hiring, rotation and promotion of personnel, creation of equal conditions for development and advanced training of employees;
4. availability of effective mechanisms for filing complaints and suggestions, a system of training and development of personnel using modern technologies and information management systems.

KASE VALUES

INNOVATIVENESS, SUSTAINABILITY AND ADAPTATION TO CHANGES

We work on the principles of innovation and sustainability for the common welfare, constantly adapting to change.

WE:

- ⦿ think about our actions from a customer's point of view when developing, promoting or modifying our products and services;
- ⦿ focus on sustainability to improve processes, drive growth and add value to our customers;
- ⦿ are open to ideas that challenge traditional thinking and stimulate innovation;
- ⦿ strain after professional sustainable development of each employee;
- ⦿ support regions in which we operate in our daily activities, as well as through charity and our social programs.

RESPONSIBILITY, PROFESSIONALISM AND QUALITY

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

WE:

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

COOPERATION, OPENNESS AND TRANSPARENCY

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

WE:

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

CARE ABOUT THE FUTURE AND DEVELOPMENT

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

WE:

- ⦿ give the interests of clients top priority in the decision-making process;
- ⦿ constantly maintain a respectful relation with each other, with clients, members and counterparties of the Exchange;
- ⦿ care about our employees at all levels of the organization, just as we care about our clients;
- ⦿ protect our reputation, we understand the impact that the actions of each of us can have on it;
- ⦿ care about our safety and health, as well as the safety and health of other people who may be affected by our actions.

The Exchange provides its employees with a comfortable and respectful working environment. The Exchange does not use child labor or practice forced labor.

In order to create safe working conditions and prevent risks associated with labor protection, respect the right of workers to safe work, the Exchange takes measures to ensure proper organization of work for employees at their jobsite, including training and advanced training of employees in this area, as well as acquisition of high-quality equipment and technique.



CORPORATE ETHICS

The Exchange builds relations with its employees on the principles of respect for human rights and personal dignity, creating equal opportunities for employees, it values its employees and treats them with trust and respect. The Exchange is interested in forming long-term relations with employees and encourages employees seeking self-education and professional development, creates equal and optimal conditions for improvement of skills of employees at all levels subject to training and professional development programs.

The Code of Corporate Ethics declares corporate values of the Exchange, which underlie determination of ethics of mutual relations within the Exchange, as well as relations of the Exchange with members, clients of the Exchange and other interested parties.

Each employee has to conscientiously follow the principles set forth in the Code of Corporate Ethics, as well as to be aware of their personal responsibility for their violation or non-compliance. Violation by employees of certain provisions of the Code entails disciplinary or other liability provided for by the rules of the Republic of Kazakhstan and internal documents of the Exchange.

The Code of Corporate Ethics covers aspects of respect for human rights and personal dignity, creation of equal opportunities for employees and fair promotion of personnel, excluding discrimination on gender, racial, political, religious and other similar grounds. The Code also contains provisions for resolving conflicts that have arisen, compliance with anti-corruption standards, increasing the level of risk culture, and compliance with principles for management of existing and potential conflicts of interest.

Objectives of the Code of Corporate Ethics are:

1. consolidation of key values, principles, rules and norms of business ethics and behavior that guide all employees of the Exchange when they perform their duties both when making strategically important decisions and in everyday situations;
2. determining the standards of activities of the Exchange and behavior of its employees intended to maintain high ethical standards, quality of service for members and clients of the Exchange, enhance the image of the Exchange, improve its business reputation, and, as a result, increase profitability, financial stability and efficiency of the Exchange as a whole;
3. development of unified corporate culture based on high ethical standards, maintaining an atmosphere of trust, mutual respect and decency in the team;
4. increasing and maintaining trust in the Exchange from the business community, strengthening the reputation of an open and professional participant in the securities market.

EMPLOYMENT

Regular number of employees of the Exchange at the end of 2023 was 235 units, while the actual number was 207 employees. Ratio of the number of employees by gender: women accounted for 54.1%, men for 45.9%. In terms of age distribution, personnel structure: the share of young people under 30 years old is 24%, from 30 to 39 years old – 36%, from 40 to 49 years old – 29%, over 50 years old – 11%. The average age of employees on the Exchange for 2023 was 38 years.

Under fee-based service agreements, in 2023 the Exchange hired 35 freelance workers to provide simultaneous translation services, software development and maintenance, graphic design services, work in a call center and business process automation, development and implementation of a new back-office system.

In 2023, 80 new employees were hired. Employment relations with 63 employees were terminated.

Staff turnover in 2023 was 27%, including:

- ⊙ 43% – among men;
- ⊙ 57% – among women.

CORPORATE CULTURE

One of key elements of the HR Policy is formation and development of KASE corporate culture, which is a system of fundamental values and standards that contribute to creation of favorable conditions for effective work, maintaining the team spirit of the team and the commitment of employees to KASE goals and objectives..

In order to form a corporate culture, the Exchange holds various corporate events and uses the following tools:

- ⊙ confirmation of success – certificates and letters of gratitude;
- ⊙ teambuilding and development of corporate values;
- ⊙ motivation – creating a favorable working mood in the team;
- ⊙ increasing employee satisfaction and awareness.

We can include the following among key focuses on internal communications:

- ⊙ Timely and complete informing of the employees (information is provided on an ongoing basis through Townhalls, e-mail messages, social networks, etc.).
- ⊙ Development of communicative and team-building connections between employees (conducting team building, holding guest lectures, meeting with newcomers, engagement surveys, selecting value bearers and corporate events of the Exchange).



MOTIVATION AND REMUNERATION

In order to determine the level of employee satisfaction, the Exchange annually conducts an anonymous online survey of Exchange employees. Results of the satisfaction survey allow to evaluate the level of employee motivation, the atmosphere in the team and the level of loyalty. In 2023, 76.4% of workers participated in this study (2022: 57.3%). Based on results of the study, main development areas were identified, and an Action Plan was developed to increase employee satisfaction for 2024.

Terms and conditions of remuneration for Exchange employees are established in such a way as to motivate employees to carry out their work most efficiently. The system rules out discrimination in wages based on origin, social, official and property status, gender, race, nationality, language, attitude to religion, beliefs, place of residence, age or physical disability, membership in public associations or any other circumstances.

The system of remuneration and bonuses for Exchange employees is competitive, as well as transparent, understandable and effective for attracting highly qualified specialists.

In the first quarter of 2023, the Exchange revised the remuneration system with transition to a grading system for each position.

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

Remuneration for Exchange employees from March 2023 includes:

- ⦿ grade-based wages;
- ⦿ personal allowances;
- ⦿ social payments;
- ⦿ additional payment – bonuses, which are remuneration intended to further stimulate efficiency of the employees.

Soft incentives for employees are also used.

In 2023, the following employees of the Exchange were awarded for significant contributions to development of the Exchange

and particularly important works and projects of the Exchange:

- ⦿ 1 employee of the Exchange received a letter of gratitude from the Chairman of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market;
- ⦿ 14 Exchange employees were awarded the “Enbegi Ushin” medal for the 30th anniversary of the national currency of Kazakhstan;
- ⦿ 20 Exchange employees were awarded the anniversary medal “KZTge 30 years”;
- ⦿ corporate awards for 83 employees;
- ⦿ over 90 employees received certificates of gratitude for implementation of KASE projects – “Increasing liquidity in the KASE exchange markets”, “Development of the CCP as a key infrastructural element”, “Introduction of innovations and technological modernization”, “Increasing value for stakeholders”.

The Exchange provides financial assistance to its employees on the following grounds:

1. in connection with a marriage of an Exchange employee;
2. in connection with a birth of a child (children) of an Exchange employee;
3. in connection with a funeral of a spouse or a close relative of an Exchange employee;
4. due to a serious illness of an Exchange employee;
5. in connection with an anniversary birthday of an Exchange employee;
6. in connection with retirement of an Exchange employee;
7. in connection with theft or loss of personal property of an Exchange employee or in connection with damage caused to an Exchange employee due to force majeure circumstances (including fires and natural disasters);
8. for other valid reasons of a personal nature.

As part of the social package, the Exchange provides its employees with a voluntary health insurance program, advanced training and training at the expense of the employer, gifts for children for holidays and corporate events.

EDUCATION AND DEVELOPMENT

Training and professional development is part of KASE's HR Policy. The Exchange encourages employees to acquire new knowledge and develop existing ones, including through internal and external training.

Training of Exchange employees is carried out given core activities of the Exchange and job responsibilities of employees, including project activities, using all possible training formats, including distance and online training. Much attention is paid to development of professional skills in the financial sector, corporate competencies and project management and IT skills necessary for the implementation of strategic projects of the Exchange.

The Exchange provides necessary conditions and pays for mandatory training for employees at the expense of the Exchange.

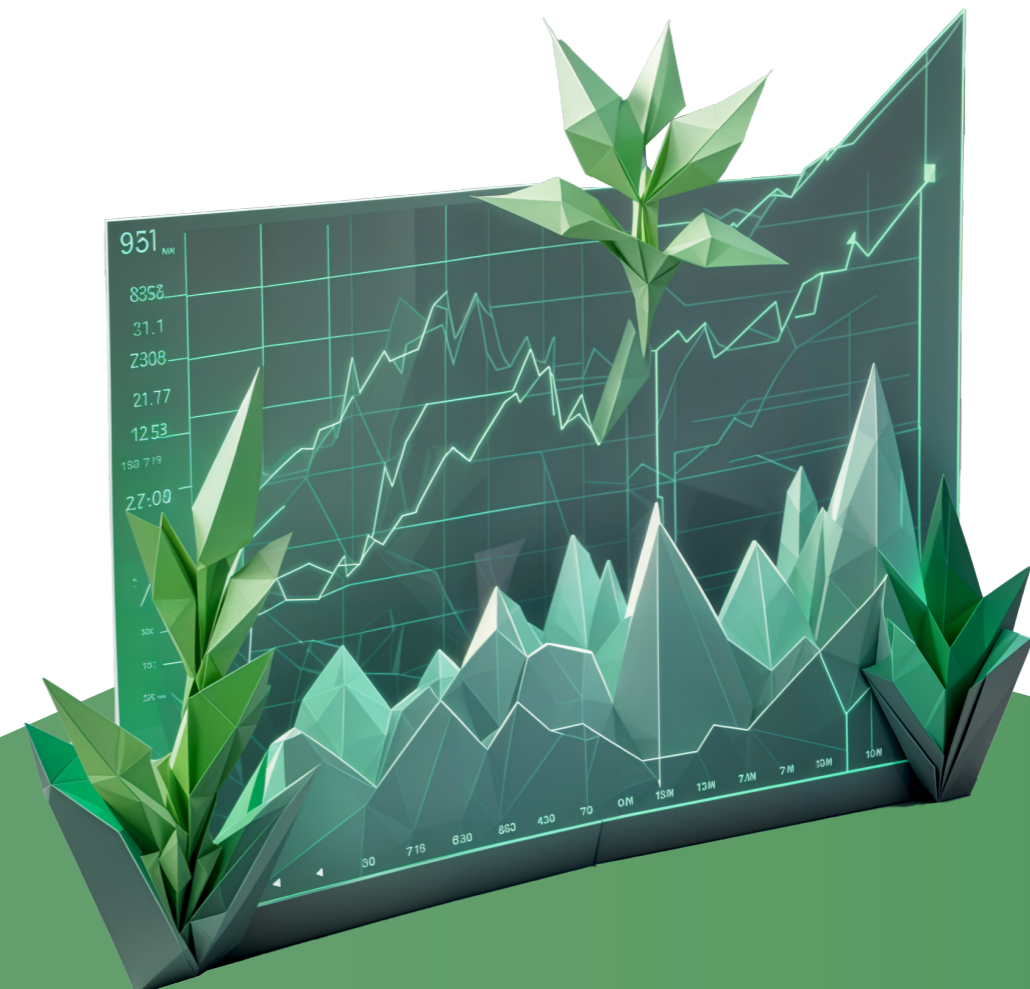
Training at the Exchange is divided into:

1. by training type: external and internal;
2. by training format: full-time, distance (including online) and mixed (including elements of full-time and distance learning);
3. by form of participation: individual and corporate.

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

4. professional training;
5. advanced training;
6. professional postgraduate education;
7. professional certification (including preparation programs for passing exams under professional certification programs);
8. corporate training;
9. language courses.

In the reporting year, more than 60 Exchange employees received training, mainly in courses in the following areas: corporate finance, financial modeling, financial analysis, IT (Java, Oracle, Linux), accounting courses (1C ZUP), international taxation, anti-money laundering and counter-terrorism financing and a number of other courses. English and Kazakh language courses were arranged for Exchange employees, more than 50 people passed the training.





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