

# Law of the Republic of Kazakhstan dated May 13, 2003 № 415-II On Joint Stock Companies

*(with alterations and amendments as of 27.04.2015)*

## CHAPTER 1. GENERAL PROVISIONS

### Article 1. The Fundamental Definitions Used in This Law

The following definitions are used in this Law:

- 1) qualified majority - the majority of not less than three-quarters
- 2) convertible security means security issued by the joint stock company that is subject to its substitution by a security of other type on terms and conditions defined by the issuance prospectus;
- 3) shareholder - a person who owns shares;
- 4) share - a security issued by a joint-stock company, which certifies the rights to participate in control of the joint-stock company, to receive dividends on it and part of the company's assets in the case of its liquidation, as well as other rights provided for by this Law and other legislative acts of the Republic of Kazakhstan;
- 5) controlling block of shares - a block of shares which provides the right to control decisions adopted by the joint-stock company;
- 6) nominal value of a share - price at which shares are allocated among foundation parties (paid by a sole foundation party), which is uniform for all ordinary and preference shares and determined in the foundation agreement (decision of a sole foundation party) of a given joint-stock company;
- 7) affiliated persons - physical persons or legal entities (except for state bodies exercising supervisory and monitoring functions within the bounds of authority granted to them) that have the possibility directly and (or) indirectly determine decisions and (or) exert influence upon decisions taken by one another (by one of the persons), in particular by virtue of a transaction concluded. The list of affiliated persons of a company shall be established by Article 64 of this Law;
- 8) voting shares - outstanding ordinary shares as well as preference shares, on which the voting rights are granted in the cases provided for by this Law. Shares purchased by the company as well as shares which are in nominee holding and held by an owner on whom information is not available in the accounting system of the central depository, shall not be recognised as voting shares;
- 9) dividend - income of a shareholder on the shares he holds, which is paid by the joint-stock company;
- 10) announced shares - shares of which the issue was registered by the authorised body in accordance with the legislation of the Republic of Kazakhstan concerning securities market;
- 11) corporate website means official electronic site on the internet resource owned by the company and complying with the requirements established by the competent body. The availability of a corporate web-site shall be obligatory for public companies;
- 12) corporate secretary - an employee of the joint-stock company, who is not a member of the council of directors or of the executive body of the company, who is appointed by the council of directors of the company and who reports to the council of directors of the company, as well as who supervises within the framework of his activities preparation and conducting of meetings of shareholders and of council of directors of the company, ensures formation of materials by items of the agenda of the general meeting of shareholders and materials for the meeting of the council of directors of the company, performs control over ensuring of access to them. The competence and activities of the corporate secretary shall be determined by the inside documents of the company;
- 12-1) corporate event means event significantly influencing on the activity of the joint stock company and affecting interests of the company shareholders and investors, specified in the [article 79](#) hereunder;
- 13) commulative vote - a method of voting whereby each share participating in the vote has the number of votes equal to the number of the company's bodies members to be elected;
- 14) company's code of corporate management ( a document which is approved by the general meeting of the company's shareholders, which regulates the relations emerging in the course of managing a company, in particular the relations between shareholders and company's authorities, between company's authorities, between the company and interested parties;
- 15) *excluded under the Law of the RK dated 28.12.11 under No. 524-IV;*
- 16) official person - board member of a joint-stock company, member of its executive body or a person who exercises the functions of the executive body of the joint-stock company at his sole discretion;
- 17) minority shareholder - a shareholder who holds less than ten per cent of voting shares in the joint-stock company;

18) placement price -price of shares as determined in the course of their placement in the primary securities market;

19) outstanding shares -shares of a joint-stock company paid on by the foundation parties and by investors in the primary securities market;

20) independent director -board member who is not an affiliated person of a given joint-stock company and had not been so for three years preceding his election to the board of directors (except for the case of his being in office of the independent director of a given joint-stock company), is not an affiliated person with regard to affiliated persons of a given joint-stock company; is not subordinated to Officials of a given joint-stock company or organisations which are affiliated persons of a given joint-stock company; who is not a government employee; is not a shareholder's representative at the meetings of the company's bodies, and has not been a representative during the three years preceding to his election to the board of directors; is not an auditor of a given joint-stock company and had not been so for three year preceding his election to the board of directors; does not participate in auditing of a given joint-stock company as an auditor employed by an auditing organisation, and had not participated in such auditing for three years prior to his election to the board of directors;

21) financial agent -bank or organisation which carries on certain types of banking operations;

22) authorized body means the National Bank of the Republic of Kazakhstan;

23) major shareholder - a shareholder or several shareholders acting on the basis of an agreement between themselves, who (who in aggregate) hold ten and more percent of voting shares in a joint-stock company.

## **Article 2. The Legislation of the Republic of Kazakhstan Concerning Joint-Stock Companies**

1. The legislation of the Republic of Kazakhstan concerning joint-stock companies shall be based upon the Constitution of the Republic of Kazakhstan and it shall consist of the Civil Code, this Law and other regulatory legal acts of the Republic of Kazakhstan.

2. The provisions of this Law shall apply subject to special considerations set forth by legislative acts of the Republic of Kazakhstan.

2-1. Provisions of this Law shall apply to the National Welfare Fund and the group of the National Welfare Fund, and other legal entities under its control, unless otherwise is stipulated by the Law of the Republic of Kazakhstan «On the National Welfare Fund».

3. Where an international treaty ratified by the Republic of Kazakhstan establishes other rules than those contained in this Law, the rules of the international treaty shall apply.

## **Article 3. A Joint-Stock Company**

1. A joint-stock company (henceforth -company) shall be understood as a legal entity which issues shares for the purpose of raising funds for the performance of its activity.

A company shall have capital, separate from the capital of its shareholders, and it shall not be liable for their obligations.

A company shall be liable for its obligations within the amount of its capital.

2. Company's shareholder shall not be liable for the company's obligations and they shall not bear the risk of losses associated with the company's business, within the value of the shares he holds, except for the cases specified by legislative acts of the Republic of Kazakhstan.

3. In the cases provided for by the legislation of the Republic of Kazakhstan, non-profit organisations may be created in the organisational legal form of a joint-stock company.

4. A company (except for a non-profit organisation created in the organisational legal form of a joint-stock company) shall have the right to issue debentures and other types of securities.

5. Legislative acts of the Republic of Kazakhstan may establish the obligatory organisational legal form of joint-stock companies for organisations which engage in certain types of activities.

6. A company shall have its business name which must include reference to the organizational legal form of a "joint-stock company" and its name. It shall be allowed to have a brief business name with the "JSC" in front of the company's name.

## **Article 4. Excluded from 01.01.2006 in accordance with the Law of RK dated 08.07.05 № 72-III**

### **Article 4-1. A Public Company**

1. The company, which meets the following criteria, shall be recognised as a public company:

- 1) the company must effect a placement of its ordinary shares in the non-organised and (or) organised securities markets having offered said shares to the unlimited circle of investors;
- 2) not less than thirty per cent of the total quantity of placed ordinary shares in the company must be held by shareholders, each of which holds not less than five per cent of ordinary shares in the company of the total quantity of placed ordinary shares in the company;
- 3) the volume of tendering in ordinary shares in the company must meet requirements established by the regulatory legal act of the authorised body;
- 4) shares in the company must be in a category of the list of a stock exchange functioning in the territory of the Republic of Kazakhstan, for entering and being within which the inside documents of the stock exchange establish special (listing) requirements to securities and their issuers, or they must be enlisted at the special trading floor of the regional financial centre of the city of Almaty.

1-1. For recognizing it as public company, the controlling stake of which directly or indirectly belongs to the national managing holding, provisions of the subclauses 1) and 2) of the clause 1 hereunder shall not apply.

2. The statutes of the public company must stipulate the availability of:

- 1) a corporate management code;
- 2) a corporate secretary position;
- 3) a corporate web-site;
- 4) a "golden share" prohibition.

2-1. On the corporate internet resource of a public company the following documents shall be publicly available:

- 1) public company Articles of Association;
- 2) corporate management code;
- 3) annual financial statements for the last two fiscal years (except for the newly incorporated public companies), confirmed by audit reports;
- 4) other internal documents regulating corporate management issues, including those regulating activity of the board of directors and its committees, activity of a corporate secretary, as well as issues on public company auditing procedures.

The documents mentioned hereunder may be placed by the public company on the internet resource of financial reporting depository defined in accordance with the legislation of the Republic of Kazakhstan on accounting and financial reporting.

3. The recognition of the company as a public company or recall of the public company status from it shall be made by the authorised body in accordance with the procedure established by it on the basis of the company's petition.

In case of recall of the company's public company status, the authorized body shall decide on cancellation of decision on recognizing the company as public company within two months upon the detection of the fact that may cause recall of the public company status, or after submission by the company of an application to recall of its public company status.

4. The company shall lose its public company status in the cases as follows:

- 1) the non-compliance within three sequential months with the requirements of subparagraphs 2) and (or) 3) of paragraph 1 of this Article;
- 2) the non-compliance with subparagraph 4) of paragraph 1 of this Article.

## **CHAPTER 2. FORMATION OF A COMPANY**

### **Article 5. Foundation Parties of a Company**

1. Physical persons and (or) legal entities, which have taken the decision to form a company, shall be recognised as its foundation parties.

2. State bodies of the Republic of Kazakhstan and state authorities may not serve as incorporators or shareholders of the company, except for the Government of the Republic of Kazakhstan, local executive bodies, and an authorized body, in accordance with the laws of the Republic of Kazakhstan.

Upon the decision of the Government of the Republic of Kazakhstan, an authorized body on state property management may be an incorporator of joint stock companies.

Upon decision of the local executive body, joint stock company's incorporator may include executive body financed from the local budget authorized to dispose municipal property.

A state-owned enterprise shall have the right to act as a foundation party of a company and to buy its shares only with the consent of the state authority which exercises the function of the owner and state authority function in respect of that enterprise.

3. A company may be founded by a sole person.

4. The foundation parties of a company shall bear joint liability with regard to payment of costs associated with the company's formation and those incurred prior to its state registration. A company shall compensate to its foundation parties for said costs only in the case of subsequent approval of such reimbursement by the general meeting of company's shareholders.

#### **Article 6. The Foundation Meeting. Sole Founder**

1. A company shall be founded pursuant to the decision of the meeting of its foundation parties (foundation meeting). Where a company is founded by one foundation party, the decision to establish a company shall be taken by such person at his sole discretion.

A company may be formed by way of reorganising an existing legal entity in accordance with the procedure established by this Law and other legislative acts of the Republic of Kazakhstan.

2. At their first foundation meeting the foundation parties shall:

1) take a decision on foundation of a company and define the procedure for joint activities with regard to the formation of the company;

2) conclude a foundation agreement;

3) establish amount of prepayment for the shares by the foundation parties;

4) establish the number of the announced shares, including shares to be paid on by the foundation parties;

4-1) establish terms and conditions for converting company's securities subject to substitution by the company's shares;

4-2) approve a technique for determination of the value of shares where they are redeemed by the company in accordance with this Law;

5) take a decision on state registration of the shares announced to be issued;

*6) excluded in accordance with the Law of RK dated 28.12.11 № 524-IV;*

7) elect persons authorised to sign on behalf of the company documents for the state registration;

8) appoint persons who in accordance with the legislation of the Republic of Kazakhstan will carry out the valuation of the assets contributed as payment on authorised capital by the foundation parties of the company;

9) elect persons authorised to carry out financial and operational activities of the company and represent its interests before third parties until governing bodies of the company are formed;

10) approve the company's charter.

3. Prior to the allotment of shares it shall be allowed to hold several consecutive meetings of foundation parties. In that respect, the introduction of amendments and additions to the decisions taken at the first foundation meeting shall be allowed when all the parties to the foundation agreement are present in the foundation meetings.

4. At the first foundation meeting of a company, each foundation party shall have one vote. At subsequent foundation meetings, each foundation party shall have one vote, unless it is otherwise established by the foundation agreement.

5. Decisions of the foundation meeting (sole founder) shall be formulated as minutes to be signed by all the foundation parties (sole founder) of the company.

#### **Article 7. Foundation Agreement. Decision of a Sole Founder**

1. The foundation agreement (decision of a sole founder) shall contain the following:

1) information on the foundation parties (sole founder) of the company, in particular:

with regard to an individual, name, nationality, place of residence and details of the identification document;

with regard to a legal entity, its business name, address, details of state registration;

2) provision on the formation of a company, full and brief business name of the company, as well as the procedure for its formation;

3) amount of prepayment for shares by the foundation parties as well as timing and procedure for the payment;

4) number, types and nominal values of announced shares of the company, which will be

allocated to its foundation parties (acquired by the sole founder) after the state registration of the shares issue;

5) the rights and obligations of its foundation parties and distribution of the costs associated with the company's formation, as well as other provisions concerning the foundation parties' activities associated with the company's formation;

6) description of authority of the persons to whom it is entrusted to represent the interests of the company in the course of its formation and state registration;

7) the procedure for convening and conducting of subsequent meetings of the company's foundation parties, as well as the number of votes of each foundation party of the company at subsequent foundation meetings;

8) entry on approval of the company's charter;

9) other provisions which are included in the foundation agreement (decision of a sole founder); pursuant to the decision of the foundation parties;

in accordance with the legislative acts of the Republic of Kazakhstan.

2. During the effective period of the foundation agreement (decision of the sole founder) its signatories (sole founder) shall have the right to introduce to it amounts and additions, provided the requirements established by paragraph 3 of Article 6 of this Law are observed.

3. Information presented in the foundation agreement (decision of the sole founder) shall be recognised as a commercial secret, unless it is otherwise specified in the agreement (decision of the sole founder). The foundation agreement (decision of the sole founder) shall be subject to submission to state authorities as well as third parties only pursuant to the company's decision or in the cases specified by legislative acts of the Republic of Kazakhstan.

4. Validity of the foundation agreement (decision of the sole founder) shall be terminated from the date of the state registration of the announced shares issue.

### **Article 8. The Procedure for the Conclusion of the Foundation Agreement (Formulation of Decision of a Sole Founder)**

1. The foundation agreement shall be concluded in writing by way of each foundation party or its representative signing the agreement.

A decision of the sole founder shall be formulated in writing and signed by the foundation party or its representative.

A foundation agreement (decision of a sole founder) shall be subject to notarisation.

2. Representatives of foundation parties (sole founder) must have appropriate authority certified in accordance with the legislation of the Republic of Kazakhstan, providing for the right to form a company, including the right to participate in the meeting of the foundation parties and signing of the foundation agreement.

### **Article 9. The Company's Charter**

1. Company's articles of association are the document defining legal status of the company as a legal entity. Company's Articles shall be signed by incorporators (sole incorporator) or their representatives (representative), except for changes and amendments to the Articles (including those specified in a new version of the Articles), prepared following the procedures stipulated by the legislation of the Republic of Kazakhstan that are to be executed by a person duly authorized by the general meeting of shareholders. Company's Articles as well as any changes and amendments to them are subject to notary certification.

2. A company's charter must contain the following provisions:

1) full and brief business name of the company;

2) address of the company's executive body;

3) information on shareholders' rights including the scope of the rights certified with the preference shares of the company;

3-1) issues in relation to which a veto right of the "golden share" holder is provided (if applicable), as well as full name of the "golden share" holder (if applicable);

*4) excluded in accordance with the Law of RK dated 08.07.05.№ 72-III;*

5) procedure for the formation and jurisdiction of company's governing bodies;

6) procedure for the organisation of company's governing bodies functioning, in particular: procedure for convening, preparation and conducting of the general meeting of shareholders and sessions of the collective bodies of the company;

procedure for the adoption of decisions by the company's authorities, in particular the list of issues on which decisions must be adopted by a qualified majority of votes;

7) procedure for disclosure of information on company's business to its shareholders by specifying the mass media to be used for publication of information on company's activities;

7-1) the procedure for the disclosure by shareholders and Officials of the company of information on their affiliated persons;

8) where a company is a non-commercial organisation, the mention that the company is a nonprofit organisation, by-laws on the procedure for voting, non-payment of dividends and other requirements established by this Law and other legislative acts of the Republic of Kazakhstan;

9) provisions on termination of company's activities;

10) other provisions in accordance with this Law and other legislative acts of the Republic of Kazakhstan.

3. Any interested persons shall have the right to peruse the company's charter. Pursuant to the requisition of an interested party the company shall be obliged to provide him with an opportunity to peruse the company's charter, including subsequent amendments and additions to it. Within three working days the company shall be obliged to execute the requisition of a shareholder to provide him with a copy charter of the company. The company shall have the right to collect a fee for providing a copy charter to a shareholder, which must not exceed the cost of making a copy and where it is required to deliver it, the cost of such delivery.

4. A company shall have the right to exercise its activities on the basis of a model charter of a company as approved by the Government of the Republic of Kazakhstan.

5. The mass media that may be used for the publication of information on company's activities and requirements to them shall be established by a regulatory legal act of the authorised body.

### **CHAPTER 3. THE AUTHORISED CAPITAL OF A COMPANY**

#### **Article 10. The Minimum Size of the Authorised Capital of a Company**

The minimum size of the authorised capital of a company shall be 50 000 times the size of the monthly assessment index as established by the law of the Republic of Kazakhstan concerning the Republic's Budget for the relevant financial year.

Requirements with regard to the minimum size of the authorised capital of a company as established by the first part of this Article shall not apply to the a company which carries on the business as an investment privations fund.

#### **Article 11. The Authorised Capital of a Company**

1. The authorised capital of a company shall be formed by way of payment on shares by foundation parties (sole foundation party) in accordance with their nominal value and by investors at the price of allocation to be determined in accordance with the requirements established by this Law and it shall be measured in the national currency of the Republic of Kazakhstan.

The authorised capital of a company formed as a result of Restructuring shall be formed in accordance with the requirements established by this Law.

2. Amount of prepayment on shares to be contributed by foundation parties must be not less than the minimum size of the authorised capital of the company and fully paid by the foundation parties within thirty days from the date of the state registration of the company as a legal entity.

3. Increase of the authorized capital of a company shall be carried out by means of allocating announced shares of the company.

### **CHAPTER 4. SHARES AND OTHER CORPORATE SECURITIES**

#### **Article 12. General Provisions on Corporate Securities**

1. A company shall have the right to issue ordinary shares or ordinary and preference shares. Shares shall be issued in a non-documentary form.

2. Non-profit organisations established in an organisational legal form of a joint-stock company shall not have the right to issue preference shares.

3. Shares shall be indivisible. Where a share is held by several persons on the right of jointownership, they all shall be recognised as a sole shareholder and they shall exercise the rights certified by the share through their common representative.

4. Shares of a certain class, shall provide each holder with the rights equal to the rights of other holders of that class, unless it is otherwise specified by this Law.

5. Legislative acts of the Republic of Kazakhstan may establish restrictions with regard to the following:

- 1) commission of transactions in company's shares;
- 2) maximum number of company shares to be held by one shareholder;
- 3) maximum number of votes on company's shares that one shareholder may have;
6. A company shall have the right to issue other securities for which the terms and procedure of issue, placement, circulation and redemption shall be established by the legislation of the Republic of Kazakhstan concerning securities market.

### **Article 13. Types of Shares**

1. An ordinary share shall provide its holder with the right to participate in the general meeting of shareholders with the right to vote in deciding any issues that are put on the vote, the right to receive dividends when the company has net income, as well as part of company's capital in the case of its liquidation, in accordance with the procedure established by the legislation of the Republic of Kazakhstan.

2. Holders of preference shares shall have the preference right before the ordinary shareholders, to receive dividends in a previously guaranteed fixed amount as established by the company's charter and to part of the capital in the case of the company's liquidation in accordance with the procedure established by this Law.

During the placement, number of preferred shares of the company shall not exceed twenty-five percent from the total number of shares outstanding.

3. A preference share does not provide its holder with the right to participate in the management of the company, except for the cases set forth by paragraph 4 of this Article.

4. A preference share shall provide its holder with the right to participate in the management of the company, when:

1) the general meeting of company's shareholders is considering an issue a decision on which may restrict the rights of the holder of preference shares. A decision on such issues shall be deemed to be adopted only on the condition that not less than two-thirds of the total number of the outstanding (except for the purchased) preference shares voted for such restriction.

Issues decisions in relation to which may limit rights of preferred shareholders include the following:

Decrease of dividends or changes in calculation of dividends payable under preferred shares;

Changes in procedures for payment of dividends under preferred shares;

Exchange of preferred shares to the company's common shares;

1-1) general meeting of shareholders consider issue on approval of amendments to the method (approval of the procedures if not approved by statutory meeting) for defining price of preferred shares in case of their repurchase by the company on over-the-counter market under this Law;

2) the general meeting of company's shareholders is considering the issue of restructuring or liquidation of the company;

3) the dividend on preference shares not paid in full for three months from the date of expiry of the period established for its payment.

4-1) In the case provided in subparagraph 3) of paragraph 4 of this Article, the right of a shareholder - owner of preferred shares to participate in the management of the company ceases from the date of payment of the full amount of the dividend on the preferred shares owned by him.

5. The foundation meeting (decision of the sole founder) or general meeting of shareholders may introduce one "golden share" which does not participate in the formation of the authorised capital and receipt of dividends. The holder of a "golden share" shall have the right to veto decisions of the general meeting of shareholders, board of directors and executive body on issues defined by the company's charter. The right of imposition of veto certified with the "golden share" shall not be subject to transfer.

### **Article 14. The Rights of Company's Shareholders**

1. A company shareholder shall have the following rights:

1) to participate in the management of the company in accordance with the procedure established by this Law and the company's charter;

2) to receive dividends;

3) to receive information on company's business, in particular to peruse financial statements of the company in accordance with the procedure defined by the general meeting of shareholders or company's charter;

4) to receive extracts from the registrar of the company or nominee holder confirming his right of ownership of securities;

5) to propose to the general meeting of shareholders candidate board members of the company to be elected;

- 6) to challenge decisions adopted by the company through the judicial procedure;
  - 7) in case of possessing individually or jointly with other shareholders with five or more percent of the company's voting shares, on their own behalf to apply to courts in the cases stipulated in the articles 63 and 74 hereunder and claim compensation of damages caused to the company by the company officials and return to the company of any profits (income) earned by such officials and (or) their affiliates as a result of conclusion (proposals to conclude) large transactions and (or) transactions in execution of which there is an interest;
  - 8) contact the company with written inquiries about its activities and getting motivated responses within thirty calendar days from the date of receipt of the request to company;
  - 9) to a part of the company's capital in the case of its liquidation;
  - 10) preemption purchase of shares or other securities of the company, which are convertible into its shares, in accordance with the procedure established by this Law, except for cases stipulated by legislative acts of the Republic of Kazakhstan;
  - 11) to participate in the decision of the general meeting of shareholders about changing the number of shares of the company or changing their type in the manner prescribed by this Law.
2. A major shareholder shall also have the following rights:
    - 1) to demand convening of an extraordinary general meeting of shareholders, or to petition to the court with a lawsuit to convene it in the event that the board of directors denies convening of the general meeting of shareholders;
    - 2) to propose to the board of directors additionally to include issues into the agenda of the general meeting of shareholders in accordance with this Law;
    - 3) to requisition convening of the board meeting;
    - 4) at his expense, to requisition the performance of an audit by an organisation of auditors.
  3. It shall not be allowed to restrict shareholders' rights established by paragraphs 1 and 2 of this Article.

Apart from shareholder rights provided in the clause 1 hereunder, the company's Articles may stipulate additional rights to shareholders.

#### **Article 15. The Obligations of Company's Shareholders**

1. A company shareholder shall be obliged as follows:
  - 1) to pay on shares;
  - 2) within ten days to notify the registrar of the company and the nominee holder of the shares owned by a given shareholder, of changes in the information which is required for the maintenance of the system of registers of the company's shareholders;
  - 3) not to divulge information concerning the company and its business, which constitutes a service secret, commercial or any other secret protected by the law;
  - 4) to perform other duties in accordance with this Law and other legislative acts of the Republic of Kazakhstan.
2. The company and its registrar of the company shall not be responsible for the consequences of non-compliance by shareholders with the requirements established by subparagraph 2) of paragraph 1 of this Article.

#### **Article 16. The Right of Preemptive Purchase of Company's Securities**

1. A company that intends to allocate announced shares or other securities convertible into ordinary shares, and also sell said securities that were previously purchased back, shall be obliged within ten days from the date of taking a decision on that to invite its shareholders by way of a written notice or publication in mass media to purchase securities on equal terms in proportion to the number of the shares they hold at the price of the allocation (sale) as established by the body of the company that adopted the decision on the allocation (sale) of securities. A shareholder within thirty days from the date of notice on allocation (sale) by the company of shares shall have the right to file an application for the purchase of shares or other securities convertible into company's shares in accordance with the preemption rights.

In that respect a shareholder holding ordinary shares of a company shall have the preemption right to purchase ordinary shares or other securities convertible into ordinary shares of the company, and a shareholder holding preference shares of the company shall have the preemption right to purchase preference shares of the company.

Payment for shares or other securities convertible into common shares of the company and acquired under the pre-emptive right of purchase shall be executed by the shareholder within thirty calendar days from the date of

application for their acquisition. Company's Articles may specify another term for payments for shares that shall not exceed ninety calendar days from the date when shares placement starts.

2. Financial organization aiming to place the declared shares and sell shares acquired earlier to implement prudential and other standards and limits established by the legislation of the Republic of Kazakhstan, shall upon the request of the authorized body within five business days from the date of shares placement decision, by written notice or publication in mass media, propose its shareholders to acquire securities on equal conditions proportionately to the amount of shares available under the placement price (sale), established by the company's body decided on securities placement (sale). Shareholder within five business days from the date of notice on shares placement (sale) by company may submit an application for purchase of shares or other securities convertible into company's shares in compliance with the pre-emptive purchase right.

Payment for shares of financial organization acquired under the pre-emptive purchase right shall be executed by shareholder within five business days from the date of submission of application for purchase. In case of failure to pay for the shares and other securities convertible into the company's common shares, upon expiration of the specified term the application shall be invalid.

3. Requirements on terms for payment for shares or other securities convertible into common shares and acquired under the preemptive purchase right, specified in the clauses 1 and 2 hereunder, shall not apply to cases of shares purchase by state bodies authorized by the Government of the Republic of Kazakhstan for disposition of republican state property.

Payment for shares or other securities convertible into the company's common shares and acquired under the preemptive purchase right by the state body authorized by the Government of the Republic of Kazakhstan for disposition of republican state property shall be executed within twelve months from the date of application for their purchase.

4. In case of failure to pay for shares or other securities convertible into the company's common shares, upon expiration of the term established under the clauses 1, 2 and 3 hereunder, the application shall be deemed invalid.

5. Procedures for realization of preemptive securities purchase right by the company shareholders shall be established by the authorized body.

6. Preemptive purchase right shall not be provided to the company's shareholders during the placement (sale) of the company's shares in case of its merger with another company under the procedures specified by the article 83 hereunder.

**Article 17.** *Excluded in accordance with the Law of RK № 72-III dated from 08.07.05.*

#### **Article 18. Allocation of Company's Shares**

1. A company shall have the right to allocate its shares after the state registration of their issue by way of one or several allocations within an announced number of shares.

A decision on allocation of the company's shares within the number of its announced shares shall be adopted by the board of directors of the company, except for the case where the company's charter refers that matter to the authority of the general meeting of shareholders.

Placement of shares is executed via sale by the shareholders of their preemptive right to purchase shares or other securities convertible into the company's common shares, subscriptions or auctions conducted on over the counter securities market, or subscription or auctions conducted on stock exchange, as well as via conversion of securities and (or) money obligations into the company's stocks in cases stipulated by this Law and other legislative acts of the Republic of Kazakhstan.

2. In case of alienation by shareholder of shares or other securities convertible into the company's common shares within thirty calendar days given to him to submit application for purchase of shares or other securities convertible into the company's common shares under the preemptive right to purchase, such right shall be transferred to a new holder of shares or other securities convertible into the company's common shares, in case if the previous holder has not submitted such an application yet.

3. The placement price of shares as established for the said placement by the company's body passed the decision concerning placement of shares shall be the least price at which said shares may be sold.

Shareholders acquire shares in compliance with the preemptive right of purchase under single price for placement of such stocks set by the company's body decided on the placement.

Company shares are subject to sale under single price for all entities acquiring shares by subscription within the given placement.

4. In case the company's authorized body resolves to change conditions of its earlier decision on placement of declared shares by increase of the number of shares to be placed, and (or) decrease of price stipulated by the shareholder for execution of preemptive right of purchase, the company shall provide again the preemptive right to purchase such shares to the shareholder.

### **Article 19. The System of Registers of Company's Shareholders**

1. The maintenance of the system of registers of company's shareholders may be carried out only by the company's registrar, who must not be an affiliated person of the company or of its affiliated persons.

2. The procedure for the maintenance of the system of registers of company's shareholders as well as disclosure of information relating to it to the authorised body shall be governed by the legislation of the Republic of Kazakhstan concerning securities market.

3. A company shall be obliged to conclude an agreement with the company's registrar for rendering of services associated with the maintenance of the system of registers of the company's shareholders prior to the submission to the authorised body of the documents for purposes of state registration of the company's shares issue.

4. A company shall have no right to order the inclusion of a given share into the personal account of its buyer in the system of registers of the company's shareholders (accounting system of a nominee holder), until the share to be placed is fully paid.

### **Article 20. The Report on Results of Placement of Company's Shares**

1. A company shall be obliged to lay before the authorised body the reports on results of placement of its shares based on the results of each six months (within one month upon expiry of a reporting half year), until all the announced shares are placed, or after the completion of their full placement;

changes and amendments to the reports on results of its shares placement in case of exchange of the company's placed shares of one type to the same company's shares of another type within one month after completion of shares exchange procedures.

2. Subject and procedures for provision of report on results of shares placement, and changes and amendments to it, as well as procedures for consideration and approval for this report, shall be established by the authorized body.

### **Article 21. Payment of the Company's Placed Shares**

1. Funds, property rights (including rights to intellectual property) and other assets, except for the cases specified in this Law and other legislative acts of the Republic of Kazakhstan, may be contributed as payment for company's shares to be placed.

Payment other than cash, property (except for securities) shall be at a price to be determined by an appraiser acting on the basis of a licence issued in accordance with the legislation of the Republic of Kazakhstan.

Price valuation of securities traded on stock exchange and transferred as payment for the company's placed shares shall be executed in accordance with methods for evaluation of financial instruments on the stock exchange. In case if valuation is not possible for such securities under the methods specified or in case of absence of such methods in relation to certain type of securities transferred as payment for shares, valuation of their price shall be implemented by appraiser acting under the license issued in compliance with the legislation of the Republic of Kazakhstan.

2. Where shares to be placed are paid with the right to use property, the valuation of such right shall be on the basis of payments for the use of that property for the entire period of its use by the company. Withdrawal of such property prior to expiry of said period, without the general meeting of shareholders consent shall be prohibited.

3. During the placement of shares the company is prohibited to:

1) purchase shares under placement;

2) conclude agreements (purchase derivative securities), conditions of which (issuance conditions of which) stipulate right or obligation for the issuer to repurchase shares placed by the issuer.

### **Article 22. Dividends on Company's Shares**

1. Dividends on company's shares shall be paid in cash or securities on the condition that a decision on payment of dividends was adopted by the general meeting shareholders by a simple majority of voting shares of the company, except for dividends on preference shares.

It shall not be allowed to pay dividends on privileged shares in the company by securities.

Payment of dividends on company's shares with its securities shall be allowed only on the condition that such payment is carried out with announced shares of the company and debentures issued by it, provided the shareholder expressed his consent in writing.

The list of shareholders who have the right to receive dividends must be compiled as of the date preceding the date of commencement of paying dividends.

Alienation of shares with unpaid dividends shall be performed with the right to receive them by the new holder of the share, unless it is stipulated otherwise by the share alienation agreement.

2. Periods for the payment of dividends on company's shares shall be governed by the company's charter and (or) prospectus of share issue.

3. Payment of dividends on company's shares may be carried out through a financial agent. Payment for services of a financial agent shall be at the expense of the company.

4. Dividends shall not be assessed and shall not be paid on shares which were not allocated or were purchased by the company itself and also where the court of general meeting of the company's shareholders took a decision on its liquidation.

5. Accrual of dividends on ordinary and preferred shares of the Company shall not be allowed:

1) with a negative amount of equity capital or if the amount of equity capital of the Company becomes negative as a result of accrual of dividends on its shares;

2) if the company meets the insolvency or bankruptcy in accordance with the legislation of the Republic of Kazakhstan on rehabilitation and bankruptcy or these signs appear in the company as a result of accrual of dividends on its shares.

6. A shareholder shall be entitled to require payment of arrears dividends irrespective of the time when the arrears of the company formed.

In the case of non-payment of dividends within the period established for their payment, the principal amount of dividends and the penalty which is assessed on the basis of the official rate of refinancing of the National Bank of the Republic of Kazakhstan shall be paid to the shareholder as of the day of execution of the financial obligation, or appropriate part thereof.

7. Non-profit organisations established in the organisational legal form of a joint-stock company shall not assess and pay dividends on their shares.

### **Article 23. Dividends on Ordinary Shares**

1. Payment of dividends on the company's common shares upon the quarter or half-year results is implemented after audit of the company's financial statements for the corresponding period and upon the resolution of the general meeting of shareholders in case if such payment is stipulated by the company's articles. Amount of dividends per share shall be stated in the resolution of the general meeting of shareholders on payment of dividends on common shares upon the quarter or half-year results of dividends.

A decision to pay dividends on ordinary shares upon year results shall be adopted by the annual general meeting of shareholders.

The general meeting of shareholders of a company shall have the right to take a decision upon non-payment of dividends on ordinary shares of the company with its obligatory publication in mass communication media within ten working days from the date of adoption of a decision.

2. A decision to pay dividends on ordinary shares of the company must be published in mass communication media within ten working days from the date of adoption of such decision. In this case public companies must publish the said decision in its corporate web-site as well.

3. A decision to pay dividends on ordinary shares of the company must provide the following information:

1) business name, address, bank details and other details of the company;

2) period for which the dividends are paid;

3) amount of dividend per one ordinary share;

4) date of beginning payment of dividends;

5) procedure and method of payment of dividends.

### **Article 24. Dividends on Preference Shares**

1. Payment of dividends on preference shares of a company shall not require a decision of the governing body of the company, except for the cases specified in paragraph 5 of Article 22 of this Law. Timing for payment of dividends and amount of dividend per one preference share shall be set forth in the company's charter. Amount of dividends which are assessed on preference shares may not be less than the size of the dividends assessed upon ordinary shares for the same period.

Payment of dividends on company's ordinary shares shall not be carried out until the dividend on its preference shares is paid in full.

2. A guaranteed amount of dividends on preference shares may be established as a fixed amount, or indexed against a certain parameter on the condition of regularity and availability of its value.

3. Five working days prior to the date of payment of dividends on preference shares, the company shall be obliged to publish in mass communication media information on payment of dividends and state the information listed in subparagraphs 1), 2), 4), 5) of paragraph 3 of Article 23 of this Law, as well as amount of dividend per one company's preference share.

#### **Article 25. Commission of Transactions in Company's Shares**

1. A person, independently or in conjunction with its affiliate persons, intending to purchase in the secondary securities market thirty and more percent of its voting shares, shall be obliged to deliver appropriate notice to the company and authorised body in accordance with the procedure established by it. Notice should contain information on the number of shares to be purchased, expected purchase price and other information defined by the regulatory legal acts of the authorized body.

2. The company shall not have the right to impede sales of shares by its shareholders. The company shall have the right to make an offer to a person who wishes to sell company's shares, to purchase them by itself or by third parties at a price exceeding the proposed price. An offer to purchase must contain information on the number of shares, price and details of the buyers where shares are purchased by third parties.

3. Entity that independently or jointly with its affiliates acquires on secondary stock exchange thirty and more percents of voting shares of the company or other amount of voting shares as a result of purchase of which the entity individually or with its affiliates own thirty or more percents of the company's voting shares, within thirty days from the date of acquisition shall publish in mass media an offer to the other shareholders to sell their shares of the company. In this case an offer to shareholders of the public company must be published in the corporate web-site. A shareholder shall have the right to accept the offer and sell the shares he holds within not more than thirty days from the date of publication of offer to sell them.

A proposal to shareholders to sell the shares they hold must contain information on the person and his affiliated persons who purchased thirty and more percent of the company's voting shares, including the names (business names), places of residence (addresses), numbers of shares held, and on the recommended price for the purchase of shares, to be determined in accordance with paragraph 2 of Article 69 of this Law.

In the case of receiving the written consent of the shareholder to sell the shares he holds, the person who published the proposal to purchase, shall be obliged to pay for the shares within thirty days. In case of failure to comply with the procedure for purchase of shares as specified by this paragraph, the person (persons) who holds (hold) thirty and more percent of the company's voting shares, shall be obliged (obliged) to carry out alienation of a number of shares to unaffiliated persons, in excess of twenty-nine per cent of the company's voting shares.

4. A company's shareholder who filed an application in response to the proposal to sell his shares, shall have the right to challenge the refusal of a person who published such proposal to purchase shares, through the court procedure.

#### **Article 26. The Purchase of Outstanding Shares Upon the Company's Initiative**

1. Purchase of outstanding shares may be carried out with the consent of the shareholder upon the company's initiative for the purpose of their subsequent sale or for other purposes which do not contradict the legislation of the Republic of Kazakhstan and the company's charter.

Purchase of outstanding shares may be carried out with the consent of the shareholder upon the company's initiative in accordance with the technique for determining the price of shares when they are issued by the company to be approved in accordance with the procedure established by this Law, except for the case of redemption of shares on the stock exchange by open trade.

2. Purchase by a company of its outstanding shares upon the initiative of the company shall be carried out on the basis of the board of directors decision, unless it is otherwise specified by this Law and (or) company's charter.

3. The company shall not have the right to purchase its outstanding shares:

1) prior to the conducting of the first general meeting of shareholders;

2) prior to the approval of the first report on results of placement of shares to founders;

3) where as a result of the purchase of shares the size of the company's own capital will be less than the minimum authorised capital established by this Law;

4) if at the moment of shares redemption the company meets the insolvency or bankruptcy in accordance with the legislation of the Republic of Kazakhstan on rehabilitation and bankruptcy or these signs appear in it as a result of redemption of all required or assumed for redemption shares;

5) where the court or general meeting of the company's shareholders takes a decision for its liquidation.

4. If at the time of redemption of shares the Company meets the definition of insolvency or bankruptcy in accordance with the Law of the Republic of Kazakhstan on Rehabilitation and Bankruptcy or the Company encounters these signs as a result of redemption of all required or expected for redemption shares.

5. Where the number of outstanding shares of a company, claimed by its shareholders to be purchased is in excess of the number of shares which is announced by the company to be purchased, those shares shall be purchased from shareholders in proportion to the number of shares they hold.

#### **Article 27. Redemption of outstanding shares at the request of the shareholder**

1. Redemption of outstanding shares is to be made by the society at the request of a shareholder of the society, which may be brought against them in following cases:

1) taking decision on the general meeting of shareholders on the company's reorganization (if the shareholder participated in the general meeting of shareholders, which considered the question of the reorganization of the company, and I voted against it);

1-1) taking decision on the general meeting of shareholders to delist the company's shares (if the shareholder did not participate in the general meeting of shareholders, or if he took part in the meeting and voted against the adoption of the decision);

1-2) taking decision by the organizer of trading to delist shares;

2) disagreement with the decision on the conclusion of a major transaction, and (or) the decision to close the deal, in fulfillment of which there is an interest taken in the manner prescribed by this Law, and (or) the company's charter;

3) taking decisions on the general meeting of shareholders on amendments and additions to the Charter of Association, limiting the rights of the shares owned by the shareholder (if the shareholder did not participate in the general meeting of shareholders, or if he took part in the meeting and voted against the adoption of the decision).

1-1. Redemption of outstanding shares at the request of the shareholder in accordance with the procedure of determining the value of the shares at their redemption by the Company over the counter securities, approved in the manner prescribed by this Law.

2. A shareholder may within thirty days from the date of the decision referred to in paragraph 1 of this Article or from the date of the decision made by the organizer of trading to delist shares of the company to show the public demand for redemption of his shares by sending a written request to society.

Within thirty days of receipt of the request, the company is obliged to buy back shares from shareholders.

3. Where the number of outstanding shares of a company, claimed by its shareholders to be purchased is in excess of the number of shares which is announced by the company to be purchased, those shares shall be purchased from shareholders in proportion to the number of shares they hold.

#### **Article 28. Restrictions With Regard to the Purchase by the Company of Its Outstanding Shares**

1. The number of the outstanding shares to be purchased by the company must not exceed twenty-five percent of the total number of its outstanding shares and the costs associated with the purchase of placed shares of a company must not exceed ten percent of the size of its equity capital:

1) when purchasing placed shares pursuant to a shareholder claim, as of the date:

of adoption of one of the decisions by the general meeting of shareholders as indicated in paragraph 1 of Article 27 of this Law;

of adoption of the organizer of trading decisions to delist shares;

of adoption a decision to enter into a major deal, and (or) deal where there is an interest;

2) when purchasing placed shares upon the initiative of the company as of the date of adoption of the decision to purchase company's placed shares.

1-1. The requirements of paragraph 1 of this Article shall not apply in the case of redemption of bank's own shares from the Government of the Republic of Kazakhstan or the national management holding, previously acquired by them in accordance with Article 17-2 of the Law of the Republic of Kazakhstan "On Banks and Banking Activity in the Republic of Kazakhstan."

2. The shares which have been purchased by the company shall not be taken into account when establishing the quorum of the general meeting of its shareholders and shall not participate in the voting at it.

**Article 29.** *Excluded in accordance with the Law of the RK dated from 08.07.05. № 72-III*

**Article 30. Convertible Securities and other monetary obligations of the Issuer in the ordinary shares of a Company**

1. A company shall have the right to issue convertible securities only in the case where the possibility of such issue is set forth by its charter.

Non-profit organisations created in the organisational legal form of a joint-stock company shall not have the right to issue convertible securities.

2. Issuing of company securities to be convertible into shares, shall be allowed within the difference between the announced and placed shares of the company.

3. The terms, conditions and procedure for the conversion of company securities shall be determined in the prospectus of the convertible securities issue.

4. Conversion of securities and other financial obligations to creditors of society in its ordinary shares on the basis of one of the following documents:

1) prospect of issue of securities convertible into ordinary shares of the Company;

2) bank's restructuring plan, adopted in accordance with the laws of the Republic of Kazakhstan on Banks and Banking;

3) rehabilitation plan if the company is insolvent, adopted in accordance with the legislation of the Republic of Kazakhstan on rehabilitation and bankruptcy.

5. When converting the securities into ordinary shares of the company on the basis of these securities prospectus a right of preemption of shares is not given to shareholders of the company, if earlier in the placement of the securities convertible into ordinary shares of the company, the shareholders were given the right of preemption of the securities.

6. In the case of conversion of securities into shares of the company as part of the restructuring of the assets and liabilities of the bank, or in the process of rehabilitation of the society, if the company is insolvent, the right of pre-emption is not available to shareholders of the bank (the company) when placing their shares by conversion of securities and (or) financial obligations of society in its shares.

7. The Company has the right to convert the securities into ordinary shares of the Company, provided the persons acquiring ordinary shares as a result of the conversion in accordance with the requirements established by the legislative acts of the Republic of Kazakhstan, in respect of shareholders (those who plan to purchase shares) of the company carrying out the relevant activities.

Conversion of securities into ordinary shares of the Company in cases stipulated by the regulations of the authority is prohibited.

**Article 30-1. Exchange of outstanding shares of a company of one kind to shares of another kind of a company**

1. The Company shall have the right to exchange outstanding shares of one kind to another kind shares of society only if the possibility of such an exchange is provided by its charter and the prospect of issue of the shares.

2. The terms, conditions and procedure for the exchange of outstanding shares of one kind to another kind shall be determined by the authorized body and the prospectus of shares issue.

**Article 31. Mortgage of Company's Securities**

1. The right to mortgage company's securities may not be restricted or excluded by provisions of the company's charter.

A shareholder shall have the right of vote and to receive dividends on his mortgaged share, unless it is set forth by the terms of the mortgage.

2. A company may accept the mortgage of its outstanding securities only where:

1) so mortgaged securities are fully paid;

2) total number of shares to be mortgaged to the company and mortgaged to the company is not more than twenty-five percent of the company's placed shares, except for the shares purchased by the company.

3) a given mortgage agreement is approved by the board of directors, unless it is otherwise specified by the company's charter.

3. The right of vote on the shares placed by the company and mortgaged to it, shall rest with the shareholder, unless it is otherwise established by the terms of the mortgage. The company shall not have the right to vote on its shares which are mortgaged to it.

4. The procedure for registration of mortgages of company's securities shall be determined in accordance with by the legislation of the Republic of Kazakhstan concerning securities.

### **Article 32. The Repayment of Tax Debt of a Company with the Participation of the Government in the Authorised Capital at the Expense of the Announced Shares of the Company**

1. In case if the tax debt of a company with the participation of the Government in the authorized capital in overdue by more than three months (henceforth, overdue debt), the state body of the Republic of Kazakhstan which ensure the tax control of compliance with tax obligations to the state (henceforth, state body) shall have the right for the purpose of repayment of overdue debt of the company:

1) to take a decision on restriction of disposal of the company's announced shares in accordance with the tax legislation of the Republic of Kazakhstan;

2) in the case where there are no announced shares of the company or their number is insufficient for repayment of the company's overdue arrears, petition to the court with a lawsuit for repayment of the company's overdue arrears by way of enforced issue of announced shares of the company with their subsequent placement.

2. Placement of company's announced shares the disposal of which has been restricted and of the announced shares of an enforced issue, shall be carried out in accordance with the procedure established by the tax legislation of the Republic of Kazakhstan for sales of restrained property.

In the event that a company carries on business in industries which are of strategic significance for the economy of the Republic, the state authority, pursuant to the decision of the Government of the Republic of Kazakhstan, shall have the right to place the company's announced shares of which the disposal is restricted and the announced shares of the enforced issue by way of their compelling seizure into the ownership of the state toward the repayment of the company's overdue debt.

3. Seizure into the ownership of the state of company's announced shares restricted in disposal and of announced shares of an enforced issue, shall be carried out by way of registration of the right of their state ownership in the system of registers of the company's shareholders. The right of state ownership shall be registered with the state body authorised by the Government of the Republic of Kazakhstan to manage the Republic's state-owned property.

4. The state registration of an enforced issue of announced shares pursuant to the court decision shall be carried out in accordance with the procedure and on the terms specified by the legislation of the Republic of Kazakhstan.

5. It shall be prohibited to use funds receivable from the placement of company's announced shares with restricted disposal and announced shares of an enforced issue, for purposes other than the repayment of the company's overdue arrears.

Where the amount of proceeds from the placement of company's announced shares with restricted disposal and of announced shares of an enforced issue, exceed the amount of the overdue arrears, then the difference shall be recognised as company's income.

6. The price of placement and number of shares required for the repayment of company's overdue arrears shall be determined by the state authority in coordination with the company. Upon the initiative of the state body the price of a placement of shares may also be determined by an appraiser in accordance with the legislation of the Republic of Kazakhstan.

Where the price of a placement of shares is determined by an appraiser, the costs associated with such valuation shall be born by the company.

7. Overdue arrears of a company shall be deemed to be repaid in accordance with the legislation of the Republic of Kazakhstan where the overdue arrears are repaid at the expense of the funds received from the allotment of the company's announced shares with restricted disposal and announced shares of an enforced issue, or from the time of registration of the right of ownership of the sate with regard to the company's announced shares restricted in disposal and announced shares of an enforced issue in the system of registers of the company's shareholders.

## **CHAPTER 5. MANAGEMENT OF A COMPANY**

### **Article 33. Governing Bodies of a Company**

1. The following shall be recognised as the governing bodies of companies:

- 1) supreme governing body -the general meeting of shareholders (in a company where all voting shares are held by one shareholder, that shareholder);
- 2) managing body -board of directors;
- 3) executive body -a collective body or a person who exercises the functions of an executive body at his sole discretion, of which the name is defined by the company's charter.
- 4) other governing bodies in accordance with this Law, other regulatory legal acts of the Republic of Kazakhstan and (or) the company's charter.

*2. Excluded in accordance with the Law of RK dated from 08.07.05. № 72-III.*

2-1. In case of recognition of the company bankrupt, or the use of the rehabilitation procedure and the appointment of temporary or bankruptcy or rehabilitation manager in the order established by the legislation of the Republic of Kazakhstan on rehabilitation and bankruptcy all powers to manage the company are accordingly transferred to the temporary or bankruptcy or rehabilitation manager.

3. An individual who previously was a state servant and due to his service functions had the authority with regard to supervision and monitoring of activities of a company from the side of the state, may not be elected to governing bodies of such company within one year from the date of termination of such powers, except for the governing body of a company of which all voting shares are held by the state.

*4. Excluded in accordance with the Law of RK dated from 19.02.07. № 230-III.*

### **Article 34. Special Considerations in Managing a Company with the Participation of the Government in the Authorised Capital**

Specifics for managing the company with state participation in the authorized capital shall be defined by the Law of the Republic of Kazakhstan «On state property».

#### **Article 34-1. Features of the procurement of goods, works and services**

1. Purchase of goods, works and services, including placement of guaranteed order by a national managing holding, except for the National Welfare Fund, by national companies, national holdings and organizations, fifty and more percent of voting shares of which (shares in authorized capital) directly or indirectly belong to the national managing holding, except for the National Welfare Fund, to the national holding, national company, shall be executed under the model rules for procurement of goods, works and services approved by the Government of the Republic of Kazakhstan.

2. Unless otherwise stipulated by legislative acts of the Republic of Kazakhstan, the persons in procurement of goods, works and services specified in paragraph 1 of this Article shall:

- 1) include in the tender documents submitted to bidders requirements for conditional lower prices of bidders - local producers of goods and services;
- 2) apply conditional lower prices when considering applications of Kazakhstani producers of goods and services and the choice of winner of the tender;
- 3) give preference to Kazakhstani producers of goods and services when offers are with equal prices.

3. The persons referred to paragraph 1 of this Article shall be obliged to provide information on local content in the procurement of goods, works and services to the authority of the state support of industrial innovation in the form and within the time limits set by the authority.

Local content is determined by a single method of calculation set by organizations of local content for the procurement of goods, works and services, approved by the Government of the Republic of Kazakhstan.

### **Article 35. General Meeting of Shareholders**

1. General meetings of shareholders shall be subdivided into annual and extraordinary.

A company shall be obliged annually to hold an annual general meeting of shareholders. Other general meetings of shareholders shall be recognised as extraordinary.

The first general meeting of shareholders should be called and held within two months after the state registration of declared shares issuance and creation of shareholders registration system.

The company's board of directors is to be elected on the first general meeting of the company.

2. At the annual general meeting of shareholders:

- 1) the annual financial reports of the company shall be approved;
- 2) the procedure shall be determined for distribution of net income of the company for the expired financial year and the dividend amount per one ordinary share in the company;

3) the issue shall be considered as regards petitions of shareholders against actions of the company and its officials and results of the consideration of them.

The chairman of the council of directors shall inform shareholders of the company of the amount and composition of remuneration to members of the council of directors and executive body of the company.

The annual general meeting of shareholders shall have the right to consider other issues as well, passing decisions on which is included in the competence of the general meeting of shareholders.

3. The annual general meeting of shareholders must be held within five months upon expiry of the financial year.

Said period shall be deemed to be extended up to three months where it is impossible to complete the company's audit for the reporting period.

4. A company of which all the voting shares are held by one shareholder shall not hold general meetings of shareholders. Decisions on the issues which according to this Law are within the scope of the general meeting of shareholders shall be taken by such shareholder at his sole discretion and shall be subject to formulation in writing on the condition that such decision do not infringe or restrict the rights certified with preference shares.

5. Where in the cases specified by paragraph 4 of this Article the sole shareholder or the person who holds all voting shares in a company is a legal entity, then the decisions on the issues, which according to this Law and the company's charter are within the scope of the general meeting of shareholders, shall be taken by the governing body, Officials or employees of the legal entity, who are entitled to take such decisions in accordance with the legislation of the Republic of Kazakhstan and the legal entity's charter.

### **Article 36. The Scope of the General Meeting of Shareholders**

1. The following issues shall be within the exclusive scope of the general meeting of shareholders:

1) the introduction of amendments and additions to the company's charter or approval of its new edition;

1-1) approval of the code of corporate management, as well as amendments and additions thereto where the adoption of such code is provided for by the company's charter;

2) voluntary Restructuring or liquidation of the company;

3) adoption of a decision on increasing the number of company's announced shares or alteration of the type of unallocated announced shares of the company;

3-1) determination of terms of and the procedure for conversion of securities of the company, as well as modification of them;

3-2) decision on issuance of securities convertible into the company's common shares;

3-3) decision on exchange of the placed shares of one type to the shares of another type, specification of terms and conditions for such exchange;

4) determining the number and term of office of the counting commission, election of its members and premature termination of their powers;

5) identification of the number, office terms and powers of the board of directors, election of its members and early termination of their offices, as well as determination of the amount and conditions for payment of remuneration and expenses compensation to the board members for fulfillment of their duties;

6) appointment of auditors to carry out company's audits;

7) approval of annual financial statements;

8) approval of the procedure for distribution of the company's net income for the reporting fiscal year, adoption of a decision on payment of dividends on ordinary shares and approval of amount of dividends per one ordinary share of the company;

9) decision on non-payment of dividends on the company's common shares;

9-1) decision to voluntarily delist the company's shares;

10) decision on the company's participation in creation or activity of the other legal entities, or exit from the partnership (shareholders) of the other legal entities by transfer (receipt) of a part or several parts of assets, in sum equal to twenty-five and more percent from all the assets owned by the company;

11) *excluded in accordance with the Law of the RK dated from 08.07.05 № 72-III;*

12) *excluded in accordance with the Law of the RK dated from 08.07.05 № 72-III;*

13) defining the form of the company's notice to shareholders for convening the general meeting of shareholders and adoption of a decision on placement of such information in mass communication media;

14) approval of amendments to the methods (approval of methods if not established by the statutory meeting) for defining the shares price during their repurchase by the company on the over the counter market pursuant to hereunder;

15) approval of the agenda for the general meeting of shareholders;

- 16) determining the procedure for disclosure to shareholders of information on the company's activities, in particular, selection of mass communications media, unless such procedure is defined by the company's charter;
- 17) introduction and annulment of the "golden share";
- 18) other issues of which the adoption is according to this Law and the company's charter, within the exclusive scope of the general meeting of shareholders.

1-1. Specific aspects on compensation of the sole shareholder of the national managing holdings, national holdings shall be established by the [Law](#) of the Republic of Kazakhstan «On state property».

2. Decisions of the general meeting of shareholders on the issues specified in subparagraphs 1-1), 2), 3) and 14) of paragraph 1 of this article shall be taken by a qualified majority of the total voting shares of the company and in the company created by the transformation of privatization investment fund - by a qualified majority of voting shares represented at the meeting.

Decisions of the general meeting of shareholders on other issues shall be made by a simple majority of the total number of voting shares participating in the vote, unless this Law provides otherwise.

When making a decision of the general meeting of shareholders on the matter mentioned in subparagraph 3-3) of paragraph 1 of this Article, regarding the exchange of outstanding shares of stock of one kind to another kind a decision that could restrict the rights of a shareholder owning preferred shares, shall be deemed adopted only under the condition that such a decision voted for by at least two-thirds of the total number of offered (minus redeemed) preferred shares.

3. Unless otherwise specified by this Law and other legislative acts of the Republic of Kazakhstan, it shall not be allowed to delegate issues within the exclusive authority of the general meeting of shareholders to other governing bodies, officials and company's employees.

4. The general meeting of shareholders shall have the right to abolish any decision of company's other governing bodies on the issues which are recognised as the company's internal affairs, unless otherwise specified by the charter.

#### **Article 37. The Procedure for Convening a General Meeting of Shareholders**

1. The annual general meeting of shareholders shall be convened by the board of directors.
2. An extraordinary general meeting of shareholders shall be convened upon the initiative of the following:
  - 1) board of directors;
  - 2) major shareholder.

An extraordinary general meeting of shareholders of a company which is in the process of voluntary liquidation, may be convened, prepared and conducted by the company's liquidation commission.

The legislative acts of the Republic of Kazakhstan may set forth the situations where convening of an extraordinary general meeting of shareholders is obligatory.

3. Preparation and conducting of a general meeting of shareholders shall be carried out by the following:

- 1) executive body;
- 2) company's registrar in accordance with the agreement concluded with the registrar;
- 3) board of directors;
- 4) company's liquidation commission.

4. Costs associated with convening, preparing and conducting of a general meeting of shareholders shall be borne by the company, except for the cases, set forth by this Law.

5. An annual general meeting of shareholders may be convened and conducted on the basis of a court decision adopted pursuant to the lawsuit of any interested person where the company's governing bodies violate the procedure for the convention of the general meeting of shareholders, which is established by this Law.

An extraordinary general meeting of the company's shareholders may be convened and conducted on the basis of a court decision, adopted pursuant to a lawsuit of a company's major shareholder, where the company's governing bodies failed to implement his requisition to convene an extraordinary general meeting of shareholders.

#### **Article 38. Special Considerations in Convening and Conducting an Extraordinary General Meeting of Shareholders Upon the Initiative of a Major Shareholder**

1. The requirement for a major shareholder to convene an extraordinary general meeting of shareholders shall be presented to the board by forwarding to the address of executive body of written message, containing the agenda for such meeting.

2. The Board of Directors is not authorized to amend the wording of the agenda and change the proposed order of the extraordinary general meeting of shareholders, convened at the request of a major shareholder.

When convening an extraordinary general meeting of shareholders in accordance with the request, the Board of Directors has the right to complete the agenda of the general meeting with any questions.

3. If the request to convene an extraordinary general meeting of shareholders is made by a major shareholder (shareholders), it must contain the name (names) of the shareholder (shareholders), requiring the convening of such a meeting, indicating the number and type of shares held.

The request to convene an extraordinary general meeting of shareholders shall be signed by the person (persons) requesting the convening an extraordinary general meeting of shareholders.

4. The Board of Directors shall, within ten working days of receipt of such request to make a decision and not later than three working days from the date of the decision to send the person sending the request message about the decision to convene an extraordinary general meeting of shareholders or of the refusal to call it.

5. Resolution of the Board of Directors of the Company to refuse to convene an extraordinary general meeting of shareholders on request of a major shareholder may be taken in case, if:

1) not complied with the procedure established by this article of the request to convene an extraordinary general meeting of shareholders;

2) questions proposed for inclusion in the agenda of the extraordinary general meeting of shareholders, do not meet the requirements of the legislation of the Republic of Kazakhstan.

Resolution of the Board of Directors of the Company to refuse to convene an extraordinary general meeting of shareholders may be challenged in court.

6. In case if within the terms stipulated in this Law Board of Directors did not make a decision to convene an extraordinary general meeting of shareholders on request submitted, the person requesting it may apply to the court to oblige the company to hold an extraordinary general meeting of shareholders.

### **Article 39. The List of Shareholders Having the Right to Participate in the Company's General Meetings**

1. The list of shareholders having the right to take part in a general meeting of shareholders and vote at it shall be compiled by the company's registrar on the basis of information of the company's system of registers of shareholders. The date of compilation of said list may not be established prior to the date when the decision was taken to hold the general meeting.

The information that is to be included in the list of shareholders, shall be specified by the authorised body.

2. In the event that after the completion of a list, shareholders having the right to participate in the general meeting of shareholders and vote at it, a person included into that list sold the company's voting shares which that person held, the right to participate in the general meeting of shareholders shall be acquired by the new shareholder. In that case, documents must be submitted to confirm the right of ownership of shares.

### **Article 40. The Date, Time and Place for Holding a General Meeting**

1. The date and time for holding a general meeting of shareholders must be established in such a manner that a greatest number of the persons entitled to participate in it, may take part.

A general meeting of shareholders must be held in a populated area where the executive body of the company is situated.

2. The time of beginning the registration of participants of a meeting and the time of conducting the meeting, must provide the counting company with enough time for the performance of the registration, counting the number of meeting participants and determining whether the quorum is present.

### **Article 41. Information on Holding a General Meeting of Shareholders**

1. Shareholders (owner of "golden share") must be notified of forthcoming general meeting not later than thirty calendar days and in the case of an external or mixed vote, not later than forty-five calendar days prior to the date of the meeting.

In case of organization of shareholders general meeting for the company that is a financial organization, agenda shall include also an issue on increase of number of declared shares to implement prudential and other norms and limits established under the legislation of the Republic of Kazakhstan, upon request of the authorized body shareholders («golden share» holder) shall be unformed on upcoming general shareholders meeting not later than in ten business days, and in case of proxy or mixed voting – not later than in fifteen business days before the

date of the meeting.

2. The notice concerning conducting of the general meeting of shareholders must be published in mass media or be delivered to them. Where the number of shareholders of the company does not exceed fifty shareholders, notification of the shareholder must be made by delivery of a written notice to him.

3. A notice of a general meeting of shareholders must contain the following:

1) full business name and address of the executive body of the company;

2) information on who initiated the meeting;

3) date, time and place for holding the general meeting of company's shareholders, time when registration of the meeting participants begins, as well as the date and time for holding a repeat general meeting of the company's shareholders, which should be held if the meeting does not take place;

4) date for the compilation of the list of shareholders who have the right to participate in the general meeting of shareholders;

5) agenda for the general meeting of shareholders;

6) procedure for the introduction of materials on the agenda of the general meeting of shareholders, to the shareholders;

7) where such company is a privatisation investment fund or was formed as a result of transformation of a privatisation investment fund, the full business name of the fund and number of the licence issued to it.

4. The minority shareholder shall have the right to apply to the registrar of the company for the purposes of joining with other shareholders in passing decisions on issues, which are indicated in the agenda of the general meeting of shareholders.

The procedure for petitioning of the minority shareholder and distributing information by the registrar of the company among other shareholders shall be established by the agreement for maintenance of the system of registers of holders of securities.

#### **Article 42. A Repeat General Meeting of Shareholders**

1. A repeat general meeting of shareholders may be appointed earlier than the next following day after the date established for holding the original (adjourned) general meeting of shareholders.

2. A repeat general meeting of shareholders must be held in the same place where the adjourned general meeting of shareholders was to take place.

3. The agenda of a repeat general meeting of shareholders must not be different from the agenda of the original general meeting of shareholders.

#### **Article 43. Agenda of a General Meeting of Shareholders**

1. The agenda of a general meeting of shareholders shall be formed by the board of directors and it must contain an exhaustive list of specifically formulated issues proposed for discussion. The agenda of a general meeting of shareholders may be added to by a major shareholder or board of directors on the condition that the company's shareholders have been notified of such additions not later than fifteen days from the date of the general meeting or in accordance with the procedure established by paragraph 4 of this Article.

2. When a general meeting of shareholders, which is held in accordance with the standard procedure is opened, the board of directors must report on proposals submitted to it for alteration of the agenda.

3. Approval of the agenda of a general meeting of shareholders shall be carried out by the majority of votes of the aggregate number the company's voting shares present at the meeting.

4. Amendments and (or) additions may be introduced to the agenda where a majority of shareholders (or their representatives) participating in the general meeting of shareholders and holding in aggregate not less than ninety-five percent of the company's voting shares, vote for such introduction. Where a general meeting of shareholders is taking a decision by way of an external vote, the agenda for the general meeting of shareholders may not be amended and (or) added to.

5. The general meeting of shareholders shall not have the right to consider issues which are not included in its agenda, nor take decisions on them.

6. It shall be prohibited to use in the agenda formulations with a wide meaning, including "miscellaneous", "other", "others" and analogous formulations.

#### **Article 44. Materials Concerning Issues on the Agenda of a General Meeting of Shareholders**

1. Materials concerning issues on the agenda of a general meeting of shareholders must contain information in a volume which is sufficient for the adoption of motivated decisions on those issues.

2. Materials concerning issues of electing governing bodies of the company must contain the following information on proposed candidates:

- 1) surname, name, patronymic where appropriate;
- 2) information on education;
- 2-1) information on relation to the company;
- 3) information on places of employment and positions held for the last three years;
- 4) other information confirming qualifications, work experience of candidates.

Where the agenda of the general meeting of shareholder is entered the issue concerning election of the council of directors of the company (election of a new member of the council of directors), the materials shall indicate whose representative the proposed candidate for members of the council of directors is and (or) he is a candidate for the position of an independent director of the company.

In case if a candidate to the board of directors is a shareholder or a person specified in the subclause 3) of the clause 2 Article 54 hereunder, such information is also a subject to disclosure in the materials with data on amount of the company's voting shares owned by shareholder as of the date of the shareholders list creation.

3. Materials concerning issues on the agenda of a general meeting of shareholders must comprise the following:

- 1) annual financial statements of the company;
- 2) auditors' report to annual financial statements;
- 3) proposals of the board of directors concerning the procedure for distribution of net income of the company for the expired financial year and amount of dividends for the year per one ordinary share of the company;
- 3-1) information on the shareholders' applications related to the company's activity and its officials and results on their applications;
- 3-2) in public companies the board of directors report on its activity for the reporting period;
- 4) other documents at the discretion of the initiator of the general meeting of shareholders.

4. Materials on items of the agenda of the general meeting of shareholders must be prepared and available in the place of location of the executive body of the company to shareholders to be acquainted with, not less than ten days before the date of conducting of the meeting; if a shareholder's request is available, they must be delivered to him within three working days from the day of reception of the request; costs of making of copy documents and of delivery of documents shall be born by the shareholder, unless it is stipulated otherwise by the statutes.

#### **Article 45. The Quorum of the General Meeting of Shareholders**

1. The general meeting of shareholders shall have the right to consider and take decisions on the agenda items, if at the time when the meeting participants have become registered the shareholders or their representatives included in the list of the shareholders, having the right to participate in it and vote at it, holding in aggregate fifty and more percent of the company's voting shares, have been registered.

2. A repeat general meeting of shareholders which is held instead of an adjourned one, shall have the right to consider the agenda items and adopt decisions on them, provided:

- 1) the procedure for the convening of the general meeting of shareholders has been complied with, but it was adjourned due to the absence of a quorum;
- 2) at the time when the registration has been completed, the registered shareholders (or their representatives) holding an aggregate of forty and more percent of the company's voting shares, including the shareholders who vote externally.

The charter of a company of ten thousand and more shareholders may specify a smaller (not less than fifteen per cent of the company's voting shares) quorum for the holding of a repeat general meeting of shareholders.

3. A repeat general meeting of a company formed as a result of Restructuring and re-registration of a privatisation investment fund shall have the right to consider issues and take decisions on agenda items, provided at the time when the meeting participants have become registered for the participation in it, not less than five hundred shareholders (or their representatives) holding the voting shares of the company, were registered.

4. Where external vote ballots are forwarded to shareholders, the votes presented in said ballots and received by the company by the time when the participants of the general meeting became registered, shall be taken into account in the calculation of the quorum and drawing results of the vote.

No repeat general meeting of shareholders shall be held where a general meeting is conducted by external vote and there is no quorum present.

#### **Article 46. The Counting Commission**

1. The counting commission shall be elected at the general meeting of a company which has one hundred shareholders and more.

The counting commission function in a company having less than one hundred shareholders shall be exercised by the secretary of the general meeting of shareholders. At the first general meeting of shareholders the function of the counting commission shall be exercised by the company's registrar. Pursuant to the general meeting of shareholders decision, the functions of the counting commission may be entrusted to the company's registrar.

2. The counting commission must consist of not less than three persons. Members of the company's collective governing bodies, the person who exercises the function of the executive body of the company at his sole discretion, may not be on the counting commission.

Where a counting commission member is absent from the general meeting of shareholders, it shall be allowed additionally to elect a counting commission member for the time of the meeting.

3. The counting commission shall:

- 1) review the powers of the persons arriving for the participation in the general meeting of shareholders;
  - 2) register participants of the general meeting of shareholders and issue to them materials on agenda items of the general meeting of shareholders;
  - 3) establish the validity of ballots received through the external vote and count the number of valid ballots and votes on each agenda item stated in them;
  - 4) establish whether a quorum is present for the general meeting of shareholders, in particular during the entire time of the meeting, and announces that a quorum is present or absent;
  - 5) explain issues relating to shareholders exercising their rights at the general meeting of shareholders;
  - 6) count votes on issues that have been considered by the general meeting of shareholders and draw results of voting;
  - 7) compile certificates on results of votes at the general meeting of shareholders;
  - 8) pass the voting ballots and the certificate on results of voting to the company's archives.
4. The counting commission shall ensure the confidentiality of the information contained in the completed vote ballots of the general meeting of shareholders.

#### **Article 47. Representation At a General Meeting of Shareholders**

1. A shareholder shall have the right to participate in the general meeting of shareholders and to vote on issues which are considered in person or through his representative.

Company's members of the executive body shall not have the right to act as representatives of shareholders in a general meeting of shareholders.

Company's employees may not act as shareholders' representatives on the general meeting of shareholders, except for the cases when such representation is based on the Power of Attorney containing clear instructions on voting on all issues under the general shareholders meeting agenda.

2. No power of attorney shall be required for the participation in a general meeting of shareholders and voting on issues which are considered, for a person who, in accordance with the legislation of the Republic of Kazakhstan or an agreement, has the right to act on behalf of a shareholder or to represent his interests without a power of attorney.

#### **Article 48. The Procedure for Conducting a General Meeting of Shareholders**

1. The procedure for the conducting of a general meeting of shareholders shall be determined in accordance with this Law, charter and other documents of the company which regulate the company's internal affairs, or directly by decision of the general meeting of shareholders.

2. Registration of arriving shareholders (their representatives) shall be carried out prior to the opening of the general meeting of shareholders. A representative of a shareholder must present the power of attorney to confirm his powers to participate and vote in the general meeting of shareholders.

A shareholder (representative of a shareholder) who failed to become registered, shall not be counted when determining a quorum and shall not have the right to participate in voting.

A company shareholder who holds preference shares shall have the right to be present in the general meeting of shareholders, which is held in accordance with the standard procedure and participate in discussion of the issues which are considered by it.

Unless it is otherwise established by the company's charter or decision of the general meeting of shareholders, held in accordance with the standard procedure, persons other than those invited may not be present at it. The right of such persons to speak at a general meeting of shareholders shall be established by the company's charter or by the decision of the general meeting of shareholders.

3. A general meeting of shareholders shall be opened on the announced time, provided a quorum is present.

A general meeting of shareholders may not be opened prior to the announced time, except for the case where all shareholders (their representatives) have already been registered, notified and do not object to changes in the opening time of the meeting.

4. The general meeting of shareholders shall hold elections of the chairman (presidium) and secretary of the general meeting.

The general meeting of shareholders shall determine the form of voting, by open vote or secret (by ballot). Each shareholder shall have one vote and a decision shall be adopted by a simple majority of votes of the number of those present, unless the company's charter specifies otherwise for voting on the issue of electing a chairman (presidium) and secretary of the general meeting of shareholders. Members of an executive body may not preside at the general meeting of shareholders, except for the cases where all shareholders present at the meeting are members of the executive body.

5. In the course of the general meeting of shareholders its chairman shall have the right to put on the vote the proposal to terminate debates on the issue in consideration, and on alteration of the voting method for it.

The chairman shall not have the right to interfere with the speeches of the persons who have the right to participate in discussions on agenda items, except for the cases where such speeches lead to violation of the general meeting of shareholders procedural regulations, or where such debates on certain issue have been completed.

6. The general meeting of shareholders shall have the right to take a decision on a break in its work and on extending the period of its work, in particular on postponement of considering certain agenda items onto the next following day of the general meeting of shareholders.

7. The general meeting of shareholders may be announced closed only when all agenda items have been considered and decisions have been adopted on them.

8. The secretary of a general meeting of shareholders shall be in charge of the fullness and timeliness of information shown in the protocol of the general meeting of shareholders.

#### **Article 49. Adoption of Decisions by a General Meeting of Shareholders by Way of External Vote**

1. Decisions of the general meeting of shareholders may be taken by way of conducting external polls. An external poll may be used in combination with the vote of the shareholders who are present at the general meeting of shareholders (a mixed vote), or without holding a session of the general meeting of shareholders.

2. The company's, except for public companies, charter may set forth a prohibition on taking decisions on all or certain agenda items of the general meeting of shareholders, by external vote.

3. When conducting an external poll vote, uniform ballots shall be forwarded (delivered) to the persons who are included in the list of shareholders, for voting.

Companies shall not have the right to forward voting ballots to selected shareholders for the purpose of exerting influence upon the results of voting at the general meeting of shareholders.

4. A voting ballot must be forwarded to the persons who are included in the list of shareholders, not later than forty-five days prior to the date of the general meeting of shareholders session. In the case of an external vote without conducting the general meeting of shareholders, a company with the number of shareholders five hundred and more shall be obliged to publish in mass communication media determined by the charter, the ballot for external vote at the general meeting of shareholders together with the notice of the general meeting of shareholders.

5. An external vote ballot must contain the following:

- 1) full business name and address of the company's executive body;
- 2) information of who initiated the meeting;
- 3) final date for the submission of external vote ballots;
- 4) date of the general meeting of shareholders session or date for counting external poll votes without conducting the general meeting of shareholders session;

- 5) agenda of the general meeting of shareholders;
  - 6) names of candidates proposed to be elected where the agenda of the general meeting of shareholders contains items of electing board members;
  - 7) formulation of issues to be voted on;
  - 8) vote choices on each agenda item of the general meeting of shareholders, expressed with the words "for", "against", "abstained";
  - 9) explanations on the voting procedure (completion of ballots) on each agenda item.
6. An external poll ballot must be signed by the shareholder who is an individual with indication of details of the document confirming identity of such person.
- Absentee ballot of the shareholder – a legal entity shall be signed by its head and certified by the seal of a legal entity (if present).
- Bulletin without the signature of the shareholder - an individual or the head of the shareholder – a legal entity and without the seal of a legal entity (if present) shall be void.
- When counting votes only the votes on items where the shareholder observed the voting procedure as defined in the ballot, and where only one of the vote's multiple choices was marked.
7. Where the agenda of the general meeting of shareholders contains items of electing board members, the external vote ballot must contain fields for indication of the numbers of votes given for individual candidates.
- 7-1. If during the course of shareholders general meeting by proxy, duly completed ballots are received from all shareholders prior to the date of votes counting, the vote counting may be executed on an earlier date that has to be reflected in the minutes on voting results.
8. Where a shareholder, who forwarded an external vote ballot, has arrived for the participation and voting at the general meeting of shareholders, where mixed voting is to be used, his ballot shall not be counted in deciding whether a quorum of the general meeting of shareholders is present and when counting votes on agenda items.

#### **Article 50. Voting at a General Meeting of Shareholders**

1. Voting at a general meeting of shareholders shall be carried out on the principle of "one share -one vote", except for the following cases:
    - 1) where there is a restriction of the maximum number of votes on shares granted to one shareholder in the case specified by the legislative acts of the Republic of Kazakhstan;
    - 2) cumulative vote in electing members of the board of directors;
    - 3) where one vote is granted to each person who has the right to vote at the general meeting of shareholders, for voting on procedural issues of conducting the general meeting of shareholders.
  2. In the case of a cumulative vote, the votes conferred by shares may all be given by the shareholder in favour of one candidate board member or distributed by him between several candidate board members. The candidates whom won the greatest number of votes shall be elected to the board of directors.
  3. Where voting at a general meeting of shareholders which is held in accordance with the standard procedure is carried out by secret ballot, the ballots for such voting (further in this Article, ballots for secret ballot voting) must be prepared for each individual item on which the voting will be by secret ballot. In that case the ballot for secret ballot voting must contain the following:
    - 1) wording of the issue or its number on the agenda of the meeting;
    - 2) choices for voting on the item, expressed with the words "in favour", "against", "abstained" or choices for voting on each candidate to the company' governing bodies;
    - 3) number of votes held by the shareholder.
  4. A secret vote ballot shall not be signed by the shareholder, except for the case, where that shareholder himself expressed the desire to sign the ballot, in particular for the purposes of filing a claim against the company to purchase his shares in accordance with this Law.
- When calculating votes on secret vote ballots, the votes on those issues for which the voting procedure defined in the ballot was observed by the voter, and only one voting choice was marked.

#### **Article 51. The Protocol On Results of Voting**

1. Upon results of voting the counting commission shall compile and sign a protocol on results of voting.
2. Where a shareholder has a dissenting opinion on an voted issue, the counting commission of the company must make appropriate entry in the protocol.

3. After the compilation and signing of the protocol on results of voting, the completed secret vote ballots and external poll ballots (including the ballots which were recognised as invalid), on the basis of which the protocol was compiled, shall be bound together with the protocol and submitted to the company's archives for storage.

4. The protocol on results of voting shall be attached to the minutes of the general meeting of shareholders.

5. Results of voting shall be voiced at the general meeting of shareholders where the voting took place.

6. The results of voting on general shareholders meeting or the results of proxy voting shall be communicated to the shareholders via a publication in the mass media or sending written notice to each shareholder within fifteen calendar days after the close of the general shareholders meeting.

The procedure for notifying shareholders of voting results shall be defined in the company's charter.

#### **Article 52. Minutes of General Meetings of Shareholders**

1. Minutes of a general meeting of shareholders must be compiled and signed within three working days after the closure of the meeting.

2. The following shall be mentioned in the minutes of a general meeting of shareholders:

1) full name and address of the company's executive body;

2) date, time and place of the general meeting of shareholders;

3) information on the number of the company's voting shares present at the general meeting of shareholders;

4) quorum of the general meeting of shareholders;

5) agenda of the general meeting of shareholders;

6) procedure for voting at the general meeting of shareholders;

7) chairman (presidium) and secretary of the general meeting of shareholders;

8) speeches of the persons participating in the general meeting of shareholders;

9) total number of shareholders' votes on each agenda item of the general meeting of shareholders, put to vote;

10) issues put to vote, results of voting on them;

11) decisions adopted by the general meeting of shareholders.

Where the general meeting considers the issue concerning election of the council of directors of the company (election of a new member of the council of directors), the protocol of the general meeting shall indicate a representative of which shareholder the elected member of the council of directors is and (or) who is an independent director out of the elected members of the council of directors.

3. Minutes of the general meeting of shareholders shall be signed as follows:

1) by the chairman (presidium members) and the secretary of the general meeting of shareholders;

2) by members of the counting commission;

3) by the shareholders who hold ten and more percent of the company's voting shares, who participated in the general meeting of shareholders.

Where it is impossible to for a person who is to sign the minutes, to sign them, the minutes shall be signed by his representative on the basis of the power of attorney issued to him, or entity that according to the legislation of the Republic of Kazakhstan or under agreement has the right to act on behalf of the shareholder or to represent his interests without a Power of Attorney.

4. In the event that a person indicated in paragraph 3 of this Article, disagrees with the contents of the minutes, that person shall have the right not to sign them by submitting a written explanation of reasons for such refusal, which shall be attached to the minutes.

5. The minutes of a general meeting of shareholders shall be bound together with the protocol on results of voting, powers of attorney for the participation in the voting at the general meeting, as well as for the signing of the minutes and written explanations on the reasons to refuse from signing of the protocol. Said documents must be kept by the executive body and presented to shareholders for perusal at any time. Pursuant to demand of a shareholder, a copy minutes of the general meeting of shareholders shall be issued to him.

#### **Article 53. Board of Directors**

1. The board of directors shall exercise the general guidance of the company's activities, except for deciding the issues which according to this Law and the company's charter are within the exclusive scope of the general meeting of shareholders.

2. Unless otherwise specified by this Law and the company's charter, the following issues shall be within the exclusive scope of the board of directors:

1) determination of priority direction for the company's activity and strategies for the company's development, or approval of a plan for the company's development in cases stipulated by the legislative acts of the Republic of Kazakhstan;

2) taking decision on convening the annual and extraordinary general meeting of shareholders;

3) adoption of a decision on allocation (sale), including the number of shares to be allocated (sold) within the number of the announced shares, method and price of their allocation (sale);

4) adoption of a decision on company buying of placed shares and other securities and price of their back purchase;

5) preliminary approval of annual financial statements of the company;

5-1) approval of provisions on the board committees;

*6) excluded in accordance with the Law of the RK dated from 19.02.07 № 230-III;*

7) defining conditions for issuing debentures and derivative securities of the company, as well as decisions of their issuance;

8) determining the number, term of office of the executive body, election of its chief and members (person who exercises the functions of an executive body at his sole discretion), as well as premature termination of their office;

9) defining amounts of salaries and terms of work remuneration and bonus for the chief executive and members of the executive body (person who exercises the functions of an executive body at his sole discretion);

10) defining procedures for the internal audit function, amount and terms of work remuneration and bonus for employees of the internal audit function;

10-1) appointment, determination of the term of office of the corporate secretary, termination of his powers ahead of time, as well as determination of an amount of the official wage rate and work remuneration terms for the corporate secretary;

11) determination of an amount for payment for services of an auditing organisation, as well as of a valuator of the market value of assets transferred in payment for shares in the company or being a subject matter in a major transaction;

*12) excluded in accordance with the Law of the RK dated from 19.02.07 № 230-III;*

13) approval of documents regulating internal activities of the company (except for the documents which are adopted by the executive body for the purposes of organising the company's business), in particular the inside document establishing terms of and the procedure for conducting of auctions and subscription to securities of the company;

14) adoption of decisions on the formation and closure of affiliates and representations of the company and approval of their by-laws;

15) passing of a decision concerning purchase (alienation) by the company of ten and more per cent of shares (participation shares in the authorised capital) in other legal entities;

15-1) adoption of the decision on activities related to the competence of the general meeting of shareholders (participants) of the legal entity, ten per cent or more of shares (stakes in the authorized capital) which belongs to the company;

16) approval of the company's liabilities by an amount in excess of 10 and more percent of its equity capital;

*17) excluded in accordance with the Law of the RK dated from 28.12.11 № 524-IV;*

18) defining information on the company or its activities which is recognised as service, commercial or other type of secret, which is protected by the law;

19) adoption of a decision on conclusion of large transactions and transactions in which the company has interest;

20) other issues specified by this Law and the company's charter, which are not recognised as exclusive competence of the general meeting of shareholders.

3. Issues of which the list is established by paragraph 2 of this Article may not be delegated to the executive body for decision.

3-1. Peculiarities for compensation of the board of directors of national managing holdings, national holdings shall be established by the Law of the Republic of Kazakhstan «On state property».

4. The board of directors shall not have the right to take decisions on issues which in accordance with the company's charter are within the scope of its executive body, nor to take decisions which contradict decisions of the general meeting of shareholders.

5. Decisions which are adopted by the board of directors in respect of issues for which the right of veto is established, shall be subject to coordination with the holder of the "golden share".

6. Board of Directors shall:

1) monitor and, if possible, resolve potential conflicts of interest at the level of officers and shareholders,

including misuse and abuse of public property for transactions of interest;

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

#### **Article 53-1. Committees of the Board of Directors**

1. To consider the most important issues and to prepare recommendations to the council of directors committees of the council of directors shall be formed in public companies, and they may be formed in other companies for issues of:

- 1) strategic planning;
- 2) personnel and remuneration;
- 3) inside audit;
- 4) social issues;
- 5) other issues stipulated by the inside document of the company.

Consideration of issues listed in this clause may be attributed to the competence of one or more committees of the board of directors.

2. Committees of the council of directors shall consist of members of the council of directors and experts having necessary professional knowledge to work in a concrete committee.

Committee of the board of directors shall be headed by a member of the board. Heads (chairmen) of the board committees, the functions of which include consideration of matters referred to in subclauses 1) - 4) under the section one of the clause 2 hereunder, are independent directors.

The chief executive of the executive body may not be a chairman of a committee of the council of directors.

3. The procedure for formation and working of committees of the council of directors, as well as their quantitative composition shall be established by the inside document of the company to be approved by the council of directors.

#### **Article 54. Board of Directors Membership**

1. Only an individual may be a board member.

Board of directors member may not transfer the fulfillment of the functions assigned to him under this Law and (or) the company's articles to other persons.

2. Board members shall be elected from among the following:

- 1) shareholders who are physical persons;
- 2) persons proposed (recommended) to be elected to the board of directors as representatives of shareholders' interests;
- 3) Individuals who are not the company shareholders and not offered (not recommended) to be elected to the board of directors as representatives of the shareholder.

3. Election of members to the board of directors shall be implemented by cumulative voting of shareholders with voting ballots, except for the case when one candidate runs for one seat in the Board. Bulletin of cumulative voting shall include the following items:

- 1) list of candidates to the board of directors;
- 2) number of votes held by the shareholder;
- 3) number of votes given by the shareholder for a candidate to the board of directors.

Voting options "against" and "abstain" may not be included into the cumulative voting ballot.

Shareholder may give votes on shares held in favor of one candidate or distribute them among several candidates to the members of board of directors. Candidates shall be deemed elected to the board of directors if earn the highest number of votes. If two or more candidates to the board of directors receive an equal number of votes, additional cumulative voting shall be conducted in relation to these candidates by providing the shareholders with ballots for cumulative voting indicating the candidates with equal number of votes.

4. Members of the executive body, except for its head, may not be elected to the board of directors. The head of the executive body may not be elected to be the chairman of the board of directors.

5. The number of board of directors members must be not less than three persons. Not less than one third of a company's board of directors members must be independent directors.

6. Requirements to the persons to be elected to the board of directors shall be established by the legislation of the Republic of Kazakhstan and the company's charter.

7. Peculiarities for selection of an independent director to the board of directors of the managing company in the special economic zone shall be established under the Law of the Republic of Kazakhstan «On special economic zones in the Republic of Kazakhstan».

## **Article 55. Term of Office of Board Members**

1. Persons who are elected to be board of directors members, may be reelected unlimited number of times, unless it is otherwise specified by the legislation of the Republic of Kazakhstan and the company's charter.

2. Term of office of a board of directors shall be established by the general meeting of shareholders.

Term of office of a board of directors shall expire at the time when the general meeting of shareholders is held where the election of a new board of directors takes place.

3. The general meeting of shareholders shall have the right prematurely to terminate the office of all or individual board members.

4. Premature termination of office of a board members upon his initiative shall be carried out on the basis of a written notice to the board of directors.

The powers of such a board member shall be terminated from the time of receipt said notice by the board of directors.

5. In the case of a premature termination of office of a board member, the election of a new board member shall be carried out by cumulative voting of shareholders present at the general meeting, in that respect the office of a newly-elected board member shall expire simultaneously with the expiry of the board of directors office as a whole.

## **Article 56. The Chairman of the Board of Directors**

1. The chairman of the board shall be elected from among its members by a majority of votes of the total number of the board members by secret ballot, unless it is otherwise specified by the company's charter.

The board of directors shall have the right to elect another chairman, unless it is otherwise specified in the company's charter.

2. The chairman of the board of directors shall organise the work of the board of directors, conduct its sessions, as well as exercise other functions as defined by the company's charter.

3. In the case of absence of the board chairman, his functions shall be exercised by one of the board members pursuant to the board decision.

## **Article 57. Convening a Board of Directors Meeting**

1. A board meeting may be called up upon the initiative of its chairman or executive body, or upon request of:

- 1) any board member;
- 2) internal audit function of the company;
- 3) company's auditors;
- 4) major shareholder.

2. The request to call up a board meeting shall be submitted to the chairman of the board by way of forwarding appropriate written notice containing the proposed agenda for the board meeting.

In the case of the board chairman refusal to call up a meeting, the person who initiated it shall have the right to petition with said claim to the executive body which shall be obliged to call up the board meeting.

Meeting of the board of directors shall be called by the chairperson of the board or executive body not later than in ten calendar days from the date of calling receipt, unless otherwise stipulated by the company's articles.

A meeting of the board of directors shall be held by obligatory invitation of the person who filed said claim.

3. The procedure for delivery of a notice to members of the council of directors concerning conducting of a meeting of the council of directors shall be determined by the council of directors, as for the holder of "the golden share" it shall be determined by the statutes of the company.

4. Materials on agenda shall be provided to the board members not later than in seven calendar days prior to the date of the meeting, unless other term is defined under the company's articles.

In case of considering an issue related to decisions on conclusion of large transactions and (or) a transaction in execution of which there is an interest, information on such transactions shall include data on the transaction parties, terms and conditions for the transaction execution, nature and amount of parties involved, as well as an appraiser report (in case stipulated under the clause 1 of the Article 69 hereunder).

5. Member of the Board of Directors shall notify in advance the executive body of the impossibility of his participation in the meeting of the Board of Directors.

## **Article 58. A Board of Directors Meeting**

1. The quorum for conducting a board meeting shall be determined by the company's charter but it must not be greater than a half of the board members number. The meeting of the board of directors of the public company in the obligatory procedure must be attended by independent directors in a number of not less than a half of the total number of independent directors.

Where the total number of board members is insufficient for a quorum to be present as determined by the charter, the board shall be obliged to convene an extraordinary general meeting of shareholder for the election of new board members. Remaining board members shall have the right to take a decision only on convening such extraordinary general meeting of shareholders.

2. Each board member shall have one vote. Decisions of the board of directors shall be taken by a simple majority of votes of the board members present at the meeting, unless it is otherwise specified by this Law and the company's charter.

The company's charter may set forth that in the case of equality of votes the vote of the board chairman or person presiding at the board meeting, is recognised as the casting vote.

3. Board of directors shall have the right to take a decision on conducting its closed meeting, where only board members may participate.

4. The company's charter and (or) internal documents of the company» may provide for the possibility of adoption of decisions by the board of directors by way of in-absentia voting on issues submitted to the board of directors for its consideration and the procedure for the adoption of such decisions.

A decision by way of in-absentia voting shall be recognised as adopted, provided there is a quorum in the ballots received within established period.

A decision of an in-absentia vote of the board of directors must be formulated in writing and signed by the secretary and the chairman of the board of directors.

Within twenty days from the date of formulating a decision it must be forwarded to the board of directors members with attached ballots on the basis of which a given decision was taken.

5. Decisions of the board of directors which were adopted at its meeting held in a normal procedure, shall be formulated as minutes to be compiled and signed by the person who presided at the meeting and the secretary of the board of directors within three days from the date of the meeting and contain the following:

- 1) full name and address of the company's executive body;
- 2) date, time and place of the meeting;
- 3) information on the persons having participated in the meeting;
- 4) agenda of the meeting;
- 5) issues brought to voting, and results of such voting with reflection of the each board member's voting results under each issue of the board's meeting agenda;
- 6) adopted decisions;
- 7) other information at the board discretion.

6. Minutes of board meetings and decisions of the board of directors which were adopted by way of external voting, shall be kept in the company's archives.

The secretary of the Board of Directors at the request of a member of the Board of Directors shall be obliged to provide him with the minutes of the meeting of the Board of Directors and decisions adopted by absentee voting for familiarization and (or) to give an extract from the minutes and decisions certified by the signature of an authorized employee of the company and the stamp of the Company (if present).

7. Member of the Board of directors of the company who did not participate in a board meeting or voted against the decision taken by the Board of Directors of the Company in violation of the procedure established by this Law and the charter of the company, has the right to challenge it in court.

8. A shareholder has the right to challenge in court the decision of the Board of Directors, adopted in violation of the requirements of this Law and the Articles of Association, if the decision violates the rights and legitimate interests of society and (or) of the shareholder.

## **Article 59. Executive Body**

1. The guidance of current activities shall be carried out by the executive body. The executive body may be collective or individual.

The executive body shall have the right to take decisions on any issues of company's activities, which are not recognised by this Law, other legislative acts of the Republic of Kazakhstan and the company's charter as jurisdiction of other bodies and Officials of the company.

Decisions of the company's collegial executive body shall be filed with the minutes signed by all presented executive body members of the meeting, and issues brought for voting, relevant voting results with reflection of each executive body member voting results on each issue.

The transfer of votes from members of the executive body of the company to another person, including another member of the executive body of the company is prohibited.

The executive body shall be obliged to implement decisions of the general meeting of shareholders and the board of directors.

Decisions of the executive body on issues which are subject to the right of veto, shall be subject to coordination with the holder of the "golden share".

The company shall have the right to challenge the validity of the transactions entered into by its executive authority in violation of the restrictions established by the company, provided it proves that at the time of entering into such transactions the parties were aware of such restrictions.

2. Company's shareholders and employees, who are not its shareholders, may be members of the collective executive body.

A member of the executive body shall have the right to work for other organisations only with the approval of the board of directors.

The chief executive of the executive body or the person solely performing functions of an executive body of the company shall have no right to hold the position of a chief executive of the executive body or of a person solely performing functions of an executive body in another legal entity.

The functions, rights and obligations of an executive body member shall be defined by this Law, other legislative acts of the Republic of Kazakhstan, company's charter as well as employment agreement to be concluded by said person with the company. An employment agreement on behalf of the company with the head of the executive body shall be signed by the board chairman or the person appropriately authorised by the general meeting or board of directors. The employment agreement with other members of the executive body shall be signed by the head of the executive body.

#### **Article 60. Powers of the Head of the Executive Body**

The head of the executive body shall:

- 1) organise the implementation of decisions of the general meeting of shareholders and the board of directors;
- 2) without a power of attorney act on behalf of the company in its relations with third parties;
- 3) issue powers of attorney for the right to represent the company in its relations with third parties;
- 4) carry out acceptance, transfer and dismissal of company's employees (except for cases established by this Law), apply to them measures of encouragement and impose disciplinary punishments, establish amounts of salaries of the company's employees and personal additions to salaries in accordance with the personnel schedule of the company, determine amounts of bonus to company's employees, except for the employees who are members of the executive body and internal audit function of the company.
- 5) in the case of his absence, entrust the performance of his duties to one of the executive body members;
- 6) assign duties as well as scope of authority and responsibilities between the members of the executive body;
- 7) exercise other functions defined by the company's charter and decisions of the general meeting of shareholders and the board of directors.

#### **Article 61. The Internal Audit Function**

1. In order to exercise the supervision of the financial and operational activities of the company, the internal audit function may be formed.

Creation of internal audit in public companies is mandatory.

2. Workers of the internal audit function may not be elected to the board of directors and to the executive body.

3. The internal audit function shall be directly subordinated to the board of directors and it shall report to it with regard to its work.

#### **Article 62. The Principles for the Functioning of Officials of the Company**

Officials of a company shall:

- 1) conscientiously perform the duties entrusted to them and use methods which to the maximum extent respond to the interests of the company and shareholders;

2) not use the company's assets or allow for their use in contradiction to the company's charter and decisions of the general meeting of shareholders and board of directors, nor for personal gain and abuse in commission of transactions with their affiliated persons;

3) be obliged to provide for the integrity of accounting and financial reporting systems, including independent auditing;

4) supervise the disclosure and presentation of information on company's activities in accordance with the requirements of the Republic of Kazakhstan legislation;

5) to keep information on activities of the company confidential, in particular within three years from the moment of stop of working with the company, unless it is established otherwise by the inside documents of the company.

2. Company's board of directors members shall:

1) act in compliance with the requirements of the legislation of the Republic of Kazakhstan, Articles of Association and the company's internal documents on the principles of openness, transparency and in the best interests of the company and its shareholders;

2) treat all shareholders fairly, and make objective independent judgments on corporate governance issues.

### **Article 63. Responsibility of Officials of a Company**

1. Company officials shall bear responsibility provided by the laws of the Republic of Kazakhstan before the company and shareholders for any damage caused by their actions and (or) failure to act, and for any losses incurred by the company, including but not limited to losses as a result of:

1) presentation of information misleading or wittingly false information;

2) violation of the procedure for presentation of information as established by this Law;

3) proposals to conclude and (or) decisions on conclusion of large transactions and (or) a transaction in the execution of which there is an interest and resulted in a loss to company caused by fraud, and (or) failure to act, including actions of the officials or their affiliates aimed to earn profits (income) as a result of such transactions with the company.

In cases stipulated hereunder and (or) the company's articles, decisions taken by the general shareholders meeting on conclusion of large transaction, and (or) the transaction in the execution of which there is an interest, do not release from any liability the company officials acted in bad faith, and (or) being a member of the company's decision-making body failed to act appropriately at that body's meeting, including actions of the officials or their affiliates aimed to earn profits (income) as a result of their performance that caused losses to the company.

2. Company based on the general shareholders meeting decision, or a shareholder(s) holding individually (or in aggregate) five or more percent of the company's voting shares, may on its behalf apply to the court against any company's official and claim compensation for the damage or loss caused to the company, and on return by such official and (or) its affiliates of all profits (income) obtained as a result decisions on conclusion (proposals to conclude) of large transactions and (or) the transactions in the execution of which there is an interest that resulted in losses to the company, if such official acted in bad faith and (or) failed to act appropriately.

Company based on the decision made by the general shareholders meeting, or shareholder(s) holding individually (in aggregate) five or more percent of the company's voting shares, on its behalf may apply to the court with a claim to the company's official, and (or) to a third party, for compensation of damages caused to the company as a result of any transaction concluded with such third party, if in conclusion and (or) implementation of such transaction, that company's official under an agreement with the third party acted in violation of the laws of the Republic of Kazakhstan, articles and internal documents of the company, or its labor contract. In this case, the mentioned third party and the company's official act as joint debtors of the company in case of compensation of such damages to the company.

Before applying to the court, shareholder(s) holding individually (in aggregate) five or more percent of the company's voting shares shall apply to the chairperson of the company's board of directors with request to raise an issue on compensation to the company of any losses caused by the company's officials, and return to the company of all profits (income) earned by such officials and (or) their affiliates as a result of decisions on conclusion (proposals to conclude) of large transactions and (or) transactions in execution of which there is an interest, at the meeting of the board of directors.

Chairman of the board of directors shall convene a meeting of the board of directors no later than in ten calendar days from the date of receiving an application referred to in the section three hereunder.

Decision of the board of directors made under an application of a shareholder(s) holding individually (in aggregate) five or more percent of the company's voting shares shall be communicated to him (them) within three calendar days from the date of the meeting. After receipt of the mentioned decisions of the board of directors, or failure to receive it within the time provided hereunder, the shareholder(s) holding individually (in aggregate) five or more percent of the company's voting shares may address to the court to protect the company's interests,

if all appropriate documents confirming the shareholder's appeal to the chairperson of the company's board of directors are available.

3. Company's officials, except for the official interested in the transaction and proposed it for conclusion, resulting in losses to the company shall be waived from any liability in case if voted against the decision taken by the company and that caused losses to the company or its shareholder, or if not participated in voting for justifiable reasons.

Official shall be waived from any compensation of losses incurred as a result of commercial (business) decisions, if it is proved that he acts properly in compliance with the principles for activity of the company officials established hereunder, based on current (appropriate) information as of the date of decision, and reasonably believes that such a decision is in the best interest of the company.

4. Company officials, found guilty of crimes against property in the sphere of economic activity or against the interests of service in commercial and other organizations, as well as exempted from criminal liability under paragraphs 3), 4), 9), 10), 12) of part 1 of article 35 or article 36 of the Criminal procedure code of the Republic of Kazakhstan for the commission of these crimes cannot serve as officials of the company, as well as representatives of shareholders at a general meeting of shareholders, within five years from the date of expungement or relief from criminal liability, in accordance with the law.

5. If the company's financial statements distorts financial position of the company, the company officials signed such company's financial statements shall be liable to third parties that suffered material damages as a result of such distortion.

6. For the purposes of this article, the following definitions shall be assigned to:

in bad faith means taking a decision (proposal to conclude) that is not in the best interest of the company in relation to conclusion of large transactions and (or) transactions in the conclusion of which there is an interest, violating the principles established hereunder on the company's officials activity, that may result in losses to the company, not covered by normal business risks;

failure to act means that the company official abstained from making a decision on conclusion of a large transaction and (or) transactions in conclusion of which there is an interest, and as a result the company suffered damages not covered by normal business risks, or did not participate in voting without any justifiable reasons.

## **CHAPTER 6. AFFILIATED PERSONS OF A COMPANY**

### **Article 64. A Company's Affiliated Person**

1. The following shall be recognised as an affiliated person of a company:

- 1) a major shareholder;
- 2) immediate relatives, spouse, immediate relatives of the individual's spouse specified in the subclauses 1), 3) and 8) hereunder, except for the company's independent director;
- 3) an official, except for an independent director, of the company or of a legal entity specified in subparagraphs 1), 4) - 9) of this paragraph;
- 4) a legal entity which is controlled by a person who is a major shareholder or a company's official;
- 5) a legal entity for which an entity which is a major shareholder or an official of the company is a major shareholder or has the right to an adequate share in the assets;
- 6) a legal entity for which the company is a major shareholder or has the right to certain share in the assets;
- 6-1) legal entity in relation to which a legal entity specified in the subclause 6) hereunder is a large shareholder or has the right to corresponding share in the property;
- 7) a legal entity which in conjunction with the company is under control of a third party;
- 8) a person bound to the company by an agreement in accordance with which that person has the right to determine decisions to be taken by the company;
- 9) a person who independently or in conjunction with its affiliated persons owns, uses, disposes of ten and more percent of voting shares of the company or of the legal entities specified in subparagraphs 1), 4)-8) of this paragraph;

10) another person who is an affiliated person of the company in accordance with the Republic of Kazakhstan legislative acts.

1-1. Affiliates in relation to an individual are:

- 1) immediate relatives, spouse, immediate relatives of the spouse;
- 2) legal entities in which such individual and (or) persons specified in the subclause 1) hereunder, is a large shareholder (large member) and (or) an official;
- 3) legal entities controlled by this individual and (or) persons specified in the subclause 1) hereunder;
- 4) legal entity in the relation to which legal entities listed in the subclauses 2) and 3) hereunder are large shareholders (large members) and have the right to the corresponding share in the property;
- 5) officials of the legal entities specified in the subclauses 2), 3) and 4) hereunder.

2. The right to determine decisions which are adopted by a company or another legal entity, shall be recognised as control of such company or legal entity.

3. Provisions of this Article shall not cover companies, which are non-commercial organisations and credit bureaux.

The following shall be recognised as non-affiliated:

- 1) persons which are big shareholders (participants) of a non-commercial organisation or credit bureau;
- 2) persons incapable or with limited capability.

**Article 65.** *Excluded in accordance with the Law of the RK dated from 08.07.05 №72-III*

#### **Article 66. Special Considerations in the Commission of Transactions With Participation of Affiliated Persons**

1. Special considerations in the commission of company's transactions with the participation of its affiliated persons shall be established by this Law and other legislative acts of the Republic of Kazakhstan.

2. Non-compliance with the requirements established by this Law and other legislative acts of the Republic of Kazakhstan with regard to the procedure for the commission by a company of a transaction with the participation of its affiliated persons shall be recognised as the basis for the recognition by the court of such transaction as invalid pursuant to a lawsuit of any interested person.

3. A person who deliberately committed a transaction in violation of requirements concerning the procedure for commission of transactions with participation of affiliated persons, as established by this Law, shall not have the right to require the recognition of the transaction as invalid where such requirement is caused by material interests or intention to evade responsibility.

#### **Article 67. Disclosure of Information on Company's Affiliated Persons**

1. Information on company's affiliated persons shall not be recognised as information that constitutes service, commercial or any other secret to be protected by the law.

2. A company shall be obliged to keep account of its affiliated persons on the basis of the information submitted by those persons or by the company's registrar (only with regard to persons who are recognised as major shareholders in accordance with the procedure established by the authorised body).

The procedure for the disclosure by shareholders and officials of a company of information on their affiliated persons shall be established by the charter.

3. Physical persons and legal entities who are affiliated persons of a company, shall be obliged to present to the company information on their affiliated persons within seven days from the day when such affiliation emerges.

4. A company shall be obliged to disclose the list of its affiliated persons to the authorised body in accordance with the procedure established by it.

### **CHAPTER 7. COMMISSION OF THE TRANSACTIONS WHICH REQUIRE FROM A COMPANY COMPLIANCE WITH SPECIAL REQUIREMENTS**

#### **Article 68. Major Transactions**

1. The following shall be recognised as major transactions:

1) a transaction or a combination of inter-related transactions resulting in the company's purchase or sell (may result in purchase or sale) of assets of which the value is twenty-five and more percent of the total value of the company's assets;

2) a transaction or combination of inter-related transactions resulting in the company's potential purchase of its outstanding securities or sale of the company's securities that were purchased by it in a number of twenty-five and more percent of the total number of the outstanding securities of one type;

3) another transaction which is recognised by the company's charter as a major transaction.

2. The following transactions shall be recognised as inter-related:

1) several transactions which are entered into with one person or with by a group of persons affiliated between one another for the purpose of purchase or sale of the same assets;

2) transactions which are formulated in one agreement or in several agreements which are connected between themselves;

3) other transactions which are recognised as inter-related by the company's charter or decision of the general meeting of shareholders.

#### **Article 69. Price of the property that is subject of transaction**

1. Decision on the conclusion of transaction resulting in acquisition or alienation of property in the amount of ten or more percent of the company's assets should be made taking into account market value of the given property determined by the appraiser in accordance with the legislation of the Republic of Kazakhstan on evaluation.

In case if the subject of such transaction is money and (or) securities issued (placed) on the primary market, no evaluation is performed.

2. Where assets of which the market value it to be determined, are securities circulating in an organised securities market, then in determining of their market value, one shall take into account the transaction prices which formed in such market in respect of such securities or demand and supply prices of such securities. Where the assets of which market value is to be determined are shares of the company itself, then in determining their market value one shall also consider the company's equity capital, prospects for its alteration in accordance with the company's development plans and other factors, which are recognised as material by the persons who is determining the market value.

3. Public companies are prohibited from mutual ownership of more than ten percent of the outstanding shares.

#### **Article 70. Commission of a Major Transaction by a Company**

1. A decision on the conclusion by a company of a major transaction shall be taken by the board of directors.

In order to inform creditors, society and shareholders the company shall be obliged within three business days after the adoption by the Board of Directors of the decision on conclusion of a major transaction to publish in mass media information about the transaction in the Kazakh and Russian languages.

2. The company's charter may define a list of major transactions on the conclusion of which the decisions are to be adopted by the general meeting of shareholders as well as the procedure for their commission.

3. In the case of disagreement with the company's decision to conclude a major transaction, taken in accordance with the procedure established by this Law and the company's charter, a shareholder shall have the right to claim purchase by the company of the shares held by him, in accordance with the procedure established by this Law.

#### **Article 71. Interest in the Commission of Company's Transactions**

1. Affiliated persons of a company (henceforth, interested parties), shall be recognised as persons who are interested in the company's commission of a transaction, where:

1) they are a party to the transaction or participate in it as a representative or intermediary;

2) they are affiliated persons of a legal entity which is a party to the transaction or participates in it as a representative of intermediary.

2. The following transactions shall not be recognised as transactions in the commission of which by a company there is a bias:

1) transactions associated with the purchase by a shareholder of shares and other securities of the company, as well as purchase by the company of its outstanding shares;

2) transactions for undertaking obligations on non-disclosure of information containing banking, commercial or law-protected secrets;

3) Restructuring of the company as carried out in accordance with this Law;

4) company's transaction with its affiliated persons, committed in accordance with the Republic of Kazakhstan legislation concerning state purchases;

5) conclusion of agreement between the company and its affiliate the model form of which is established by the legislation of the Republic of Kazakhstan.

#### **Article 72. Disclosure of Interest in the Commission of Company's Transactions**

Persons mentioned in paragraph 1 of Article 71 of this Law shall be obliged to communicate the following information to the board of directors:

- 1) that they are a party to the transaction or participate in it as a representative or agent within three business days;
- 2) on the legal entities to which they are affiliated, in particular on the legal entities in which they independently or in conjunction with their affiliated persons hold ten and more percent of voting shares (unit shares, interest) and on legal entities where they hold positions in governing bodies;
- 3) on current or intended transactions where they may be recognised as interested persons.

#### **Article 73. Requirements to the Procedure for the Conclusion of a Transaction in the Commission of which a Bias Exists**

1. A decision on the conclusion by a company of a transaction in the commission of which there is a bias shall be taken by a simple majority of votes of the board members who are not affected by its commission.

2. A decision on the conclusion by the company of a transaction in the commission of which there is a bias, shall be adopted by the general meeting of shareholders by a majority of votes of the shareholders who are not affected by its conclusion in the following cases:

- 1) where all members of the board of directors of a company are interested persons;
- 2) it is impossible for the board of directors to take a decision on the conclusion of such transaction due to a shortage of votes needed for the adoption of a decision.
3. A decision on the conclusion by the company of a transaction in the commission of which there is a bias shall be taken by the general meeting of shareholders by a simple majority of votes of the total number of the company's voting shares in the case where all members of the company's board of directors and all ordinary shareholders are interested persons.

In that respect, information which is required for the adoption of a motivated decision shall be presented to the general meeting of the company (with attached documents). 4. The company's charter may provide a different procedure for the conclusion of certain transactions in the commission of which a bias exists.

#### **Article 74. Consequences of a company's conclusion of transactions for which special conditions are established**

1. Failure to comply with the requirements stipulated by this Law for major transactions and transactions in which there is an interest, as well as other transactions in violation of the laws of the Republic of Kazakhstan, may entail recognition of these transactions invalid at law on the claim of interested persons in the manner and on the grounds provided by the legislation of the Republic of Kazakhstan.

2. Person interested in conclusion of transaction in violation of the requirements for its execution, and the principles for the officers activity stipulated hereunder shall be liable to the company in the amount of damages caused to the company. Where a transaction is committed by several persons, their liability to the company shall be joint and several.

3. A person who knowingly concluded a major transaction in violation of the requirements established by this Law and the company's charter shall not have the right to require recognition of such transaction as invalid, where such claim is caused by material motives or intention to evade responsibility.

### **CHAPTER 8. COMPANIES' FINANCIAL STATEMENTS AND AUDITING**

#### **Article 75. Companies' Financial Statements**

*1. Excluded in accordance with the Law of the RK dated from 28.02.07 № 235-III;*

2. The procedure for accounting and compilation of financial statements by companies shall be established by the legislation of the Republic of Kazakhstan concerning accounting and financial reporting, accounting standards and international financial reporting standards.

#### **Article 76. Companies Annual Financial Statements**

1. The executive authority shall annually present to the general meeting of shareholders annual financial statements for expired year of which an audit was carried out in accordance with the Republic of Kazakhstan legislation in accordance with the Republic of Kazakhstan legislation concerning auditing for its discussion and approval. Aside from financial statements the executive body shall present to the general meeting of the company an audit opinion.

*2. Excluded in accordance with the Law of the RK dated from 28.02.07 № 235-III;*

3. Annual financial statements shall be subject to preliminary approval by the board of directors not later than thirty days prior to the date of the annual general meeting of shareholders.

The final approval of the company's annual financial statements shall be at the annual general meeting of shareholders.

4. A company shall be obliged annually to publish in mass communication media the annual balance sheet, statements of all movements of capital, statement of cash flows and statement of revenues within the period established by the authorised body.

Information on major transactions and (or) a transaction in which there is an interest shall be disclosed in the explanatory note to the annual financial statements in accordance with the international financial reporting standards, as well as made available to shareholders and investors in accordance with the requirements of article 79 of this Law. Information on the transaction resulted in acquisition or alienation of property in the amount of ten or more percent of the company's assets shall include information on the transaction parties, transaction terms and conditions, nature and shares of interest of the parties involved, as well as other information about the transaction.

**Article 77.** *Excluded in accordance with the Law of the RK dated from 08.07.05 № 72-III*

#### **Article 78. Companies' Audits**

1. A company shall be obliged to have audits of its annual financial statements.

2. A company's audit may be carried out upon the initiative of the board of directors, executive body at the company's expense or pursuant to the requisition of a major shareholder at his expense, in that respect a major shareholder shall have the right independently to appoint an organisation of auditors. In the case of conducting an audit pursuant to demand of a major shareholder the company shall be obliged to disclose all appropriate documentation (materials) requested by the organisation of auditors.

3. Where the company's executive body evades company's audit, such audit may be appointed by a court decision pursuant to a lawsuit of any interested person.

### **CHAPTER 9. DISCLOSURE OF INFORMATION BY COMPANIES. COMPANY'S DOCUMENTS**

#### **Article 79. Disclosure of Information by Company**

1. Company has to communicate to its shareholders and investors information on the following corporate events of the company:

1) decisions taken by the general meeting of shareholders and the board of directors under the list of issues the information on which should be communicated to the shareholders and investors according to the company's internal documents;

2) issuing by the company of shares and other securities and approval by the authorised body of reports on results of placement of company's securities, reports on results of redemption of the company's securities, annulment by the authorised body of the company's securities;

3) commission by the company of major transactions and transactions with an interest;

3-1) pledge (securitization) of the company's property for an amount of five or more percent of the company's assets;

4) receipt by the company of a loan in an amount constituting twenty-five and more percent of the company's equity capital size;

5) obtaining by the company of permits for any activity, suspension or termination of the company's previously obtained permits for any activities;

6) company's participation in foundation of a legal entity;

7) seizure of company's assets;

8) occurrence of circumstances which have extraordinary nature, resulting in destruction of company's assets of which the balance sheet value was ten and more percent of the total value of the company's assets;

9) administrative proceedings against the company and its Officials;

9-1) initiation of proceedings in the court case on the corporate dispute;

10) decisions on enforced Restructuring of the company;

11) other events affecting the interests of shareholders and investors in accordance with the company's articles, and prospectus of the company's securities issue.

*2. Excluded in accordance with the Law of the RK dated from 08.07.05 № 72-III;*

2-1. The public company shall be obliged to place in the corporate web-site information indicated in subparagraphs 1), 2), 3), 4), 5), 6), 7) and 9) of paragraph 1 of this Article.

2-2. The company shall provide placement on the internet resource of depository of financial statements determined in accordance with the laws of the Republic of Kazakhstan on accounting and financial reporting, information on corporate events, annual financial statements and audit reports as well as information about the total amount of remuneration of the members of the executive body on the results of the year, in the manner and in terms established by the regulatory legal act of the authorized body.

Company whose securities are included into the stock exchange list, in addition to the information specified in the first part of this clause, shall provide placement of its financial statements on the internet resource of depository determined under the laws of the Republic of Kazakhstan on accounting and financial reporting, quarterly financial statements, and provides in compliance with its internal documents information on all corporate events and quarterly financial statements to the stock exchange for publication on the internet resource of that stock exchange.

The Company is obliged to place on the corporate web site information on major shareholders, as well as information about the members of the management body of society, combining managerial position or other basic activities in the other legal entity, providing information about their credentials and duties of the other legal entity in the manner determined by the internal documents of the stock exchange.

3. Provision of information on corporate events shall be implemented in compliance with this Law and the company's articles of association.

If this Law and other laws of the Republic of Kazakhstan do not provide release dates (dates of bringing to the notice of shareholders) of information, this information shall be published (made available to shareholders) within three business days from the date of its occurrence.

Information on any proceedings in relation to a corporate dispute has to be provided to shareholders within seven business days from the date the company receives appropriate judicial notice (call) under the corporate dispute in a civil case.

Company ensures obligatory maintenance of a list of the company employees who possess with information constituting an official or trade secret.

#### **Article 80. Companies documents**

1. Companies documents concerning their business shall be kept by the companies during the entire period of their functioning where the executive bodies of such companies are situated, or in another place as determined by their charters. The following documents shall be kept:

- 1) company's charter, amendments and additions that have been introduced to the company's charter;
- 2) minutes of the foundation meetings;
- 3) foundation agreement (decision of the sole founder), amendments and additions introduced to the foundation agreement (decision of the sole founder);
- 4) *excluded in accordance with the Law of the RK dated from 24.12.12 № 60-V;*
- 5) *excluded in accordance with the Law of the RK dated from 19.03.10 № 258-IV;*
- 6) authorization to engage in certain activities and (or) perform certain actions (operations);
- 7) documents confirming the right of the company with regard to the assets which are (were) in its balance sheet;
- 8) prospectuses of the company's securities issues;
- 9) documents confirming the state registration of the company's securities issues, annulment of securities as well as approvals of reports on results of placement and redemption of the company's securities, which were submitted to the authorized body;
- 10) by-laws of the company's affiliates and representations;
- 11) minutes of general meetings of shareholders, minutes on voting results and ballots (including ballots recognized as invalid), materials concerning issues associated with the company's general meetings of shareholders agendas;
- 12) lists of shareholders which are presented for conducting of general meetings of shareholders;
- 13) minutes of meetings (decisions of external sessions) of the board of directors and ballots (including ballots recognized as invalid), materials concerning issues associated with the board of directors agendas;
- 14) minutes of meetings (decisions) of the executive body.
- 15) a corporate management code, if any.

2. Other documents in particular financial statements shall be kept by companies for as long as established by the legislation of the Republic of Kazakhstan.

3. At the request of a shareholder, the company has to provide copies of the documents required pursuant to

this Law, under the procedures determined by the company's Articles, but not later than in ten calendar days from the date of appropriate request receipt by the company, at the same time introduction of restrictions for provision of information is allowed in relation to official, commercial and other secrets protected by the law.

Amount of payment for preparation of copies of documents shall be established by the company and it may not exceed the costs incurred in the making of copies of documents and costs associated with the delivery of such documents to shareholders.

Documents regulating certain matters of issue, placement, negotiation and conversion of securities of the company, which comprise information constituting official, commercial or other law protected secrets, must be presented to the shareholder under his request to be acquainted with.

## **CHAPTER 10. RESTRUCTURING AND LIQUIDATION OF A COMPANY**

### **Article 81. Restructuring of a company**

1. Restructuring of a company (merger, acquisition, appropriation, division, transformation) shall be carried out in accordance with the Civil Code of the Republic of Kazakhstan subject to special considerations established by the legislative acts of the Republic of Kazakhstan.

2. In the case of a company Restructuring by way of division or appropriation, the creditors of the company in Restructuring shall have the right to require premature termination of the obligation where the that company is the debtor, and require compensation for losses.

3. Where in the case of Restructuring, the company terminates its activities, an issue of its shares shall be subject to annulment in accordance with the procedure established by the legislation of the Republic of Kazakhstan.

### **Article 82. Merger of Companies**

1. Emergence of a new company by way of transfer to it of all assets, rights and obligations of two or several companies by terminating their activities on the basis of a merger agreement and in accordance with transfer protocols, shall be recognised as a merger of the companies.

2. Authorized capital of a company created by merger of companies, shall be equal to the sum of shareholders equity of companies to be the reorganized, net of investments of one reorganized company into another reorganized company.

3. The shares of a newly-formed company shall be allocated among the shareholders of the companies reorganised in accordance with the following procedure:

1) number of the announced shares of the newly-formed company to be allocated among the shareholders of each company reorganised shall be determined on the basis of the ratio of equity capitals of those companies;

2) the number of the shares which is to be distributed between shareholders of each reorganised company, determined in accordance with subparagraph 1) of this paragraph, shall be allocated among the shareholders of each reorganised company in proportion with the ratio of the number of shares they have in the reorganised company to the number of the allocated (except for those purchased back) shares of a given company.

3-1. In the event of a merger between the main organization and its subsidiary, one hundred percent of outstanding shares of which belong to the main organization, shares of the new company shall be distributed among the shareholders of the main organization.

4. The board of directors of each reorganised company shall submit to the general meeting of shareholders for its consideration the matter of Restructuring in the form of a merger, state registration of the shares issue of the company that is to be formed as a result of the merger and the procedure for their allocation.

5. A decision on a merger shall be taken at a joint general meeting of shareholders of the companies to be reorganised, by a qualified majority of votes of shareholders of each separate company. Such decision of the general meeting of shareholders must contain the following provisions:

1) on the approval of the merger agreement in which information is presented on the business name, address of each of the companies to be reorganised, procedure for the allocation of shares and other merger conditions;

2) on state registration of the shares issue of the company to be formed as a result of the merger.

6. A merger agreement must be signed by all shareholders of the companies to be reorganised.

The act of transfer shall be signed by the heads of executive bodies and by chief accountants of the reorganized companies and shall be certified by the seals of the companies (if present).

7. The companies to be reorganised shall be obliged to forward to their creditors written notices on Restructuring and to post appropriate announcements in mass communication media. The transfer protocol shall be attached to a notice.

### **Article 83. Acquisition of a company**

1. Termination of activity of a company to be acquired by transfer on the basis of an acquisition agreement and in accordance with the transfer protocol of all assets, rights and obligations of a company to be acquired by another company, shall be recognised as acquisition of a company by another company.

A company which acquires shall acquire the shares of the company to be acquired by way of allocating (selling) to the shareholders of the company to be acquired of their shares in proportion to the ratio of the selling price of the shares of the company to be acquired to the allocation (selling) price of shares of the acquiring company, to be determined in accordance with paragraph 2 of this Article.

After the acquisition of all shares of the merging company the listed shares shall be canceled and the assets, rights and obligations of the merging company shall be transferred to the company, in relation to which the merging process is carried out, in accordance with the act of transfer, which shall be signed by the heads of executive bodies and by chief accountants of the reorganized companies and certified by the seals of the companies (if present).

2. Selling price of shares of a company to be acquired shall be determined on the basis of the ratio of the equity capital of the company to be acquired to the number of its outstanding shares (except for those purchased back by the company).

The allocation (selling) share price of the acquiring company shall be determined on the basis of the ratio of the equity capital of the acquiring company to the number of its outstanding shares (except for those purchased back by the company).

3. The board of directors of a company to be acquired shall lay before the general meeting of shareholders for its consideration the matter of Restructuring in the form of an acquisition, on the procedure, timing and selling price of the shares of the company to be acquired.

The board of directors of the acquiring company shall lay before the general meeting of shareholders for its decision the matter of reorganising the company in the form of an acquisition by it of another company, on the procedure, timing and allocation (selling) price of shares.

4. The decision on merging shall be taken at the joint general meeting of shareholders of the company, in relation to which the merging process is carried out, and of the merged company by a qualified majority of the total voting shares of each company.

The decision on merging of the joint general meeting of shareholders must contain information on the name, the location of each company participating in merging, the sale price for the shares of the merged company, the price of placement (sale) of the shares of the company, in relation to which the merging process is carried out, other conditions and the procedure for merging.

Deed of merger shall be signed by the heads of executive bodies of the reorganized companies.

5. Merging Company, as well as the Surviving company shall undertake to send out to all their creditors a written notice of reorganization through a merger and place a relevant announcement in the mass media. A notice shall be attached by a transfer act and information on the name and location of the Surviving company.

The requirement of written notification to creditors with the application of the transfer act does not apply to the reorganization of banks in the form of a merger, regarding one of which restructuration was implemented in accordance with the Law of the Republic of Kazakhstan "On banks and banking activity in the Republic of Kazakhstan." Information on the reorganization of the banks in the form of a merger, regarding one of which restructuration was implemented, shall be published in the media and on the corporate web-site of the reorganized banks with the time, place and the procedure for familiarization of creditors with the transfer act.

6. The provisions of this article relating to the sale price of the shares of the merged company and the price of placement (sale) of the shares of the company, in relation to which the merging process is carried out (including provisions on the definition, consideration and approval of these prices by the bodies of the company), do not apply to the voluntary reorganization in the form of banks merger, if one of the reorganized banks is a bank in respect to which restructuration was implemented, in accordance with the Law of the Republic of Kazakhstan "On banks and banking activity in the Republic of Kazakhstan."

#### **Article 84. Division of a company**

1. Termination of activity of a company by transfer of all its assets, rights and obligations to newly-emerging companies shall be recognized as division of the company. In that respect, the rights and obligations of the company to be divided shall be transferred to the newly-emerging companies in accordance with the division balance sheet.

The sum of the authorised capitals of joint-stock companies emerging as a result of dividing a company shall be equal to the size of the equity capital of the company to be reorganised.

2. All shareholders of a joint-stock company to be reorganised shall be recognised as shareholders of either company to emerge as a result of division.

Shares of the companies to emerge as a result of division shall be allocated among the shareholders of those companies in a number proportionate to the ratio of the shares number of the company to be reorganised that were held by a shareholder, to the number of outstanding shares of the company to be reorganised (except for those purchased back).

3. The board of directors of a company to be reorganised shall lay before the general meeting of shareholders for its consideration the matters of the company's Restructuring in the form of a split, procedure and conditions of division and the matter of approval of the division balance sheet.

4. The general meeting of shareholders of a company to be reorganised shall take a decision on Restructuring in the form of division, on the procedure and conditions of the division and on the approval of a division balance sheet.

5. A company shall be obliged within two months from the date of the adoption by the general meeting of shareholders of a decision on the division, to forward to all its creditors written notices of division and to post appropriate announcement in mass communication media. The division balance sheet shall be attached to a notice.

#### **Article 85. Appropriation of a company**

1. Formation by a company of one or several companies by transferring to them in accordance with a division balance sheet of a portion of assets, rights and obligations of the company to be reorganised, without terminating its activity shall be recognised as appropriation of a company. In the case of appropriation the authorised capital of a company to be reorganised shall not be subject to reduction.

The reorganised company shall carry out measures associated with the registration of appropriated companies by justice authorities.

2. The company in Restructuring shall be the sole foundation party of a company to be appropriated.

The size of the authorised company of an appropriated company shall be equal to the difference between the assets and liabilities transferred to it by the reorganised company in accordance with a division balance sheet and it must conform to the requirements established by Article 11 of this Law.

*3. Excluded in accordance with the Law of the RK dated from 28.12.11 № 524-IV;*

4. The board of directors of the company to be reorganised shall lay issues of the company Restructuring in the form of appropriation, price of allocation (selling) of shares of the company to be appropriated, procedure and terms of appropriation before the general meeting of shareholders for its consideration as well as a draft division balance sheet.

5. The general meeting of shareholders of the company to be reorganised shall take a decision on Restructuring in the form of appropriation, allocation (selling) price of shares of the company to be appropriated, procedure and terms of appropriation and on the approval of the division balance sheet.

6. A company shall be obliged within two months from the date of adoption by the general meeting of shareholders of a decision on appropriation, to forward to all its creditors written notices on Restructuring in the form of appropriation and to post appropriate announcement in mass communication media. The division balance sheet shall be attached to a notice as well as information on business name, address of each appropriated company.

#### **Article 86. Transformation of a company**

1. A company (except for a non-profit organisation created in the organisational legal form of a joint-stock company) shall have the right to transform itself into a business partnership or a production cooperative, which acquires all the rights and obligations of the company in transformation in accordance with the transfer act.

The company shall be entitled to transform into an autonomous organization of education in accordance with the Law of the Republic of Kazakhstan "On the status of the "Nazarbayev University "," Nazarbayev Intellectual Schools "and the "Nazarbayev Fund ", as well as an autonomous cluster fund in accordance with the

Law of the Republic of Kazakhstan "On the innovation cluster "Park of innovative technologies".

2. The board of directors of company in transformation shall lay before the general meeting of shareholders for its consideration the matter of transforming the company, procedure and terms for the transformation, procedure for valuation of share participation of participants in a business partnership or unit shares of production cooperative members. A unit share of a participant in a business partnership or a share participation of a production cooperative member shall be determined in proportion to the ratio of the number of the company's shares held by a given participant in the company to be reorganised to the total number of outstanding shares of the company (except for those purchased back).

Amount of authorized capital of an economic partnership or manufacturing cooperative shall be equal to the difference between the assets and liabilities transferred to it by the reorganized company according to a transfer certificate, and shall meet the requirements established by the legislative acts of the Republic of Kazakhstan.

3. The general meeting of shareholders of the company in transformation shall take a decision on the company's transformation, procedure and terms for the performance of the transformation, procedure for valuation of a share participation in a business partnership or unit shares of production cooperative members and it shall approve the transfer protocol.

4. The participants of the new legal entity which is formed in the course of transformation, shall adopt at their joint session a decision to approve its foundation documents and election of governing bodies in accordance with the legislative acts of the Republic of Kazakhstan.

5. Persons entered in the list of shareholders, which is made as on the date of cancellation of the issue of shares by the registrar of the company, shall become participants in a new legal entity reorganised from the joint-stock company.

#### **Article 87. The consequences of failure to implement a court decision on enforced restructuring of a company**

1. Where a company's governing bodies authorised to carry out an enforced Restructuring, pursuant to a court decision, in the form of division or appropriation, fail to carry out such Restructuring within the time set forth by such decision, the court shall appoint a trusted administrator meeting the qualification requirements, and it shall entrust to him to carry out the Restructuring in the form of division or appropriation.

2. From the time when the trusted administrator is appointed he shall acquire the powers of the board of directors and general meeting of shareholders with regard to defining the terms of Restructuring, as specified in Articles 84 and 85 of this Law.

3. The trusted administrator acting on behalf of the company shall compile the division balance sheet and submit it to the court for its consideration together with the foundation documents of the companies formed as a result of division or appropriation, approved by the general meeting. The state registration of the companies formed as a result of Restructuring, shall be carried out on the basis of the court decision.

#### **Article 88. Liquidation of a company**

1. A decision on voluntary liquidation of a company shall be taken by the general meeting of shareholders, and it shall define the liquidation procedure in agreement with the creditors and under their supervision in accordance with the legislative acts of the Republic of Kazakhstan.

2. Enforced liquidation of a company shall be carried out by the court, in the cases specified by the legislative acts of the Republic of Kazakhstan.

A claim to liquidate a company may be filed with the court by interested persons, unless otherwise specified by the legislative acts of the Republic of Kazakhstan.

3. The liquidation commission shall be appointed by the decision on liquidation taken by the court or general meeting.

A liquidation commission shall have the powers to manage the company during its liquidation and commit acts of which the list is defined by the legislation of the Republic of Kazakhstan. In the case of a voluntary liquidation, the composition the liquidation commission must comprise representatives of the company's creditors, representatives of major shareholders as well as other persons in accordance with the decision of the general meeting of shareholders.

4. The procedure for the liquidation of a company and the procedure for satisfying the claims of its creditors shall be regulated by the legislation of the Republic of Kazakhstan.

5. In the case of liquidation of a company, its announced shares including outstanding shares, shall be subject to annulment in accordance with the procedure established by the legislation of the Republic of Kazakhstan.

#### **Article 89. Distribution between shareholders of the property of a company in liquidation**

1. Property of the company in liquidation, remaining after satisfying claims of the creditors, shall be distributed by the liquidation commission between the shareholders in accordance with the following sequence:

- 1) first of all, payments on shares that must be purchased in accordance with this Law;
- 2) second, payments of dividends which were accrued but not paid on preference shares;
- 3) third, payments of dividends which were accrued but not paid on ordinary shares. Remaining property shall be distributed between all shareholders in proportion of the number of shares held by them;
- 4) *excluded in accordance with the Law of the RK dated from 08.07.05 №72-III;*
- 5) *excluded in accordance with the Law of the RK dated from 08.07.05 №72-III.*

The remaining assets shall be distributed among all holders of shares in proportion to the number of shares subject to the requirements of paragraph 2 of Article 13 of this Law.

2. Claims of each line shall be satisfied after the full satisfaction of claims of the previous line subject to the requirements of paragraph 2 of Article 13 of this Law.

Where the assets of a company in liquidation are insufficient for the payment of the dividends that were accrued but not paid and for compensation of price of the preference shares, said assets shall be fully distributed among that category of shareholders in proportion to the number of shares they hold.

### **CHAPTER 11. CONCLUDING AND INTERIM PROVISIONS**

#### **Article 90. Interim provisions**

1. Companies formed prior to the entry into force of this Law shall be obliged within three years from the date of entry into force of this Law to introduce appropriate amendments to their foundation documents and to bring the size of the authorised capital of the companies into conformity with Article 10 of this Law, based upon the size of the monthly assessment index as established by the law concerning the Republic's budget for the relevant financial year, as of the date of entry into force of this Law, or to carry out Restructuring of the company or its liquidation.

2. The authorised body shall have the right to petition to the court with an application on enforced liquidation of a company or its Restructuring in the form of transformation in the case of its noncompliance with the requirements established by paragraph 1 of this Article.

3. A company that prior to the entry into force of this Law independently carried out the formation, maintenance and storage of the register of shareholders, shall be obliged to take a decision to select a registrar for the company and to submit to such register the documents which constitute a system of the registers of the company's shareholders shares.

#### **Article 91. The Procedure for the Entry into Force of this law**

1. This Law shall enter into force from the date of its official publication.

2. The Law of 10th July 1998 of the Republic of Kazakhstan "Concerning Joint-Stock Companies" (The Bulletin of the Parliament of the Republic of Kazakhstan, 1998, No. 17-18, i. 223; 1999, No. 20, i. 727; No. 24, i. 1072; 2001, No. 23, i. 321; 2002, No. 10, i. 102) shall be recognised as invalid.

**President of the Republic of Kazakhstan**  
**N. Nazarbayev**