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ALMATY Social-Entrepreneurial Corporation JSC Corporate Governance Assessment Results

Russell Bedford

*26 December 2023
Almaty*

*A leading global
networks*



Introduction

Russell Bedford Group of Companies expresses its honour to you and wishes you new achievements and success in your professional endeavours.

Russell Bedford A+ Partners International Consulting Firm LLP sends the results of the corporate governance assessment of "Almaty Social-Entrepreneurial Corporation" JSC.

Our Group is a full member of the Russell Bedford International network.

Russell Bedford International is an international network of foreign independent audit, valuation and consulting companies that have joined forces to provide highly professional services to clients in any country of the world.

We are one of the leaders in providing professional services in audit, assesment, it-audit and corporate finance.

Russell Bedford Group of Companies has a professional qualified staff with Kazakhstani and International certificates.

Russell Bedford Group of Companies is interested in establishing long-term business relationships and looks forward to a strong co-operation with you, aimed at achieving mutual success.

We look forward to working together with you to achieve our mutual success and believe that our co-operation will help your business to prosper.

Regards,
General Director
Kudaibergenova Sh.E.



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The network is ranked among the top global audit networks

Coverage of more than 100 countries

350 offices

7500 employees

850 partners

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Sources of recommendations and standards



International Standards and Recommendations

- OECD and G20 Principles of Corporate Governance
- OECD Guidelines on Corporate Governance for State-Owned Enterprises
- International Standards on Anti-Corruption and Integrity in State-Owned Enterprises
- UK standards, including the Corporate Governance Code and Guidelines on Board Effectiveness, Audit, Risk Management and Public Funds Management

National standards and recommendations

- Model Code of Corporate Governance of the Republic of Kazakhstan and Atameken NPP guidelines
- Recommendations of NPP "Atameken" on organisation of the corporate secretary's activity and training of independent directors

Methodology of the Corporate Governance Assessment



Assessment Components and Criteria

The Corporate Governance Assessment was conducted between November and December 2023 and comprised four main phases

The Assessment used components based on the OECD Guidelines, which are recommendations for states and are internationally accepted as the standard for how states should exercise the public ownership function

Also the corporate governance principles stipulated in the Model Code of Corporate Governance in State-controlled Joint Stock Companies, except for the National Welfare Fund of Samruk-Kazyna JSC, approved by Order of the Minister of National Economy of the Republic of Kazakhstan No. 21 dated 5 October 2018 were considered

Each of the criteria was scored using a grading scale:

Eligibility criteria	Score
Not applicable	-
Complied with	1
More likely complied with	0,75
Partially complied with	0,5
Rather not complied with	0,25
Not complied with	0

Purpose of Assessment



Purpose of the assessment

The purpose of the assessment is to improve the effectiveness of corporate governance and compliance with international and national standards

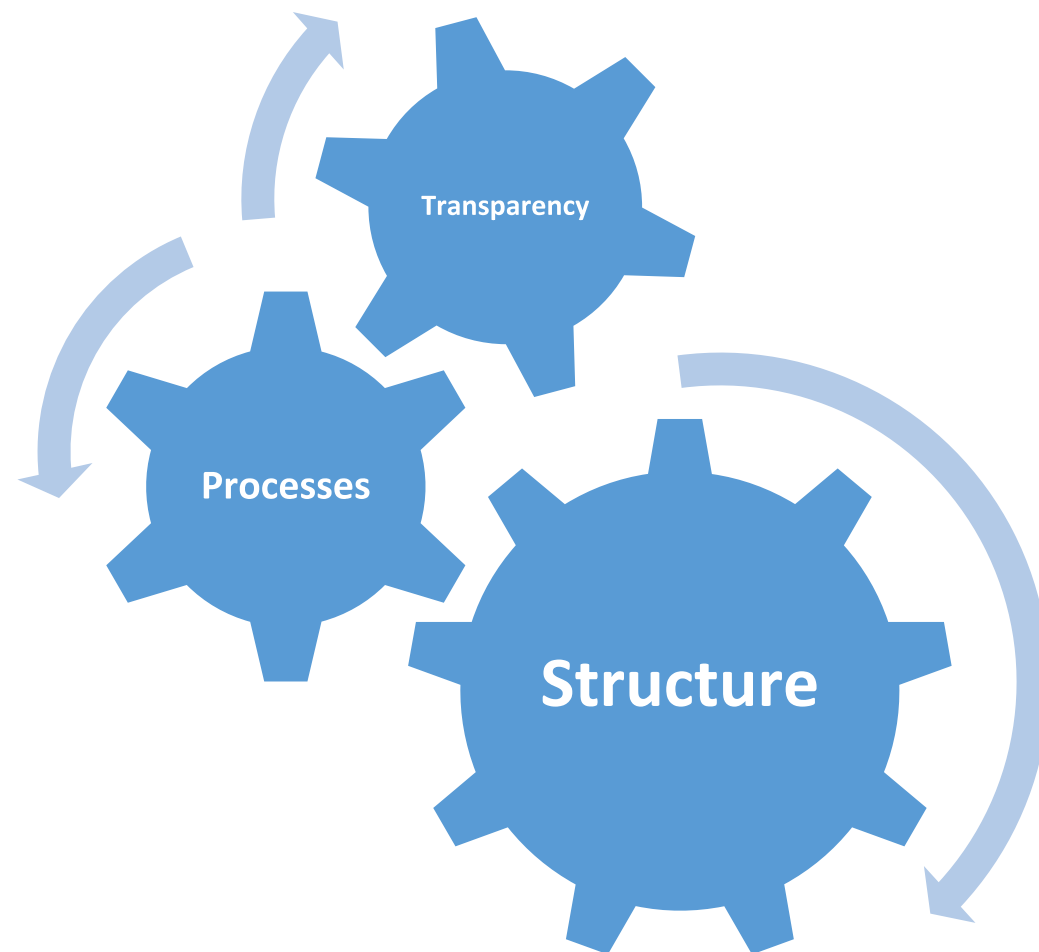
Assessment structure

The assessment included analysing compliance with the principles, standards and recommendations in three main components:

Structure, Processes and Transparency

Expected Benefits

Increased shareholder and stakeholder confidence
Improved reputation of the company in the market
Establishment of a solid foundation for sustainable development



Assessment Results

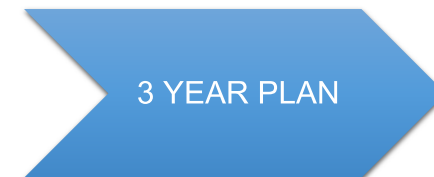
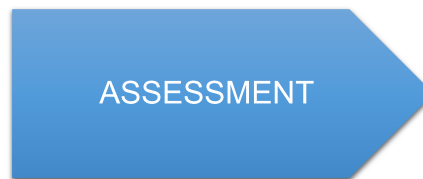


Report on assessment of corporate governance:

- A detailed report in Word format including key findings and recommendations
- Detailed report in Excel format including a graph showing the scores for each criterion
- Rating and detailed analysis of each principle

Recommendations and improvement plan:

- Recommendations arising from the assessment results for the Company
- Plan to improve the corporate governance system for the next three years



Corporate governance analysis: summary by components



Corporate governance analysis: summary by components

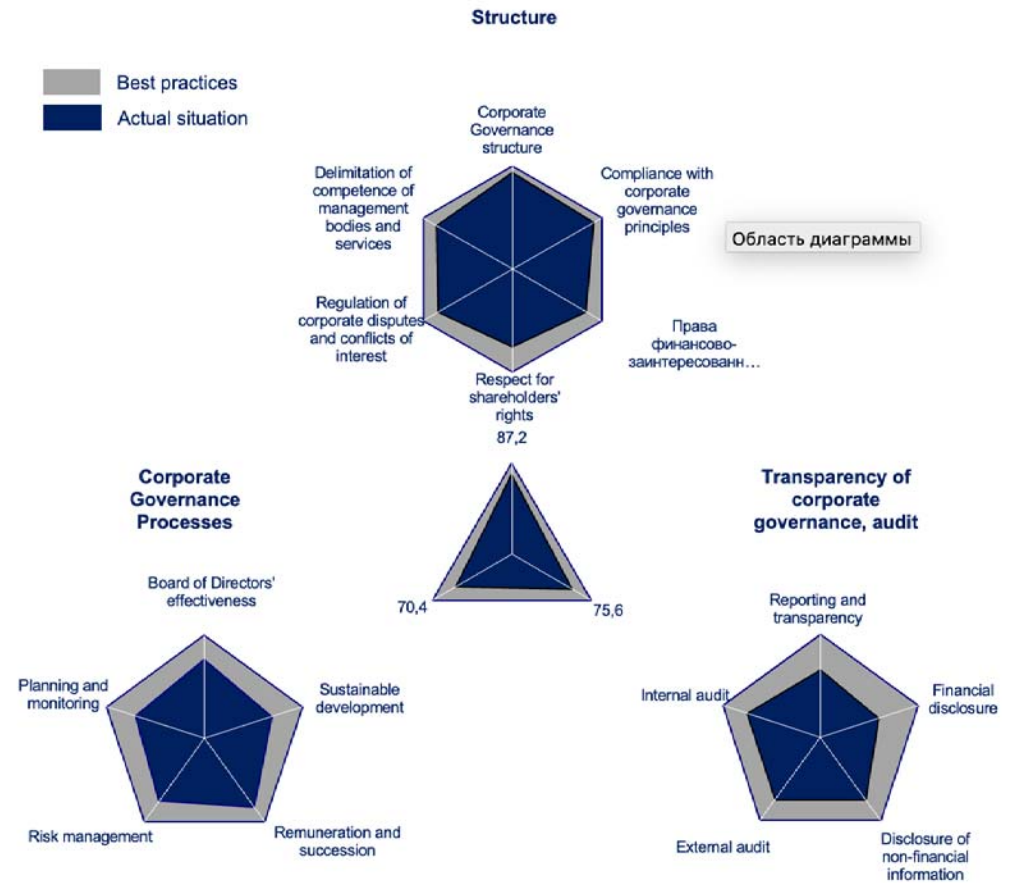
Compliance of the corporate governance level with the best practice requirements is 77.66%

Sections of the analysis by level of compliance:

Structure - 87.2% - High level of compliance with best practice requirements in the area of corporate governance structure

Corporate governance processes - 70.4% - Moderate level of compliance with best practice requirements in the area of corporate governance processes

Corporate governance transparency, audit - 75.6% - Average level of compliance with best practice requirements in the area of corporate governance transparency and audit



Compliance of the corporate governance level with the best practice requirements is as follows

77,66

Examples of compliance of the corporate governance level with the best practices of similar companies in Kazakhstan

JSC SEC Astana - 53.3% (2023)

Qazaqstan Investment Corporation JSC - 93.81% (2022)

JSC NC KazAutoZhol - 79.2% (2023)

JSC NC QazExpoCongress - 84% (2022)

Damu Entrepreneurship Development Fund JSC - 90.8% (2021)

Development Bank of Kazakhstan JSC - 93.1% (2023)

Key positive points and areas for growth



We're not
scientists.
but we totally

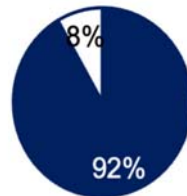
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Structure

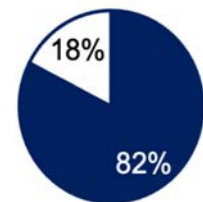
1.1. Corporate governance structure



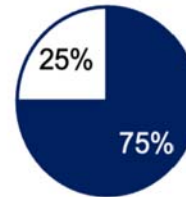
1.2. Compliance with corporate governance principles



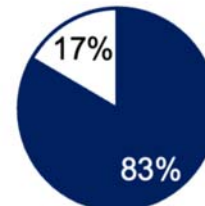
1.3. Respect for the rights of financially interested parties



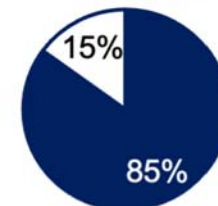
1.4. Respect for shareholders' rights



1.5. Regulation of corporate conflicts and conflicts of interest

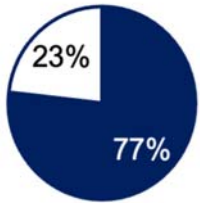


1.6. Delineation of competencies of management bodies and services

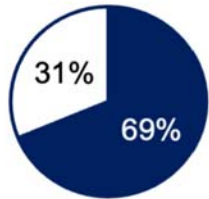


Processes

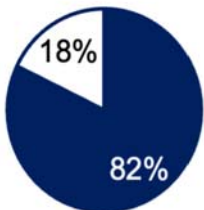
2.1. Effectiveness of the Board of Directors



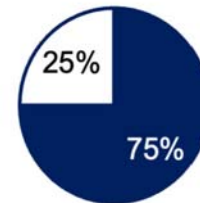
2.2. Sustainable development



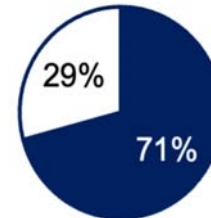
2.3. Remuneration and succession



2.4. Risk management

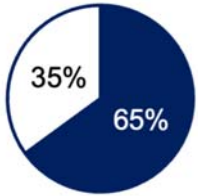


2.5. Planning and monitoring

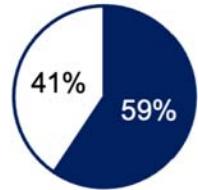


Transparency and audit

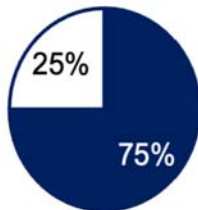
3.1. Reporting and transparency



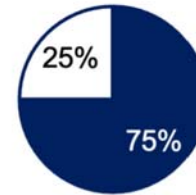
3.2. Financial disclosure



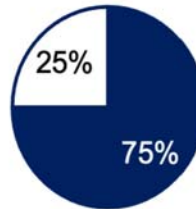
3.3. Non-financial disclosure



3.4. External audit



3.5. Internal audit



Degree of implementation of corporate governance principles: analysis by individual principles



Separation of powers principle:

- Observed, but it is recommended to ensure independence of members of the Board of Directors
- It is recommended to monitor decisions of the Sole Shareholder to maintain non-interference in operational matters and corporate governance structures

Protection of the rights and interests of shareholders principle:

- Observed, but it is proposed to consider the protection of minority shareholders' rights in internal regulations in the medium term

Effective management of the Company by BoD and Executive Board principle:

Observed, but it is recommended to ensure gender equality and independence of directors

- It is recommended to assess the BoD and use stress testing techniques for strategy development
- It is recommended to introduce a unified automated system to improve management processes

Sustainable development principle:

- Observed, but it is required to update information on the evaluation of projects and programs in the field of sustainable development
- It is recommended to update the Company's Internet resource in the Sustainable Development block

Principle of risk management, internal control and audit:

- Observed, but it is recommended to approve the risk appetite and review the informativeness of risk limits
- It is recommended to regularly assess the effectiveness of the CRMS, harmonise the categories and regularly familiarise employees with the CRMS

Regulating corporate disputes and conflicts of interest principle:

- Observed, but it is recommended to record information on conflicts of interest and obtain consent from employees
- It is recommended to clarify the documents related to sending information on conflicts of interest

Principle of transparency and objectivity:

- Observed, but it is recommended to supplement annual reports with information on the BoD activities and the results of the work of the BoD committees
- It is recommended to publish the required IRD, corporate resolutions, and form reports of the committees of the Board of Directors.

Key Recommendations



1.1 Corporate governance structure

Protection of minority shareholders' rights:

- Introduce provisions to protect minority shareholders' rights in internal documents in the medium term to comply with best practice

BoD Candidate Requirements:

- Ensure full independence of the BOD members from each other and introduce a woman on the BoD for gender balance

BoD Committees:

- Revise the composition of the BoD Audit Committee to include only independent directors
- Develop a succession plan for BoD members, including staff assessment and leadership training programmes in the short term

1.2 Compliance with corporate governance principles

Corporate Governance Code:

- Replace the text version of the CG Code with a scanned version, indicating the approving body, date and number of the resolution
- After the Assessment, publish the corporate governance rating on the Company's website
- To approve the Action Plan to improve corporate governance

Code of Business Ethics:

- Supplement the Ombudsperson's responsibilities with anonymity for business partners and stakeholders
- Expand the Ombudsperson's responsibilities to explain the Code to specified individuals

Corporate Secretary:

- Expand the Regulations on the Board of Directors by giving members the right to contact the Corporate Secretary for consultations
- Ensure systematic training and professional development of the Corporate Secretary (courses, certifications, seminars on corporate governance)

1.3 Respect for the rights of financially interested parties

- Introduce in the relevant Rules (selection and support of projects, auctions) the possibility of appealing against the Company's decisions and the regulations for consideration of such appeals
- Conduct a separate analysis of the procurement system
- Exclude the BoD and management from the list of stakeholders, and reflect the results of work with the Stakeholder Map in annual reports.
- Disclose information on creditors and debt financing in annual reports
- Develop and approve a whistleblowing mechanism in the short term, with two such mechanisms for external parties (whistleblowing) and employees (speak-up).

1.4. Respect for shareholders' rights

- Maintain a balance between the transparency of SS decisions and independence of the BoD's decisions
- Develop and implement a transfer pricing policy to determine prices for goods, works and services between the Company and its subsidiaries, if any

1.5. Regulation of corporate disputes and conflicts of interest

- Establish uniformity in reporting conflicts of interest (to the responsible division, the Corporate Secretary or the Ombudsman)
- Communicate and obtain employees' consent to the rules of the Conflict of Interest Policy
- Require BOD members to obtain the approval of the Chairman of the Nomination Committee before combining positions in other companies

1.6 Delimitation of competence of management bodies and services

- Ensure monitoring of SS decisions on issues within the exclusive competence of the BoD and other bodies in order to ensure compliance with the principle of non-interference in the Company's operations, as well as compliance with the Company's corporate governance structure.
- Periodically review the IRD and make amendments thereto, and reflect the date and number of the management body's decision when publishing it on the website. It is recommended to appoint a single responsible person to coordinate this work. In the short term, update the Regulations on Committees

2.1 Effectiveness of the Board of Directors

Election (appointment) of the Chairman and members of the Board of Directors

- Purchase liability insurance for BoD members
- Develop a programme for induction of new BoD members
- Include in the Regulations on the BoD the right to receive expert opinions
- Include in the Regulations on the Nomination Committee the competence to determine the criteria for selecting candidates.
- Develop and approve succession plans for members of the Executive Board
- Conduct an evaluation of the Board of Directors and an individual evaluation of each member of the Board of Directors in the short term

Organisation of the Board of Directors' work

- Strengthen control over the indication of voting results and decisions in the BoD minutes, avoid mentioning the labour leave of Independent Directors
- Record information on the absence/existence of conflicts of interest of BoD members at each in-person meeting.
- Introduce the practice of regular (e.g., once a year) visits of BoD members and management to production facilities, subsidiaries and projects.

Assessment of the Board of Directors' effectiveness

- Include an evaluation of the BoD's performance in the annual work plan and agree the frequency of such evaluation with the SS.

2.2 Sustainable development

- Develop and approve a sustainable development strategy
- Develop and implement an environmental sustainability policy
- Include assessment of projects for impact on key sustainability indicators in annual reports, Strategy 2020-2023 and Development Programme 2023-2025

2.3 Remuneration and succession

- Publish the Remuneration Policy for BoD members on the official website
- Regularly discuss management succession plans by the Nomination, Remuneration and Social Affairs Committee of the BoD
- Introduce the practice of meetings between the management and the BoD and the talent pool to meet, assess, share knowledge and discuss the Company's vision and strategy.

2.4 Risk Management

- Approve the risk appetite and align the risk categories in the various documents
- Implement a Board of Directors' report to the SS on an ongoing basis reflecting key risk factors, events, actions taken and an assessment of the Company's prospects. Identify primary and emerging risks (primary and emerging risks)
- Regularly assess the effectiveness of the CRMS
- Consider the appropriateness of the significance score and review the informativeness of risk limits.
- Familiarise new staff with the CRMS on an ongoing basis
- Independent assessment of the effectiveness of the CRMS in the medium to long term
- Provide the possibility for the head of RMD to express his/her opinion directly to the BoD in the Risk Management Policy and the Regulation on RMD.
- Implement a corruption hotline and an employee protection policy for disclosure of corruption cases in the Company.

2.5 Planning and monitoring

- Implement monitoring of financial targets, capital structure and risk levels
- Use stress-testing techniques in the development of the Company's Development Strategy
- Discuss the implementation of the Development Plan on a quarterly basis at meetings of the Board of Directors, taking into account international practices.
- Consider the acquisition of an UAS to automate planning, budgeting and forecasting processes, including the preparation of reports

3.1. Reporting and transparency

- Add to Annual Reports a description of the consideration of opportunities and risks, ensuring the sustainability of the business model and the impact of risk management on strategic decisions
- Include in the Annual Reports detailed information on the activities of the Board of Directors, investment approach, and employee remuneration.
- Update the regulation on official, commercial and other legally protected secrets dated 03.05.2011, taking into account the principle of transparency and disclosure of information.

3.2. Financial disclosure

- Restrict by IRD the right to finance political parties and campaign and propaganda assistance
- Disclose information on related party and interested party transactions on the Company's website
- Consider the possibility of a management report on financial and economic performance (e.g., a report by the Chairman of the Executive Board)

3.3. Disclosure of non-financial information

- To fill the Company's website with IRD to be disclosed
- Adopt and publish the policy on diversification of the Board of Directors on the Company's website
- Include in the annual report information on the activities of the Board of Directors' Committees and the Board of Directors' risk management activities (see recommendations in Section 2.4).

3.4. External audit

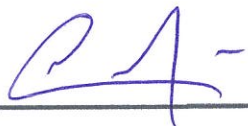
- Develop a policy on the terms and conditions of engagement of external auditors, including rotation of partners, provision of consulting services and not to allow the hiring of the audit organisation's employees who participated in the external audit for a certain period (cooling-off period).

3.5. Internal audit

- Bring reporting deadlines to the Audit Committee and the Board of Directors in line with the IAS Regulation, Internal Audit Rules, and IAS assessment deadlines.
- Provide in the Regulations on the IAS the possibility for the IAS to participate in BOD meetings without the management
- Develop a professional training plan for IAS employees
- Develop an Internal Audit Strategic Plan for 3 years
- Formulate AAP for future periods, taking into account changes in the Register and risk map
- Provide feedback on IAS performance and conduct an internal evaluation of the IAS
- Consider the use of existing IAS software
- Agree the IAS budget and any changes to it with the Audit Committee

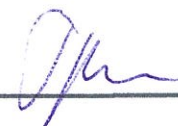
Partner

Sartayev Sh.SH.



Performer

Mukhanbetkaliyeva T.A.



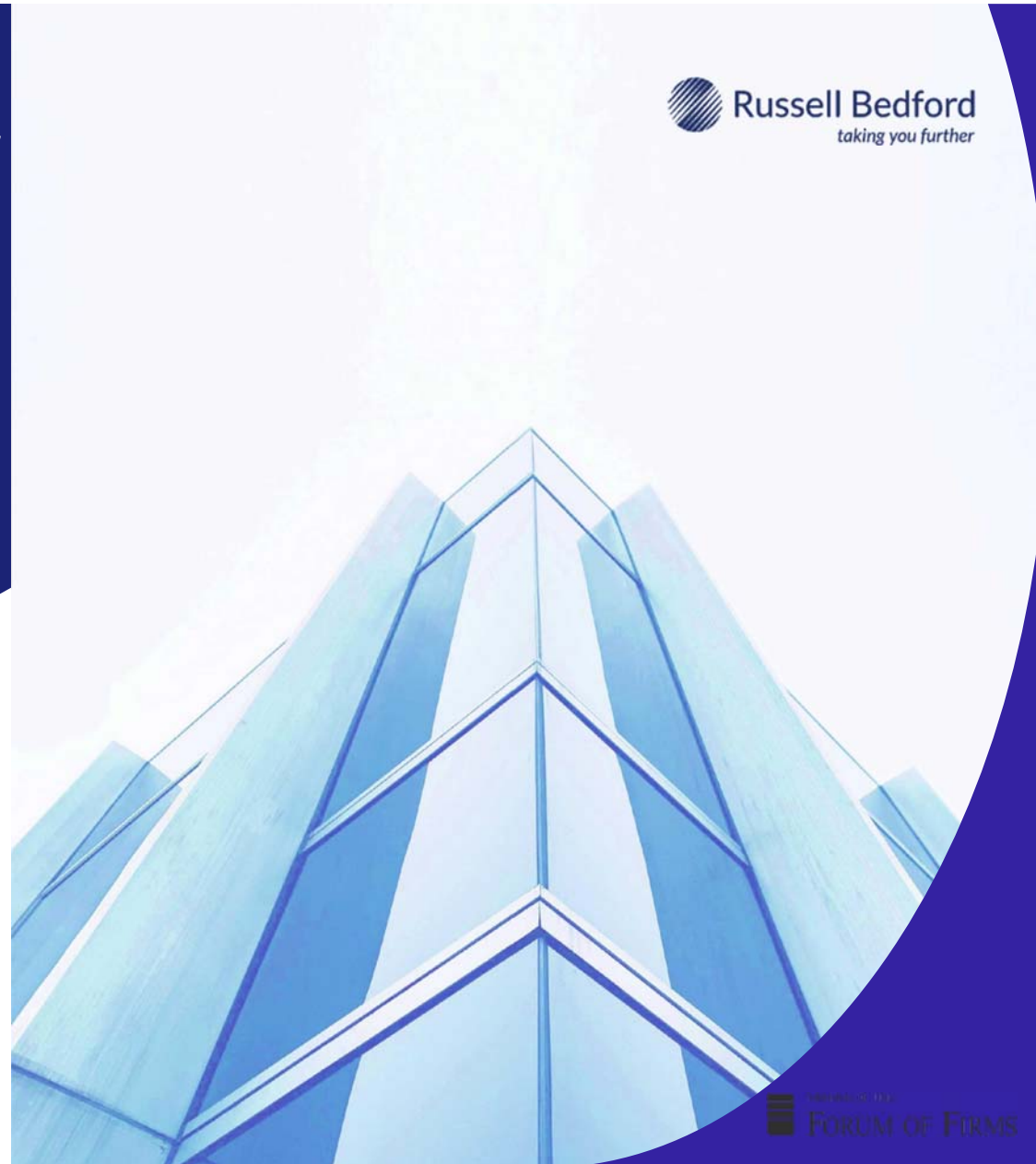
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