

Attachment  
to the decision  
of the Management Board  
of Samruk-Kazyna JSC  
dated May 27, 2022  
Minutes No. 29/22,

**APPROVED**  
by the decision  
of the Sole Shareholder  
of NC KTZ JSC  
dated May 27, 2022  
Minutes No.29/22,

## **ARTICLES OF ASSOCIATION**

**NATIONAL COMPANY  
KAZAKHSTAN TEMIR ZHOLY  
JOINT-STOCK COMPANY**

**Nur-Sultan, 2022**

## **ARTICLE 1. LEGAL STATUS OF KTZ**

1. National Company Kazakhstan Temir Zholy Joint-stock Company (hereinafter referred to as "KTZ") was incorporated in accordance with the Decree of the Government of the Republic of Kazakhstan No. 310 "On Establishment of National Company Kazakhstan Temir Zholy Closed Joint-stock Company" dated March 15, 2002.

In accordance with the Law of the Republic of Kazakhstan "On Joint-stock Companies" dated May 13, 2003, National Company Kazakhstan Temir Zholy Closed Joint-stock Company was re-registered as National Company Kazakhstan Temir Zholy Joint-stock Company.

2. KTZ is the successor of:

1) Kazakhstan Temir Zholy Republican State Enterprise of the Ministry of Transport and Communications of the Republic of Kazakhstan (Certificate of Reincorporation No.7140-1901-GP dated April 06, 2001);

2) Infrastructure State Branch Enterprise of Kazakhstan Temir Zholy Republican State Enterprise of the Ministry of Transport and Communications of the Republic of Kazakhstan (Certificate of Incorporation No. 10893-1901-GP dated November 23, 2001);

3) Locomotive State Branch Enterprise of Kazakhstan Temir Zholy Republican State Enterprise of the Ministry of Transport and Communications of the Republic of Kazakhstan (Certificate of Incorporation No 10885-1901-GP dated November 23, 2001);

4) First State Company for Car Fleet Management State Branch Enterprise of Kazakhstan Temir Zholy Republican State Enterprise of the Ministry of Transport and Communications of the Republic of Kazakhstan (Certificate of Incorporation No. 10756-1901-GP dated November 01, 2001);

5) Second State Company for Car Fleet Management State Branch Enterprise of Kazakhstan Temir Zholy Republican State Enterprise of the Ministry of Transport and Communications of the Republic of Kazakhstan (Certificate of Incorporation No. 10817-1901-GP dated November 14, 2001);

6) Third State Company for Car Fleet Management State Branch Enterprise of Kazakhstan Temir Zholy Republican State Enterprise of the Ministry of Transport and Communications of the Republic of Kazakhstan (Certificate of Incorporation No. 10816-1901-GP dated November 14, 2001);

7) Freight Transportation State Branch Enterprise of Kazakhstan Temir Zholy Republican State Enterprise of the Ministry of Transport and Communications of the Republic of Kazakhstan (Certificate of Incorporation No. 10888-1901-GP dated November 23, 2001);

8) Directorate for Construction and Temporary Operation of Khromtau-Altynsarino Railway Line State Branch Enterprise of Kazakhstan Temir Zholy Republican State Enterprise of the Ministry of Transport and

Communications of the Republic of Kazakhstan (Certificate of Incorporation No. 11252-1901-GP dated January 31, 2002).

3. KTZ is a legal entity under the Laws and operates in accordance with the Civil Code of the Republic of Kazakhstan, the Law, and other regulatory legal acts of the Republic of Kazakhstan (hereinafter referred to as “the Laws”), Corporate Governance Code, these Articles of Association (hereinafter referred to as “the Article of Association”, and other documents of KTZ.

4. KTZ shall acquire the status of a legal entity from the date of its incorporation in justice authorities of the Republic of Kazakhstan.

5. Financial and production activities of KTZ shall be based on economic autonomy.

6. KTZ shall have an independent balance sheet, bank accounts, including foreign currency accounts, a seal indicating the full corporate name in the state and Russian languages, a trademark and may have other symbols, of which samples shall be approved and registered in accordance with the established procedure, as well as stamps in the official and Russian languages, company’s letterheads and other details.

## **ARTICLE 2. CORPORATE NAME, REGISTERED OFFICE, AND DURATION OF KTZ**

7. Name of KTZ:

1) official language:

The full company’s name is «Қазақстан темір жолы» ұлттық компаниясы» акционерлық қоғамы;

abbreviated name is «ҚТЖ» ҰК» АҚ»

2) Russian language:

The full company’s name is Акционерное общество «Национальная компания «Қазақстан темір жолы»;

abbreviated name: АО «НК «ҚТЖ»;

3) English language:

The full company’s name is National Company Kazakhstan Temir Zholy Joint-stock Company;

abbreviated name is NC KTZ JSC

8. Registered office of KTZ: 6 Kunayev St., Yessil District, Nur-Sultan 010000.

9. The duration of KTZ is unlimited.

## **ARTICLE 3. FOUNDER AND SOLE SHAREHOLDER OF KTZ**

10. The Government of the Republic of Kazakhstan is the Founder of KTZ.

11. Sovereign Wealth Fund “Samruk-Kazyna” Joint-stock Company is the Sole Shareholder of KTZ.

#### **ARTICLE 4. CONSTITUENT DOCUMENTS OF KTZ**

12. Articles of Association are the constituent document of KTZ.

13. All interested parties shall have the right to familiarize themselves with the Articles of Association in accordance with the procedure established by Laws.

#### **ARTICLE 5. BUSINESS ACTIVITIES AND PURPOSES OF KTZ**

14. The main goal of KTZ is to generate net income.

15. KTZ carries out the following activities:

1) construction, maintenance, and modernization of the backbone railway network according to the program approved by the Government of the Republic of Kazakhstan;

2) management of the transportation process;

3) provision of services of the main railway network;

4) repair of railway rolling stock, including special containers used for the transport of dangerous goods;

5) meeting the needs of consignors, consignees in transportation, ensuring the safety of transported goods and their timely delivery to their destinations;

6) organization of a system of direct and mixed communications with the participation of various modes of transport;

7) implementation of measures for the fullest use of the transportation potential of the Republic of Kazakhstan;

8) export (import) of products, services, technologically related to the implementation of KTZ in the field of railway transport;

9) systematic and comprehensive development of the infrastructure of the main railway network;

10) maintenance in good condition of structures, devices, and technical means that are owned by KTZ;

11) provision of information and reference services for the services provided by KTZ;

12) activities for professional training, retraining, and advanced training of KTZ personnel in the field of railway transport;

13) participation in the development of import-substituting industries for the needs of railway transport;

14) transfer to property lease of property not used in the provision of regulated services;

15) transfer to property lease of intellectual property objects (trademarks, copyright objects, software, results of research and development work, regulatory and technical documentation) in the field of

railway transport;

16) sale of scrap and waste of non-ferrous and ferrous metals resulting from the activities of KTZ;

17) transmission and distribution of electrical and thermal energy;

18) provision of services of fire, recovery equipment, and crane operation at railway infrastructure facilities for third-party organizations in the absence of alternative service providers;

19) provision of services for welding long seamless rail strips for third-party organizations in the absence of alternative service providers;

20) provision of services for the installation, repair and maintenance of locomotive radio stations, safety devices for automated locomotive signaling and radio communications, driver vigilance control devices;

21) provision of services to third-party organizations for checking sections of railway tracks with diagnostic equipment in the absence of alternative service providers;

22) provision of property (premises) for temporary use;

23) telephone and telegraph communication services through networks owned by KTZ;

24) responsible storage of inventory items for the needs of the operator of the main railway network from suppliers;

25) maintenance and repair of signaling devices, centralization, blocking of KTZ railway transport;

26) provision for use of communication channels owned by KTZ;

27) provision of services of track equipment (special rolling stock);

28) provision of power supply services (electricity supply) for third-party organizations;

29) current maintenance of the railway track and turnouts for third-party organizations;

30) disconnection (connection) of electrical installations of the consumer at the request of the energy supply organization;

31) provision of project management and technical supervision services to KTZ affiliates;

32) provision of access roads services;

33) carrying out current uncoupling repairs of railway rolling stock for third-party organizations;

34) provision of educational services for third-party organizations and individuals in the field of activity of KTZ;

35) sale of inventory items: domestic coal, uniforms, special clothing for workers of KTZ, and fuel, construction sleepers unsuitable for further use in laying the track of KTZ;

36) ensuring electrical safety when transporting oversized freight by road through crossings on electrified sections of the railway main network, which are directly owned by KTZ;

37) maintenance of power supply devices of third-party railway sections;

38) disconnection, grounding, installation and dismantling of the contact network with electrical safety for the construction and overhaul of third-party facilities, excluding construction and overhaul of third-party KTZ facilities;

39) lease of office and technical premises at railway stations directly owned by KTZ;

40) providing access to common areas at railway stations directly owned by KTZ;

41) provision of reference and information services at railway stations provided with the help of information equipment (information stands, scoreboards, sound alerts) directly owned by KTZ;

42) elimination of the consequences of emergency situations on the main railway network;

43) leasing to employees of the KTZ group of companies and third-party individuals and legal entities living rooms of dormitories with inventory directly owned by KTZ;

44) sale of illiquid inventory items;

45) management of subsidiaries and other affiliated organizations as part of the implementation of the strategic directions for the development of the KTZ group of companies;

46) construction of railways;

47) activities in the field of accounting and tax accounting for the KTZ group of companies;

48) registration of labor relations with employees of subsidiaries;

49) other activities subject to obtaining the necessary approvals in accordance with the Laws.

16. Activities requiring a license or other type of permit, which must be obtained in accordance with the procedure established by the Laws, are only carried out after obtaining the appropriate licenses or other type of permits.

## **ARTICLE 6. RIGHTS AND OBLIGATIONS OF KTZ**

17. KTZ shall acquire all rights and bear all obligations stipulated by the Laws.

18. KTZ has property separate from the property of the Sole Shareholder and shall not be responsible for his obligations. KTZ shall be responsible for its obligations within its property.

19. The Sole Shareholder shall not be responsible for KTZ's obligations and shall bear risk of losses related to KTZ's activities within the limits of its shares value, except for the cases stipulated by the legislative acts of the Republic of Kazakhstan.

20. KTZ shall not be responsible for state obligations as well as the state shall not be responsible for KTZ's obligations.

21. KTZ has ownership and use of the backbone railway network.

22. KTZ shall represent the railway administration in international organizations within the limits of its powers in accordance with the Laws.

23. KTZ is a member of the Tariff Agreement of the railway administrations (railways) of the member states of the Commonwealth of Independent States, and develops a tariff policy for international freight transportation in an order established by the Laws.

24. KTZ on its own behalf may conclude transactions (agreements, contracts), acquire property and personal non-property rights and obligations, act as a plaintiff or defendant in court, as well as perform other actions not contradicting the law of the Republic of Kazakhstan.

25. KTZ may acquire and grant rights to own and use security documents, technologies, know-how and other information.

26. KTZ may issue securities, distribute them, acquire state and corporate securities, as well as insure against its financial risks through derivative financial instruments in the manner prescribed by the Laws.

27. KTZ may establish its branches and representative offices in the Republic of Kazakhstan and abroad, endow them with fixed assets and current assets at the expense of its own property and determine their operating procedures in accordance with the Laws. The property of branches and representative offices are recorded on KTZ's balance sheet.

28. KTZ shall approve the range of positions to be appointed by KTZ as well as the size of the annual payroll for its branches and representative offices. The heads of branches and representative offices shall act on the basis of powers of attorney issued by KTZ.

29. KTZ shall resolve independently all issues related to the planning of production activities, remuneration of employees, logistics, social development, selection, placement, retraining and professional advancement of personnel.

30. In accordance with the established procedure, KTZ shall open accounts with banks and other financial institutions located in the Republic of Kazakhstan and abroad, both in national and foreign currency.

31. KTZ has the right to act as a guarantor, receive loans and use credits in KZT and foreign currency from both Kazakhstani and foreign legal entities and individuals in accordance with the Laws.

32. KTZ shall submit financial, tax and statistical reports to the authorized state bodies in accordance with the established procedure.

33. KTZ shall not provide charitable donations (sponsorship), except for cases when the provision of charitable donations (sponsorship) by KTZ is provided for by the Charity Program of Samruk-Kazyna JSC group, approved in the manner prescribed by the Law of the Republic of Kazakhstan "On National Welfare Fund".

42. KTZ may have other rights and bear other obligations stipulated by the Laws.

## **ARTICLE 7. SHARES AND OTHER SECURITIES OF KTZ**

35. KTZ issues ordinary shares in non-documentary form.

36. KTZ has the right to issue other securities, including convertible ones, the conditions and procedure for the issuance, placement, circulation and redemption of which are established by the Laws.

37. A common share gives the Sole Shareholder the right to make decisions submitted for consideration by the Sole Shareholder, the right to receive dividends if KTZ has net income based on the relevant decision of the Sole Shareholder, as well as part of the property of KTZ upon its liquidation, in the manner established by the Laws.

38. If it intends to place announced shares or other securities convertible into ordinary shares of KTZ, as well as to sell the previously redeemed said securities, KTZ is obliged, within ten days from the date of the decision to do so, by written notice or publication in the media, to offer the Sole the shareholder to purchase securities at the placement (sale) price set by the KTZ body that made the decision to place (sale) the securities.

39. The procedure for exercising the right of the Sole Shareholder to preferential purchase of securities is established by the authorized body.

40. An increase in the number of declared shares of KTZ or a change in the type of unplaced declared shares of KTZ is carried out by decision of the Sole Shareholder. The decision to place shares of KTZ within the limits of the number of its authorized shares is made by the Board of Directors of KTZ.

41. KTZ has the right to place its shares after the state registration of their issue.

42. Payment for the placed shares of KTZ is carried out in the manner prescribed by the Laws.

43. Until the full payment of the placed shares, KTZ is not entitled to give an order to credit these shares to the account of its acquirer in the system of registers of KTZ shareholders.

44. The redemption of the placed shares can be made with the consent of the Sole Shareholder at the initiative of KTZ in accordance with the methodology for determining the value of shares when they are bought out by KTZ, approved in the manner prescribed by the Law, for the purpose of their subsequent sale or for other purposes that do not contradict the Laws and the Articles of Association of KTZ .

45. Redemption of placed shares at the request of the Sole Shareholder is carried out in cases provided for by the Law.

46. The issue of KTZ securities convertible into shares is allowed within the difference between the announced and placed shares of KTZ.



The conditions and procedure for converting KTZ securities are specified in the prospectus for the issue of convertible securities.

The conditions for issuing bonds and derivative securities of KTZ are determined by the Board of Directors of KTZ.

47. KTZ has the right to pledge securities of KTZ. The sole shareholder has the right to vote and to receive dividends on the shares pledged by him, unless otherwise provided by the terms of the pledge.

48. KTZ may accept securities placed by it as collateral only in cases provided for by the Law.

49. The right to vote on shares placed by KTZ and held by him as a pledge belongs to the Sole Shareholder, unless otherwise provided by the terms of the pledge. KTZ is not entitled to vote with its shares held as a pledge.

50. The procedure for registering a pledge of securities of KTZ is determined in accordance with the Laws on the securities market.

51. The dividend is the income of the Sole Shareholder on the shares owned by him, paid by KTZ.

Dividends on KTZ shares are paid in cash or securities, provided that the decision to pay dividends was made by the Sole Shareholder of KTZ.

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37. A common share gives the Sole Shareholder the right to make decisions submitted for consideration by the Sole Shareholder, the right to receive dividends if KTZ has net income based on the relevant decision of the Sole Shareholder, as well as part of the property of KTZ upon its liquidation, in the manner established by the Laws.

38. If it intends to place announced shares or other securities convertible into ordinary shares of KTZ, as well as to sell the previously redeemed said securities, KTZ is obliged, within ten days from the date of the decision to do so, by written notice or publication in the media, to offer the Sole the shareholder to purchase securities at the placement (sale) price set by the KTZ body that made the decision to place (sale) the securities.

39. The procedure for exercising the right of the Sole Shareholder to preferential purchase of securities is established by the authorized body.

40. An increase in the number of declared shares of KTZ or a change in the type of unplaced declared shares of KTZ is carried out by decision of the Sole Shareholder. The decision to place shares of KTZ within the limits of the number of its authorized shares is made by the Board of Directors of KTZ.

41. KTZ has the right to place its shares after the state registration of their issue.

42. Payment for the placed shares of KTZ is carried out in the manner prescribed by the Laws.

43. Until the full payment of the placed shares, KTZ is not entitled to give an order to credit these shares to the account of its acquirer in the system of registers of KTZ shareholders.

44. The redemption of the placed shares can be made with the consent of the Sole Shareholder at the initiative of KTZ in accordance with the methodology for determining the value of shares when they are bought out by KTZ, approved in the manner prescribed by the Law, for the purpose of their subsequent sale or for other purposes that do not contradict the Laws and the Articles of Association of KTZ.

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The conditions for issuing bonds and derivative securities of KTZ are determined by the Board of Directors of KTZ.

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48. KTZ may accept securities placed by it as collateral only in cases provided for by the Law.

49. The right to vote on shares placed by KTZ and held by him as a pledge belongs to the Sole Shareholder, unless otherwise provided by the terms of the pledge. KTZ is not entitled to vote with its shares held as a pledge.

50. The procedure for registering a pledge of securities of KTZ is determined in accordance with the legislation of the Republic of Kazakhstan on the securities market.

51. The dividend is the income of the Sole Shareholder on the shares owned by him, paid by KTZ.

Dividends on KTZ shares are paid in cash or securities, provided that the decision to pay dividends was made by the Sole Shareholder of KTZ.

52. Payment of dividends on ordinary shares of KTZ is carried out based on the results of a quarter, half a year or a year by decision of the Sole Shareholder.

53. The sole shareholder of KTZ has the right to decide on non-payment of dividends on shares of KTZ of one or another period.

54. The decision to pay dividends on ordinary shares of KTZ must contain the information provided for by the Law.

55. Dividends are not accrued and not paid on shares that were not placed or were redeemed by KTZ itself, as well as if the court or the Sole Shareholder decided to liquidate it.

56. Accrual of dividends is not allowed in cases provided for by the Law.

57. The sole shareholder has the right to demand the payment of unreceived dividends, regardless of the period of formation of KTZ debt, except as otherwise provided by the Law.

In case of non-payment of dividends within the period established for their payment, the Sole Shareholder shall be paid the principal amount of dividends and a penalty calculated on the basis of the official refinancing rate of the National Bank of the Republic of Kazakhstan on the day of fulfillment of the monetary obligation or its corresponding part.

## **ARTICLE 8. BODIES OF KTZ**

58. The bodies of KTZ are:

- 1) supreme body: Sole Shareholder;
- 2) management body: Board of Directors;
- 3) executive body: Management Board;
- 4) the body exercising control over the financial and economic activities of KTZ, assessment in the field of internal control, risk management, execution of documents in the field of corporate governance and consulting in order to improve the activities of KTZ is the Internal Audit Department.

## **ARTICLE 9. RIGHTS AND OBLIGATIONS OF SHAREHOLDER**

59. The Sole Shareholder of KTZ shall have the following rights to:

- 1) participate in the management of KTZ in the manner prescribed by the Law, the Law of the Republic of Kazakhstan “On Sovereign Wealth Fund” and (or) the Articles of Association.
- 2) draw dividends;
- 3) receive information on the activities of KTZ, inter alia, in the context of affiliated organizations, including information of a confidential nature, not later than 30 (thirty) days from the date of receipt of the request by KTZ, unless other terms are specified in the request, as well as familiarize with the financial statements of KTZ in the manner determined by the Sole Shareholder or the Articles, of Association;
- 4) receive extracts from the central securities depository or a nominee holder, confirming his ownership of KTZ’s securities;
- 5) challenge the decisions taken by KTZ’s bodies in the courts;
- 6) withdraw a part of the property of KTZ upon liquidation of KTZ;

7) preemptive purchase of shares or other securities of KTZ convertible into its shares in the manner prescribed by the Law;

8) propose to the Board of Directors the inclusion of additional issues for submission to the Sole Shareholder in accordance with the Laws;

9) demand the convocation of a meeting of the Board of Directors;

10) demand an audit of KTZ to be held at its own expense by an audit organization;

11) apply to the court in cases stipulated by Articles 63 and 74 of the Law to claim a reimbursement to KTZ to be paid by officials of KTZ for losses incurred by KTZ and to return a profit (income) to KTZ received by officials of KTZ and (or) their affiliated companies as a result of decisions of entering (proposals to enter) into major transactions and (or) transactions in which there is an interest;

12) make written inquiries to KTZ about its activities and receive substantiated response within thirty (30) calendar days from the date of receipt of the inquiry by KTZ.

60. The Sole Shareholder of KTZ is obliged to:

1) pay for the shares;

2) notify within ten days the central securities depository and (or) a nominee holder of shares owned by the shareholder of any changes in the information required to maintain the system of registers of holders of shares of KTZ;

3) hold confidential the information about KTZ or its activities constituting official, commercial or other secret protected by the law;

4) perform other duties stipulated by the Law and other legislative acts of the Republic of Kazakhstan.

61. KTZ, central securities depository and (or) a nominee holder shall not be responsible for consequences of the Sole Shareholder's failure to comply with the requirement established by sub-clause 2) of clause 58 of the Articles of the Association.

## **ARTICLE 10. SOLE SHAREHOLDER**

62. In accordance with the Resolution of the Government of the Republic of Kazakhstan No. 117 dated February 23, 2006 "On Measures to implement the Decree of the President of the Republic of Kazakhstan No. 50 dated January 28, 2006", 100% of the shares of KTZ were transferred as payment for the placed shares of Kazakhstan Holding for the Management of State Assets "Samruk" JSC, the legal successor of the rights and obligations of which is Sovereign Wealth Fund "Samruk-Kazyna" Joint-stock Company.

63. General meetings of shareholders shall not be held in KTZ. Decisions on issues referred to the competence of the general meeting of shareholders in accordance with the Laws and the Articles of the

Association shall be made by the Sole Shareholder individually and drawn up in writing.

64. The exclusive competence of the Sole Shareholder includes the following issues:

1) introduction of amendments and additions to the Articles of Association of KTZ or approval of its new edition;

2) approval of the corporate governance code, as well as amendments and additions to it;

3) voluntary reorganization or liquidation of KTZ;

4) making a decision on the issue of securities convertible into ordinary shares of KTZ;

5) making a decision on the exchange of outstanding shares of one type for shares of another type, determining the conditions, terms and procedure for such an exchange;

6) making a decision on voluntary delisting of shares;

7) determining the conditions and procedure for converting KTZ securities, as well as changing them;

8) making a decision to increase the number of authorized shares of KTZ or change the type of unplaced authorized shares of KTZ;

9) determination of the quantitative composition, term of office of the Board of Directors, election of its members and early termination of their powers, as well as determination of the amount and terms of payment of remuneration and compensation of expenses to members of the Board of Directors for the performance of their duties;

10) appointment (election) and early termination, as well as determination of the term of office of the Chairman of the Management Board;

11) determination of the audit organization performing the audit of KTZ and determination of the amount of payment for its services for the audit of financial statements;

12) approval of annual financial statements;

13) approval of the procedure for distributing KTZ's net income for the reporting financial year, making a decision on the payment of dividends on ordinary shares and approving the amount of the dividend per one ordinary share of KTZ;

14) making a decision on non-payment of dividends on ordinary shares of KTZ;

15) making a decision on the participation of KTZ in the creation or activities of other legal entities or withdrawal from the membership (shareholders) of other legal entities by transferring (receiving) a part or several parts of assets in the amount of twenty-five or more percent of all assets owned by KTZ;

16) approval of changes to the methodology (approval of the methodology, if it was not approved by the constituent assembly) for

determining the value of shares when they are redeemed by KTZ on the unorganized market in accordance with the Law;

17) determination of the procedure for providing the Sole Shareholder with information about the activities of KTZ;

18) approval of the Regulations on the Board of Directors;

19) approval of the dividend policy and dividend accrual standards;

20) introduction and cancellation of the "golden share";

21) determination of the standards for the position of official cars and the norms of areas for accommodating the administrative apparatus;

22) determination of limits for reimbursable expenses at the expense of KTZ when granting employees the right to use mobile communications, limits for hospitality expenses;

23) approval of methodological recommendations and corporate standards in relation to legal entities, more than fifty percent of voting shares (participatory interests) of which are directly or indirectly owned by the Fund;

24) approval of the rules for the development, approval, approval, adjustment, execution and monitoring of the implementation of the development plan (business plan) of KTZ;

25) taking prompt measures in relation to KTZ to prevent disruptions in the completeness and timing of the implementation of investment decisions and investment projects;

26) hearing on an annual basis of the results of the activities of KTZ;

27) making a decision on the conclusion of a major transaction by KTZ, as a result of which KTZ acquires or alienates (may acquire or alienate) property, the value of which is fifty or more percent of the total balance sheet value of KTZ assets as of the date of the decision on the transaction, as a result of which is acquired or alienated (may be acquired or alienated) fifty or more percent of the total balance sheet value of its assets;

28) making a decision on the conclusion of a major transaction by KTZ, recognized in accordance with subparagraph 17-1) of paragraph 1 of Article 36 of the Law as a major transaction in which there is an interest;

29) other issues, the adoption of decisions on which is assigned by the Law and (or) the Articles of Association to the exclusive competence of the Sole Shareholder of KTZ.

65. It is not allowed to transfer issues, the adoption of decisions on which is referred to the exclusive competence of the Sole Shareholder of KTZ, to the competence of other bodies, officials and employees of KTZ, unless otherwise provided by the Law and other legislative acts of the Republic of Kazakhstan.

66. The sole shareholder has the right to cancel any decision of other bodies of KTZ on issues related to the internal activities of KTZ.

## **ARTICLE 11. BOARD OF DIRECTORS**

67. The Board of Directors shall execute general management of KTZ's activities, except for resolving issues referred by the Law and (or) the Articles of the Association of KTZ to the exclusive competence of the Sole Shareholder of KTZ.

68. Unless otherwise stipulated by the Law, the following issues fall within the exclusive competence of the Board of Directors:

1) approval of the development strategy of KTZ, determining priority areas of activities for KTZ, and monitoring the implementation of the development strategy of KTZ;

2) making a decision on placement (sale), including the quantity of placed (sold) shares within the quantity of authorized shares, the method and price of their placement (sale), with the exception of cases provided for by the Law;

3) adoption of a decision on the redemption of placed shares or other securities at the price of their redemption by KTZ;

4) determination of the number and term of office of members of the Management Board, election and early termination of powers of members of the Management Board of KTZ (except for the Chairman of the Management Board);

5) determination of the size of official salaries and terms of remuneration and bonuses payment to the Chairman and members of the Management Board of KTZ, assessment of their performance;

6) determination of the quantitative composition, term of office of the Internal Audit Department, appointment of its head and members, as well as early termination of their powers, determination of the order of work of the Internal Audit Department, the size and conditions of remuneration and bonuses payment to employees of the Internal Audit Department, assessment of performance of the head of the Internal Audit Department, approval of staff schedule of the Internal Audit Department;

7) approval of the annual audit plan of the Internal Audit Department;

8) consideration of quarterly and annual reports of the Internal Audit Department and making decisions on them;

9) appointment, determination of the term of office of the corporate secretary, early termination of his powers, as well as determination of the amount of the official salary, terms of remuneration and bonuses for the corporate secretary, assessment of his performance, approval of the regulations on the corporate secretary and the staffing table of the service (apparatus) of the corporate secretary;

10) appointment, determination of the term of office of the corporate ombudsman, early termination of his powers, as well as determination of the size of the official salary and terms of remuneration and bonuses for the corporate ombudsman, evaluation of his activities, approval of the regulation

on the corporate ombudsman, the staffing table of the Office of the Corporate Ombudsman;

11) appointment, determination of the term of office of the head of the Compliance Service of KTZ, early termination of his powers, as well as determination of the size of official salaries and terms of remuneration and bonuses for the head of the Compliance Service of KTZ, evaluation of his activities, approval of the regulation on the Compliance Service, staffing Compliance Services;

12) approval of documents, according to the list determined by the Board of Directors of KTZ, regulating the internal activities of KTZ (with the exception of documents adopted by the Board in order to organize the activities of KTZ), including an internal document establishing the conditions and procedure for holding auctions and subscription of securities of KTZ;

13) determining the procedure and terms for obtaining information by members of the Board of Directors on the activities of KTZ, including financial ones;

14) making a decision on the conclusion of major transactions and transactions in which KTZ has an interest, in accordance with the legislative acts of the Republic of Kazakhstan, with the exception of major transactions, the decision to conclude which is made by the Sole Shareholder of KTZ;

15) making a decision to conclude a transaction or a set of interrelated transactions, as a result of which KTZ acquires or alienates (may acquire or alienate) property, the value of which is ten or more percent of the total value of KTZ assets;

16) making a decision on the conclusion of a major transaction by KTZ (less than fifty percent of the total balance sheet value of KTZ's assets as of the date of the decision on the transaction), in which there is an interest, with organizations that are part of the Fund's group;

17) making decisions on the following issues of the activities of legal entities, ten or more percent of the shares (stakes in the authorized capital) of which are owned by KTZ (hereinafter referred to as the Organization) according to the list of Organizations determined by the Board of Directors of KTZ:

a) appointment, determination of the term of office and early termination of the powers of the heads of Organizations, and in relation to Organizations according to the list approved by the Board of the Fund, in agreement with the Board of the Fund;

b) determination of the quantitative composition, term of office of the board of directors, election of its chairman and members and early termination of their powers, as well as determination of the amount and conditions for the payment of remuneration and compensation of expenses to members of the board of directors of the Organization for the performance of their duties;



c) determination of the quantitative composition, term of office of the Supervisory Board, election of its members and early termination of their powers, as well as determination of the amount and conditions for the payment of remuneration and compensation of expenses to members of the Supervisory Board of the Organization for the performance of their duties;

d) adoption of a decision on the conclusion by the Organization (in the form of a joint-stock company) of a major transaction(s), as a result of which the Organization acquires or alienates (may acquire or alienate) property, the value of which is fifty percent or more of the total book value of the Organization's assets as of the date of the decision on the transaction, as a result of which is acquired or alienated (may be acquired or alienated) fifty or more percent of the total book value of its assets with organizations that are not part of the Fund's group;

e) a decision to approve the conclusion by the Organization (in the form of a limited liability partnership) of a transaction or a set of interconnected transactions, as a result of which the Organization alienates (may be alienated) property, the value of which is fifty-one or more percent of the total balance sheet the value of the assets of the Organization with organizations that are not part of the Fund's group;

f) making a decision on the participation of the Organization in the creation or activities of other legal entities or withdrawal from the membership (shareholders) of other legal entities by transferring (receiving) a part or several parts of assets in the amount of twenty-five or more percent of all assets owned by the Organization;

g) voluntary reorganization or liquidation of the Organization;

h) decision on participation of the Organization (in the form of a limited liability partnership) in other business partnerships, as well as in non-profit organizations;

i) a decision to pledge all property of the Organization (in the form of a limited liability partnership);

18) approval of the development plan (business plan) of KTZ and monitoring of its implementation;

19) approval of key performance indicators for members of the KTZ Board and their target values;

20) approval of the regulation on the Board of KTZ;

21) creation of committees of the Board of Directors, approval of regulations on them, as well as election of committee members;

22) granting consent to the members of the Management Board and other employees of KTZ, the appointment or approval of the appointment of which falls within the competence of the Board of Directors, regarding the opportunity to work and/or hold positions in other organizations;

23) determining the conditions for issuing bonds and derivative securities of KTZ, as well as making decisions on their issuance;

24) preliminary approval of the annual financial statements of KTZ, submission to the Sole Shareholder of proposals on the procedure for

distributing net income for the past financial year and the amount of dividend per one ordinary share;

25) making decisions on the creation and closing of foreign branches and representative offices of KTZ, as well as approving regulations on them;

26) making a decision on the participation of KTZ in the creation of other organizations;

27) making a decision on the acquisition (alienation) of KTZ of ten or more percent of the shares (stakes in the authorized capital) of other legal entities;

28) approval of the organizational structure and total number of employees and the structure of the central office of KTZ;

29) approval of the Risk Management and Internal Control Policy, risk appetite, register and risk map, quarterly risk reports of KTZ;

30) ensuring compliance with and evaluating the effectiveness of the KTZ risk management system and the KTZ internal control system;

31) making decisions on issues of obtaining, transferring (assigning) the right to subsoil use, amending contracts for subsoil use (with the exception of changes in contracts related to changes in legislative acts of the Republic of Kazakhstan or decisions of the Government of the Republic of Kazakhstan, changes in the details of the parties and making changes bearing an editorial nature), concluding agreements with strategic partners;

32) preliminary approval and submission of issues for consideration by the Sole Shareholder of KTZ;

33) implementation of quality control and independence of the external audit;

34) assessment of the effectiveness of corporate governance of KTZ, approval of changes to it within its competence, preparation of proposals for changes to the Sole Shareholder;

35) participation in the settlement of conflicts of interest in accordance with the policy for the settlement of conflicts of interest;

36) evaluation of the effectiveness of the information policy;

37) approval of the procedure for providing the Board of Directors with management reporting on the implementation of the development strategy, the development plan (business plan) of KTZ, the achievement of key performance indicators, as well as on the key risks of KTZ and the effectiveness of their management measures;

38) approval of key performance indicators of KTZ, their target values and monitoring of their achievement;

39) approval of the annual report of KTZ, which includes a report on the work of the Board of Directors;

40) preparation and presentation to the Sole Shareholder:

recommendations regarding the audit organization and the amount of payment for its services;

recommendations regarding the dividend policy of KTZ;

recommendations regarding qualification criteria and independence criteria for members of the board of directors;

recommendations on the amount, procedure and conditions for paying remuneration to members of the board of directors;

report on the work of the Board of Directors;

41) determination of information about KTZ or its activities, constituting an official, commercial or other secret protected by law;

42) assessment of the effectiveness of systems to ensure compliance of KTZ activities with the Legislation;

43) making decisions on significant and large investment projects, as well as on low-profit projects initiated by the Government of the Republic of Kazakhstan, in accordance with the documents of the Fund;

44) making a decision to transfer KTZ to trust management of ten or more percent of shares (stakes in the authorized capital) of other legal entities;

45) determination of the amount of payment for the services of an appraiser to assess the market value of property transferred in payment for shares of KTZ or being the subject of a major transaction;

46) increase in liabilities of KTZ by an amount equal to ten or more percent of its own capital;

47) approval of the Human Resources Policy of KTZ and annual review of progress reports on the implementation of the Human Resources Policy of KTZ, including the implementation of key performance indicators of the Human Resources Policy;

48) consideration of the report of the Management Board on the activities of KTZ;

49) making decisions on issues related to the sale of KTZ assets that fall within the competence of the Board of Directors of KTZ in accordance with the internal regulations of KTZ and (or) the Sole Shareholder;

50) other issues provided for by the Legislation and (or) the Articles of Association, not related to the exclusive competence of the Sole Shareholder, including issues referred to the competence of the Board of Directors of KTZ, documents approved by the Board of Directors of KTZ or the Fund.

69. Issues related to the exclusive competence of the Board of Directors cannot be transferred for decision to the Management Board.

70. The Board of Directors is not entitled to make decisions on issues that, in accordance with the Articles of Association, are within the competence of the Board, as well as make decisions that contradict the decisions of the Sole Shareholder of KTZ.

71. In cases where there is no elected KTZ Board of Directors or the required quorum for making a decision due to the absence of a sufficient number of elected members of the KTZ Board of Directors, decisions on the following issues within the exclusive competence of the Board of Directors of KTZ, for the period of such absence of the Board of Directors or the

quorum, are transferred to the exclusive competence of the Sole Shareholder of KTZ:

1) approval of the KTZ development strategy, which determines the priority areas of KTZ activities, as well as monitoring the implementation of the KTZ development strategy;

2) making a decision on placement (selling), including on the number of placed (sold) shares within the number of declared shares, the method and price of their placement (selling), except for cases provided for by the Law;

3) making a decision on the repurchase of placed shares or other securities by KTZ and the price of their repurchase;

4) determination of the quantitative composition, term of office of the Management Board of KTZ (with the exception of the Chairman of the Management Board), election and early termination of the powers of members of the Management Board (with the exception of the Chairman of the Management Board);

5) determining the size of official salaries and conditions of remuneration and bonuses for the Chairman and members of the Management Board of KTZ, evaluation of their activities;

6) making a decision on the conclusion of major transactions and transactions in which KTZ has an interest, in accordance with the legislative acts of the Republic of Kazakhstan, with the exception of major transactions, the decision to conclude which is made by the Sole Shareholder of KTZ;

7) making a decision on the conclusion of a transaction or a set of interconnected transactions, as a result of which KTZ acquires or alienates (may acquire or alienate) property, the value of which is ten or more percent of the total value of KTZ assets;

8) making a decision on the conclusion of a major transaction by KTZ (less than fifty percent of the total balance sheet value of KTZ's assets as of the date of the decision on the transaction), in which there is an interest, with organizations that are part of the Fund's group;

9) making decisions on the following issues of the Organization's activities that fall within the competence of the general meeting of shareholders (participants) according to the list of Organizations determined by the Board of Directors of KTZ:

- appointment, determination of the term of office and early termination of the powers of the heads of Organizations, and in relation to Organizations according to the list approved by the Management Board of the Fund, in agreement with the Management Board of the Fund;

- determination of the quantitative composition, term of office of the Board of Directors, election of its chairman and members and early termination of their powers, as well as determination of the amount and conditions for the payment of remuneration and compensation of expenses

to members of the Board of Directors of the Organization for the performance of their duties;

- making a decision on the participation of the Organization in the creation or activities of other legal entities or withdrawal from the membership (shareholders) of other legal entities by transferring (receiving) a part or several parts of assets in the amount of twenty-five or more percent of all assets owned by the Organization;

10) approval of the development plan (business plan) of KTZ and monitoring of its implementation;

11) approval of the regulation on the Management Board of KTZ;

12) making decisions on the creation and closing of foreign branches and representative offices of KTZ, as well as approving regulations on them;

13) making a decision on the acquisition (alienation) of KTZ of ten or more percent of the shares (stakes in the authorized capital) of other legal entities;

14) approval of the organizational structure and the total number of the central office of KTZ;

15) approval of key performance indicators of KTZ, their target values, and monitoring of their achievement;

16) consideration of the report of the Management Board on the activities of KTZ.

72. The Board of Directors should:

1) monitor and, if possible, eliminate potential conflicts of interest at the level of officials and the Sole Shareholder, including the misuse of KTZ property and abuse in transactions in which there is an interest;

2) monitor the effectiveness of corporate governance practices in KTZ.

73. In order to consider the most important issues and prepare recommendations for the Board of Directors, committees of the Board of Directors should be established in KTZ.

Committees of the Board of Directors consider the following issues:

1) strategic planning;

2) personnel and remuneration;

3) internal audit;

4) social issues;

5) safety and environmental protection;

6) other issues stipulated by the internal documents of KTZ.

Consideration of the issues listed in part one of this paragraph may be referred to the competence of one or more committees of the Board of Directors, with the exception of internal audit issues considered by a separate committee of the Board of Directors.

The procedure for the formation and operation of committees of the Board of Directors, as well as their quantitative composition, are established by an internal document of KTZ, approved by the Board of Directors.

74. Only an individual can be a member of the Board of Directors.

A member of the Board of Directors is not entitled to delegate the performance of the functions assigned to him in accordance with the Law and (or) the Articles of Association of KTZ to other persons.

75. Members of the Board of Directors are not entitled to work in competing organizations as a member of the Board of Directors or an executive body.

76. Members of the Board, with the exception of the Chairman of the Board of KTZ, cannot be elected to the Board of Directors. The Chairman of the Board of KTZ cannot be elected as the Chairman of the Board of Directors.

77. Candidates for members of the Board of Directors and members of the Board of Directors must have relevant work experience, knowledge, qualifications, positive achievements and impeccable reputation in the business and industry environment necessary to fulfill the duties and organize the effective work of the entire Board of Directors in the interests of the Sole Shareholder and KTZ.

78. The Board of Directors, as part of the annual report on its activities submitted to the Sole Shareholder, must indicate each member of the Board of Directors, whom he considers independent. The Board of Directors must establish whether a member of the Board of Directors was independent in making decisions; indicate the reasons for recognizing a member of the Board of Directors as independent, reflecting the compliance of a member of the Board of Directors with the independence criteria under the Legislation, as well as the existence of relations or circumstances that may affect the recognition of a member of the Board of Directors as independent, including if a member of the Board of Directors:

- has been an employee of KTZ or its subsidiary for the past five years;
- received or receives additional remuneration from KTZ, with the exception of the remuneration of a member of the Board of Directors;
- holding a similar position in other organizations or bodies, has significant connections with other members of the Board of Directors through such participation in other organizations or bodies;
- represents the Sole Shareholder or government authorities;
- was an independent member of the Board of Directors for more than nine consecutive years.

79. The number of members of the Board of Directors must be at least seven people. At least thirty percent of the Board of Directors must be independent directors.

80. A person cannot be a member of the Board of Directors:

- 1) having an outstanding or unexpunged conviction in accordance with the procedure established by the Laws;

- 2) who was previously the chairman of the board of directors, the first head (chairman of the board), deputy head, chief accountant of another legal entity for a period not exceeding one year prior to the decision on forced liquidation or forced buyout of shares, or conservation of another

legal entity declared bankrupt according to established order. The specified requirement shall apply within five years after the date of the decision on forced liquidation or compulsory buyout of shares, or conservation of another legal entity declared bankrupt in the prescribed manner;

3) other requirements for persons elected to the Board of Directors, established by the Legislation.

81. The term of office of members of the Board of Directors coincides with the term of office of the entire Board of Directors and expires at the time the Sole Shareholder decides to elect a new composition of the Board of Directors. Members of the Board of Directors are elected for a term of up to three years; subsequently, subject to satisfactory performance, there may be re-election for another term of up to three years. Any term of election to the Board of Directors for more than six years in a row (for example, two three-year terms) is subject to special consideration, taking into account the need for a qualitative renewal of the composition of the Board of Directors. An independent director cannot be elected to the Board of Directors for more than nine consecutive years. In exceptional cases, election for a term of more than nine years is allowed, the election of an independent director to the Board of Directors must take place annually with a detailed explanation of the need to elect this member of the Board of Directors and the impact of this factor on the independence of decision-making.

82. The term of office of a member of the Board of Directors is established by the Sole Shareholder of KTZ.

The term of office of the Board of Directors expires on the day a new Board of Directors is elected.

83. The sole shareholder has the right to early terminate the powers of all or individual members of the Board of Directors.

84. Early termination of powers of a member of the Board of Directors on his initiative is carried out on the basis of a written notice from the Board of Directors. The powers of such a member of the Board of Directors shall terminate upon receipt of the said notice by the Board of Directors.

85. In the event of early termination of the powers of a member of the Board of Directors, the powers of a newly elected member of the Board of Directors expire simultaneously with the expiration of the term of powers of the Board of Directors as a whole.

86. The Chairman of the Board of Directors is elected by the Sole Shareholder. The Sole Shareholder has the right to re-elect the Chairman of the Board of Directors at any time.

87. The Chairman of the Board of Directors performs his functions in accordance with the Law, the Articles of Association and the Regulations on the Board of Directors of KTZ.

Chairman of the Board of Directors in the manner prescribed by the Law and the Articles of Association:

- 1) organize the work of the Board of Directors;
- 2) convene and chair meetings of the Board of Directors;

3) concludes on behalf of KTZ an employment contract with the Chairman of the Management Board, which provides for direct dependence of material incentives and responsibility of the Chairman of the Management Board on the performance results and implementation of the Development Plan (business plan) of KTZ;

4) submit to the Chairman of the Management Board the head of the Internal Audit Department, approved by the Board of Directors appointed to this position;

5) inform the Sole Shareholder about the amount and composition of the remuneration of the members of the Board of Directors and the Management Board of KTZ;

6) annually informs the Sole Shareholder about the activities of the Board of Directors;

7) approve the agenda of the meeting of the Board of Directors;

8) ensure timely receipt by members of the Board of Directors of reliable and clear information;

9) ensures the effective contribution of the members of the Board of Directors to the activities of the Board of Directors, and constructive relations between the members of the Board of Directors and the Management Board;

10) ensure the provision of the induction program to the newly elected members of the Board of Directors;

11) agree on the management issues of the Sole Shareholder;

12) provides effective communication with the Sole Shareholder, and also communicates the opinion of the Sole Shareholder to the Board of Directors;

13) provides answers to the questions of the Sole Shareholder;

14) signs on behalf of KTZ agreements with independent members of the Board of Directors;

15) resolves other issues provided for by the Legislation of the Republic of Kazakhstan, the Articles of Association and the Regulations on the Board of Directors.

88. In the absence of the Chairman of the Board of Directors, his functions are performed by one of the members of the Board of Directors by decision of the Board of Directors.

89. A meeting of the Board of Directors may be convened at the initiative of its Chairman or the Management Board, or at the request of:

1) any member of the Board of Directors;

2) Internal audit services;

3) an audit organization that audits KTZ;

4) Sole shareholder.

90. The request to convene a meeting of the Board of Directors shall be submitted to the Chairman of the Board of Directors by sending an appropriate written message containing the proposed agenda for the meeting of the Board of Directors.



If the Chairman of the Board of Directors refuses to convene a meeting, the initiator has the right to apply with the specified request to the Management Board, which is obliged to convene a meeting of the Board of Directors.

The meeting of the Board of Directors must be convened by the Chairman of the Board of Directors or the Management Board no later than ten days from the date of receipt of the request for convocation.

The meeting of the Board of Directors is held with the obligatory invitation of the person who has submitted the said request.

Materials on the agenda items of the meeting must be sent to the members of the Board of Directors at least 10 (ten) calendar days before the date of the meeting, and on particularly important issues at least 15 (fifteen) business days in advance according to the list approved by the Board of Directors.

In the case of consideration of the issue of making a decision to conclude a major transaction and (or) a transaction in which there is an interest, information on the transaction should include information on the parties to the transaction, the terms and conditions of the transaction, the nature and amount of the participation interests of the parties involved, as well as a report appraiser (in the case provided for by paragraph 1 of Article 69 of the Law).

91. The procedure for sending a notice to members of the Board of Directors about a meeting of the Board of Directors is determined by the Board of Directors.

92. A member of the Board of Directors is obliged to notify the Management Board, the Chairman of the Board of Directors or the Corporate Secretary in advance of the impossibility of his participation in the meeting of the Board of Directors. A member of the Board of Directors who is absent from the meeting has the right to vote on the agenda items of the Board of Directors meeting by means of a written notice.

93. The quorum for holding a meeting of the Board of Directors should not be less than half of the number of members of the Board of Directors.

If the total number of members of the Board of Directors is not enough to achieve the quorum established by this paragraph, the Board of Directors is obliged to apply to the Sole Shareholder to elect new members of the Board of Directors.

94. Decisions of the Board of Directors are made by a simple majority of votes of the members of the Board of Directors present at the meeting (including taking into account the written opinions of the absent members of the Board of Directors), or participating in absentee voting, unless otherwise provided by the Law.

95. The Board of Directors has the right to decide to hold its closed meeting, in which only members of the Board of Directors can take part.

96. Members of the Board of Directors may take part in the meeting of the Board of Directors via videoconference (interactive audiovisual

communication), conference call (simultaneous conversation of the members of the Board of Directors in the “telephone meeting” mode), as well as using other means of communication, provided that such a member of the Board directors may communicate with all other participants of the meeting of the Board of Directors. At the same time, this member of the Board of Directors is considered to personally participate in the in-person meeting of the Board of Directors and has the right to vote and be registered in the quorum.

A written message on the agenda submitted by a member of the Board of Directors is taken into account when calculating the quorum and voting results and is filed with the minutes of the meeting, in which a record of the voting of this member of the Board of Directors is made by sending a written message on the agenda.

A written opinion on the agenda items must be submitted by a member of the Board of Directors no later than 1 (one) calendar day before the meeting of the Board of Directors.

97. At the discretion of the Chairman of the Board of Directors, decisions by the Board of Directors may be made by absentee voting.

Absentee voting may be used together with the voting of members of the Board of Directors present at the meeting (mixed voting), or without holding a meeting of the Board of Directors.

When the Board of Directors makes decisions by absentee voting, the agenda of the meeting of the Board of Directors cannot be changed and (or) supplemented.

98. The requirements for the content of absentee ballots are established by the Regulations on the Board of Directors.

99. A ballot for absentee voting with attachments of materials on the agenda items of the meeting must be sent to the members of the Board of Directors no later than three days before the date of the meeting, unless other terms are provided for by the Regulations on the Board of Directors.

100. A completed absentee ballot must be signed by a member of the Board of Directors.

When counting votes, votes are taken into account on those issues on which a member of the Board of Directors complied with the voting procedure specified in the ballot, and marked only one of the possible voting options.

101. A decision by means of absentee voting shall be deemed adopted if there is a quorum in the ballots received within the established time limit.

The decision of the absentee meeting of the Board of Directors must be made in writing and signed by the Corporate Secretary and the Chairman of the Board of Directors.

Decisions adopted by the Board of Directors through absentee voting and the results of absentee voting must be sent by the Corporate Secretary to the members of the Board of Directors no later than 20 (twenty) days

from the date of signing the decision, with the bulletins attached, on the basis of which this decision was made.

102. The Board of Directors should consider exclusively at in-person meetings the issues specified in sub-clauses 1), 4)-9), 10), 11), 14)-17), 18), 19), 21), 24), 26)-28), 34), 38), 39), 43), 48) clause 68 of the KTZ Articles of Association.

103. Decisions of the Board of Directors, which were adopted at its meeting held in person, are documented in a protocol drawn up and signed in accordance with the requirements of the Law and the Regulations on the Board of Directors.

104. Minutes of meetings of the Board of Directors and decisions of the Board of Directors adopted by absentee voting are kept by KTZ.

The Corporate Secretary, at the request of a member of the Board of Directors, within 10 (ten) working days provides him with the minutes of the meeting of the Board of Directors (committees of the Board of Directors) and (or) decisions taken by absentee voting, for review and (or) issues extracts from the minutes to him and decisions certified by the signature of the Corporate Secretary and the seal of KTZ.

105. A member of the KTZ Board of Directors who did not participate in a meeting of the Board of Directors or voted against a decision taken by the KTZ Board of Directors in violation of the procedure established by the Law and the Articles of Association of KTZ has the right to challenge it in court.

106. The Sole Shareholder has the right to challenge in court the decision of the Board of Directors of KTZ, taken in violation of the requirements of the Law and the Articles of Association of KTZ, if the said decision violates the rights and legitimate interests of KTZ and (or) the Sole Shareholder.

## **ARTICLE 12. MANAGEMENT BOARD**

107. The Management Board is a collegiate executive body of KTZ, whose competence includes solving all issues of KTZ's activities that are not attributed by the Law, other legislative acts of the Republic of Kazakhstan and the Articles of Association to the competence of other bodies and officials of KTZ. The Management Board shall be obliged to execute the decisions of the Sole Shareholder of KTZ and the Board of Directors.

108. The number of members of the Management Board shall be at least five.

109. Members of the Management Board may be representatives of the Sole Shareholder and employees of KTZ.

Members of the Management Board manage KTZ's activities by participating in meetings of the Management Board.

A member of the Management Board has the right to work in other organizations only upon the consent of the Board of Directors, with the

exception of holding the position of a member of the Board of Directors or an executive body in competing organizations.

The Chairman of the Management Board has no right to hold the position of the head of the executive body or a person solely performing the functions of the executive body of another legal entity, as well as the position of a member of the board of directors, executive body in competing organizations.

110. Competence of the Management Board:

1) implementation of decisions of the Sole Shareholder and the Board of Directors;

2) preliminary approval of issues submitted for consideration by the Board of Directors and the Sole Shareholder;

3) approval and submission for consideration by the Board of Directors of the KTZ Development Strategy;

4) ensuring the protection and safety of internal (official) information;

5) timely notification of the Board of Directors about significant deficiencies in the risk management system at KTZ;

6) approval of documents adopted for the purpose of organizing KTZ activities that are not related to documents approved by the Board of Directors and the Sole Shareholder;

7) approval of internal rules, procedures for their adoption and other documents in the field of the corporate risk management system, internal control and business continuity;

8) approval of the tax accounting policy of KTZ, as well as amendments and additions to it;

9) making decisions on the creation and closing of branches and representative offices of KTZ in the territory of the Republic of Kazakhstan, as well as approval of regulations on them;

10) determination of the procedure and conditions for reimbursement of expenses to KTZ employees sent on business trips;

11) approval of the staffing tables of the structural divisions of the central office of KTZ (with the exception of the office of the Corporate Ombudsman, the office of the Corporate Secretary, the Internal Audit Department and the KTZ Compliance Service);

12) approval of the rules for remuneration and bonuses and the salary scheme for administrative and managerial employees of KTZ (with the exception of employees whose terms of remuneration and bonuses are determined by the Board of Directors of KTZ);

13) determination of standard conditions for remuneration and bonuses for employees of the central offices of KTZ subsidiaries;

14) making a decision on concluding transactions in which KTZ has an interest in accordance with the procedure for concluding transactions between organizations that are members of the Fund's group, in respect of which special conditions are established by the Law;

15) decision-making on the conclusion of a transaction or a set of interconnected transactions, as a result of which KTZ acquires or alienates (may acquire or alienate) property, the value of which is less than ten percent of the total value of KTZ assets, except as otherwise provided by the Legislation;

16) decision-making on issues related to activities within the competence of the general meeting of shareholders (participants) of a legal entity, ten or more percent of the shares (stakes in the authorized capital) of which is owned by KTZ, with the exception of issues within the competence of the Board of Directors of KTZ;

17) approval of the (detailed) budget of KTZ, within the framework of the development plan (business plan) of KTZ (if a detailed budget is available);

18) development, approval and submission to the Board of Directors for approval of the development plan (business plan) of KTZ;

19) approval, if necessary, of adjustments to the KTZ development plan (business plan) that do not worsen the strategic key performance indicators of the KTZ development plan (business plan) approved by the KTZ Board of Directors;

20) implementation of the development plan (business plan) of KTZ;

21) consideration and approval of the annual financial statements before submission to the Board of Directors of KTZ;

22) preliminary approval of proposals on the procedure for distributing KTZ's net income for the past financial year, payment of dividends on ordinary shares and the amount of dividend for the year per one KTZ ordinary share and submitting them to the Board of Directors of KTZ;

23) making decisions on the provision of charitable (sponsorship) assistance to KTZ in accordance with the Charitable Program of the Fund's group, approved in the manner prescribed by the Law of the Republic of Kazakhstan "On the National Wealth Fund";

24) making a decision to transfer KTZ to trust management of less than ten percent of the shares (stakes in the authorized capital) of other legal entities;

25) other issues provided for by the Legislation and (or) the Articles of Association, not related to the exclusive competence of the Sole Shareholder, the Board of Directors, including issues within the competence of the Management Board, documents approved by the Board of Directors, KTZ or the Fund;

111. Decisions at meetings of the Management Board are made by a simple majority of votes from the number of members of the Management Board present at the meeting. The Management Board is authorized to make decisions in the presence of at least half of the members of the Management Board (quorum).

Decisions of the Management Board are documented in a protocol, which must be signed by all members of the Management Board present at

the meeting and contain the issues put to vote, the results of voting on them, reflecting the voting result of each member of the Management Board on each issue.

112. Each member of the Board has one vote. In case of equality of votes in the voting of the Management Board, the vote of the Chairman of the Management Board is decisive.

The transfer of voting rights by a member of the Management Board to another person, including another member of the KTZ Management Board, is not allowed.

113. Management of the Board is carried out by the Chairman of the Board.

114. Chairman of the Board of KTZ:

1) organizes the implementation of decisions of the Sole Shareholder, the Board of Directors, the Management Board of KTZ;

2) manages the activities of KTZ;

3) organizes the work of the Board, convening meetings of the Board and submitting the necessary materials for its consideration;

4) ensures the development and improvement of the KTZ management system through:

improving corporate governance;

building mechanisms for communicating consumer requirements, legislative requirements, requirements of regulatory state bodies and the Sole Shareholder to KTZ employees;

development of the Corporate Ideology and Business Philosophy of KTZ:

promoting the values and principles of KTZ activities, established in the Corporate Ideology and Business Philosophy of KTZ;

ensuring annual analysis of KTZ business processes;

allocation of resources for development projects and maintenance of the management system through the formation of budgets;

5) submits to the Board of Directors and the Sole Shareholder semi-annual reports on the management of subsidiaries and jointly controlled organizations, as well as on the impact of the results of the financial and economic activities of these organizations on the performance indicators of KTZ;

6) submit an annual report to the Board of Directors on the implementation of the development plan (business plan) of KTZ;

7) acts on behalf of KTZ in relations with third parties without a power of attorney;

8) issues powers of attorney for the right to represent KTZ in its relations with third parties, including state and judicial authorities. Such attorneys have the right to issue powers of attorney by way of substitution, if they are authorized to do so by the received power of attorney;

9) concludes, amends, terminates employment contracts, adopts acts in accordance with which arise, change, terminate, labor relations with KTZ employees;

10) apply incentives to KTZ employees and impose disciplinary sanctions, set the amount of official salaries and bonuses for KTZ employees in accordance with the KTZ acts regulating remuneration issues, determine the amount of bonuses for KTZ employees, with the exception of employees, appointment, early termination of powers, and also determining the terms of remuneration and bonuses for which are referred to the exclusive competence of the Board of Directors of KTZ;

11) distribute duties, as well as areas of authority and responsibility between members of the Management Board, Deputy Chairmen of the Management Board, and other persons related to the management of KTZ;

12) in case of his absence, assigns the performance of his duties to one of the members of the Management Board;

13) presents to the Sole Shareholder:

a report on the implementation of the development plan (business plan) of KTZ in the forms approved by the Sole Shareholder and within the time limits established by the Sole Shareholder;

reporting on the financial and economic activities of KTZ, its subsidiaries and jointly controlled organizations in the forms approved by the Sole Shareholder within the time limits established by the Sole Shareholder.

14) coordinates the activities of branches, representative offices and subsidiaries of KTZ;

15) issue orders and orders within the limits of its competence;

16) concludes collective agreements;

17) submits and signs claims and lawsuits, waives claims, changes claims, signs amicable agreements;

18) open bank and other accounts of KTZ;

19) ensures coordination with the Sole Shareholder of foreign business trips of the Chairman of the Board and informing the Sole Shareholder about business trips of the Chairman of the Board within the country;

20) makes decisions on all other issues related to the current activities of KTZ, not related to the exclusive competence of the Sole Shareholder, the Board of Directors, as well as the KTZ Management Board, determined by the Legislation, the Articles of Association and other documents adopted by the Sole Shareholder and the Board of Directors.

### **ARTICLE 13. INTERNAL AUDIT DEPARTMENT**

115. The Internal Audit Department shall be formed in KTZ for executing control over the financial and economic activities of KTZ, assessments in the field of internal control, risk management, execution of

documents in the field of corporate governance and consulting in order to improve the activities of KTZ. Employees of the Internal Audit Department cannot be elected to the Board of Directors and the Management Board of KTZ.

116. In accordance with the procedure established by the Board of Directors, the Internal Audit Department shall:

1) submit to the Board of Directors independent objective information on the activities of KTZ;

2) evaluate, advise and contribute to the improvement of risk management, internal control and corporate governance processes using a systematic and consistent approach;

3) perform other functions within its competence in accordance with the Regulations on the Internal Audit Department.

117. The Internal Audit Department shall be subordinated directly to the Board of Directors and report to it the work done. The Internal Audit Department shall be supervised by the Audit Committee of the Board of Directors. The tasks and functions of the Internal Audit Department, its rights and responsibilities as well as the procedure for its work shall be determined by the Regulations on the Internal Audit Department approved by the Board of Directors.

118. Labor relations between KTZ and employees of the Internal Audit Department shall be regulated by the Laws, these Articles of Association and an employment contract concluded between the Chairman of KTZ and employees of the Internal Audit Department on the basis of a decision of the Board of Directors.

#### **ARTICLE 14. OFFICERS, COMPLIANCE OFFICE, AND CORPORATE SECRETARY**

119. The definition of the concept of officials, the principles of activities of officials, their rights and obligations, responsibility, as well as the procedure for holding officials accountable are established by the Legislation and the Articles of Association.

120. To ensure compliance by KTZ and its subsidiaries with regulatory requirements on combating corruption, as well as introducing mechanisms to prevent corruption risks in accordance with the anti-corruption legislation of the Republic of Kazakhstan and the best international anti-corruption practice of the Organization for Economic Cooperation and Development, a Compliance Service is formed in KTZ.

121. The tasks and functions of the Compliance Service, its rights and responsibilities, as well as the procedure for its work are determined by the Legislation and the Regulations on the Compliance Service, approved by the Board of Directors.



122. Corporate Secretary - an employee of KTZ, who is not a member of the Board of Directors or the Management Board of KTZ, is appointed by the Board of Directors and is accountable to the Board of Directors.

123. The competence and activities of the Corporate Secretary are determined by the Regulations on the Corporate Secretary, approved by the Board of Directors, and internal documents of KTZ.

## **ARTICLE 15. FINANCIAL STATEMENTS, ACCOUNTING DOCUMENTATION AND AUDIT**

124. The financial year of KTZ is the calendar year (January 1 to December 31).

125. The procedure for maintaining accounting records and preparing financial statements of KTZ is established by the legislation of the Republic of Kazakhstan on accounting and financial reporting and international financial reporting standards.

126. The Management Board annually submits to the Sole Shareholder annual financial statements for the past year, the audit of which was carried out in accordance with the legislation of the Republic of Kazakhstan on audit activities, for its discussion and approval. The annual financial statements of KTZ are subject to prior approval by the Board of Directors no later than 30 (thirty) days prior to the date of approval by the Sole Shareholder.

In addition to the financial statements, the Management Board submits an audit report to the Sole Shareholder, including the auditor's recommendations (management letter).

127. An audit of KTZ may be carried out at the initiative of the Board of Directors, the Management Board at the expense of KTZ or at the request of the Sole Shareholder at his expense, while the Sole Shareholder has the right to independently determine the audit organization. In the event of an audit at the request of the Sole Shareholder, KTZ is obliged to provide all the necessary documentation (materials) requested by the audit organization.

128. If the Board evades the audit of KTZ, the audit may be ordered by a court decision on the claim of any interested person.

129. KTZ is obliged to annually publish on the Internet resource of the financial reporting depository the consolidated annual financial statements in the manner and within the time limits established by the authorized body.

Information about a major transaction and (or) an interested party transaction is disclosed in the explanatory note to the annual financial statements in accordance with international financial reporting standards, and is also brought to the attention of the Sole Shareholder and investors in accordance with the requirements established by the Law and the Law Republic of Kazakhstan "On the securities market". Information about a transaction, as a result of which property worth ten or more percent of KTZ

assets is acquired or alienated, must include information about the parties to the transaction, the terms and conditions of the transaction, the nature and amount of the participation interests of the parties involved, as well as other information about the transaction.

130. In order to verify and confirm the reliability of the annual financial statements of KTZ, as well as the current state of affairs, KTZ is obliged to conduct an annual audit following the results of the financial year after its end in accordance with international financial reporting and auditing standards in the manner prescribed by the Legislation and decisions of the Sole Shareholder.

## **ARTICLE 16. DISCLOSURE OF INFORMATION BY KTZ**

131. KTZ is obliged to disclose information on the Internet resource of the financial reporting depository and the Internet resource of the stock exchange in accordance with the procedure established by the Law of the Republic of Kazakhstan “On the Securities Market” and the regulatory legal act of the authorized body.

132. KTZ publishes information about its activities on the KTZ WEB site ([www.railways.kz](http://www.railways.kz)) on the Internet and (or) on other Internet resources of other persons and (or) in a print periodical, in cases and in the manner established by the Legislation .

133. The volume and content of the posted information is determined by the Legislation.

134. Documents of KTZ relating to its activities shall be kept by KTZ during the entire period of its activity at the location of the Board.

135. Other documents, including the financial statements of KTZ, are kept for the period established by the Legislation and internal documents of KTZ.

136. At the request of the Sole Shareholder, KTZ is obliged to provide him with copies of the documents provided for by the Law no later than ten calendar days from the date of receipt of such a request by KTZ, while it is allowed to introduce restrictions on the provision of information constituting an official, commercial or other secret protected by law.

Documents regulating certain issues of the issue, placement, circulation and conversion of KTZ securities, containing information constituting an official, commercial or other secret protected by law, must be submitted for review to the Sole Shareholder at his request.

137. KTZ maintains records of its affiliates based on the information provided by these entities.

138. The sole shareholder and officers of KTZ provide KTZ with information about their affiliates within seven days from the date of the affiliation.

In the event that a person previously indicated by the Sole Shareholder or officer of KTZ as affiliated ceases to be such, the Sole Shareholder or officer of KTZ shall notify KTZ thereof within five days.

Information about affiliated persons is submitted to KTZ in the appropriate form approved by the authorized state body.

### **ARTICLE 17. REORGANIZATION OF KTZ**

139. The reorganization of KTZ shall be implemented in accordance with the Civil Code of the Republic of Kazakhstan, with due regard for the specifics established by the legislative acts of the Republic of Kazakhstan.

The procedure for reorganization and liquidation of KTZ is regulated by the Laws.

### **ARTICLE 18. FINAL PROVISIONS**

140. This Articles of Association comes into force from the date of its state registration in the manner prescribed by the Legislation.

141. If one of the provisions of the Articles of Association becomes invalid, this does not affect the validity of the remaining provisions. The invalid provision is replaced by a provision that is legally valid and close in meaning.

**Chairman of  
National Company  
Kazakhstan Temir Zholy  
Joint-stock Company**

**N. Sauranbayev**