

Rödl & Partner

# CONSCIOUS LEADERSHIP

Corporate Governance Guide for Kazakhstan



# Foreword

Welcome to the Corporate Governance Guide (the “Guide”), a guide to the governance of Limited Liability Partnerships (“LLPs” or the “Partnership”) in the Republic of Kazakhstan (“Kazakhstan”) with foreign participants.

Kazakhstan offers a favourable legal environment for doing business, but effective corporate governance requires not only a thorough understanding of local legislation, including the Civil Code of the Republic of Kazakhstan, the LLP Law and other regulations, but also consideration of specific law enforcement practices and business practices.

This Guide is designed to assist foreign investors, participants and officers of LLPs:

- Understand the legal structure of corporate governance in Kazakhstan.
- Optimise the decision-making process within the LLP’s governing bodies.
- To ensure transparency and efficiency of the Partnership management.
- Minimise the legal and financial risks associated with corporate liability.

The Guide covers key aspects of the operation of an LLP, including the governance structure, powers and responsibilities of officers, decision-making procedures, execution of corporate documents, disclosure of information and corporate control of the Partnership.

We are confident that this Guide will become a reliable tool for effective management of your business in Kazakhstan.



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# 1. Introduction

Conducting business in Kazakhstan through a Limited Liability Partnership requires compliance with local laws and good corporate governance practices.

Understanding local law is important because, in accordance with Article 1100 of the Civil Code of the Republic of Kazakhstan, the legal position of a legal entity is determined by the law of the country of its registration. As the LLP is registered in Kazakhstan, it is subject to the law of the Republic of Kazakhstan.

Thus, the activities of the Partnership, including:

- Rights and responsibilities of participants;
- Management Decision Making;
- Officials' Responsibilities;
- Interaction with state authorities;

are carried out in accordance with the Civil Code of the Republic of Kazakhstan, the LLP Law and other legislative acts of the Republic of Kazakhstan. Our Guide is therefore based on the laws of Kazakhstan.

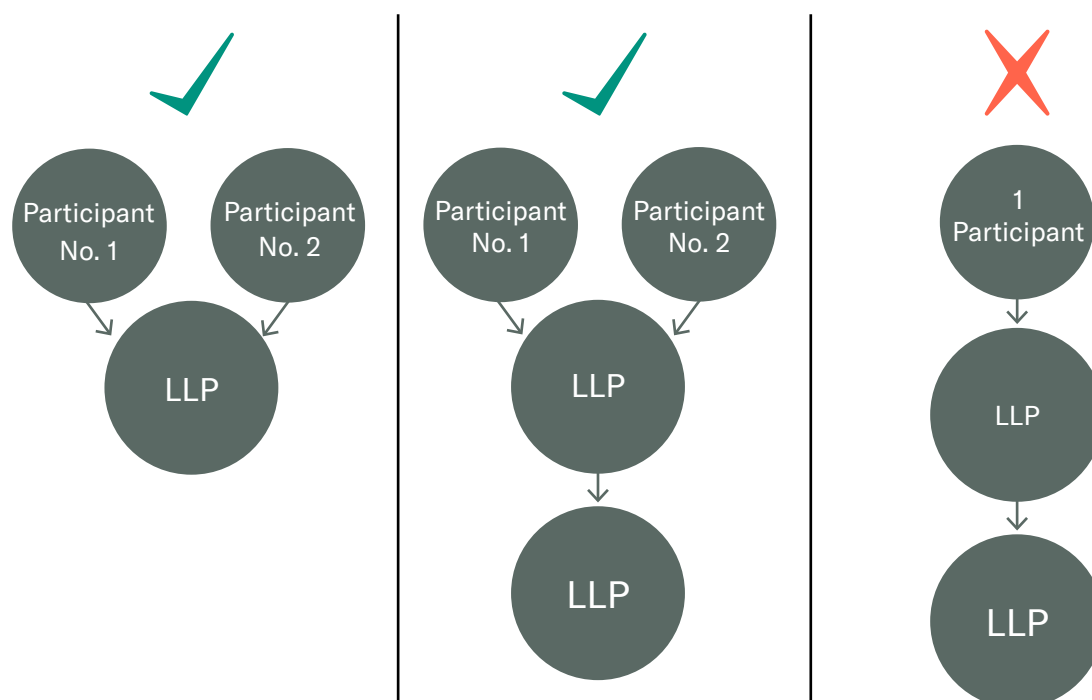
## 2. Status of LLP in Kazakhstan

### 2.1 Definition and legal nature of an LLP

An LLP is a legal entity established by one or more persons, the Charter capital of which is divided into shares determined in the constituent documents – the Charter and / or the Foundation Agreement.

#### Who can be a participant of an LLP?

Participants in an LLP may be both individuals and legal entities, irrespective of whether there is foreign or state participation. However, when establishing a Partnership, it is important to bear in mind that Kazakhstan law does not allow a legal entity to be the sole participant in an LLP that also has only one participant.



Thus, a practical solution to this restriction is to include a minority shareholder, for example, with a 0.1% interest. This will ensure compliance with legal requirements and prevent possible risks associated with the registration of the LLP

If this condition is not met, the registration of the LLP may be rejected, and if the violation is discovered after registration, it may be grounds for invalidation of the registration and subsequent liquidation of the Partnership. Consequently, it is necessary to pay special attention to this circumstance. We strongly recommend that you contact specialists in the field of corporate law and do not fall for tempting offers of “turnkey” company registration at an undervalued price

### Liability of the LLP and its participants

One of the key advantages of an LLP is the limited liability of its participants. The participants bear the risk of loss only to the extent of the value of their contributions to the charter capital. They are not liable for the LLP's obligations, which protects their personal assets from possible claims of creditors or third parties.

In the same way as the participants are not liable for the obligations of the Partnership, the LLP is also not liable for the obligations of the participants. However, the shares of a participant may be encumbered and may be recovered by third parties with claims against the participants themselves.

The Partnership, in its turn, is a commercial organisation, has civil rights and bears obligations related to its activity, necessary to carry out any types of activities not prohibited by the legislation of the Republic of Kazakhstan, and is liable with all its property.

An LLP is therefore a convenient and protected form of doing business, balancing the limited liability of the participants with the corporate protection of the Partnership's assets.

## 2.2 State registration and legal capacity of LLP

In order to conduct business in Kazakhstan, an LLP is subject to mandatory state registration in the State database “Legal Entities”. Once registered, it acquires general legal capacity, which means the ability to carry out any activities not prohibited by law (examples of prohibited activities: illegal trafficking in weapons, ammunition and explosives.).

The key stages of setting up an LLP include:

- Development of constituent documents – Charter and Foundation Agreement, if the Partnership has two or more participants
- Determination of the structure of management bodies (CEO, if necessary – Board of Directors).
- Registration with the authorised body (Ministry of Justice of the Republic of Kazakhstan or the Central Office of the Republic of Kazakhstan).
- Tax registration and registration with statistical authorities.

The legal capacity of the LLP is confirmed:

- The Charter and the Foundation Agreement.
- Certificate of state registration.
- Information from the State database “Legal Entities”.

Since an LLP operates on the basis of its constituent documents, it is important to define the main aspects of its activities at the registration stage. The constituent documents may set out any conditions, not contrary to the law, governing the activities of the Partnership. Among other things, the founding documents establish the management structure of the Partnership. These actions will ensure flexibility in the activities and management of the Partnership.



## 2.3 Firm name and location

An LLP must have a corporate name which must include the words “Limited Liability Partnership” or the abbreviation “LLP”.

The location of an LLP is determined by its registered office address. It is important that this address is used for receiving official notices and carrying out legally significant actions.

### Use of trademarks in the name of the LLP

In addition, when registering an LLP, it is important to take into account that the use of registered trademarks in its name without the permission of their right holder is a violation of legislation. In Kazakhstan, protection of intellectual property is provided by the Civil Code of the Republic of Kazakhstan, the Law of the Republic of Kazakhstan “On Trademarks, Service Marks and Appellations of Origin of Goods”, as well as international agreements such as the Madrid Agreement.

In practice, there are cases when local individuals register LLPs illegally using well-known trademarks of foreign companies in their names. This may mislead consumers and cause damage to the rights holders. To protect its rights, a trademark owner may take a number of actions: file an opposition with the National Institute of Intellectual Property (Kazpatent), apply to the court with a request to forcibly change the name of the LLP and ban the use of the trade mark, and in case of unfair actions initiate administrative or criminal proceedings.

In order to avoid such situations, it is recommended to register a trademark in Kazakhstan in advance, which will allow to promptly suppress attempts of illegal use and protect the interests of the right holder.



### 3. GOVERNING BODIES OF LLP

The management of the LLP is based on a clear organisational structure defined by the legislation of the Republic of Kazakhstan. The corporate structure of the Partnership includes several management levels that ensure a balance between strategic decision-making, operational management and control over financial and economic activities.

**The General Meeting of Participants (or the sole participant)** is the supreme body of the LLP, which determines the key directions of the Partnership's activities. In this body, the participants make the most important decisions: appointing the executive body, approving financial results, amending the charter and deciding on reorganisation or liquidation, and other issues referred to the exclusive competence in accordance with the LLP Law.

**The executive body** is a sole executive body (director, manager) or a collegial executive body (directorate, management board, etc.). It is responsible for running the business, concluding contracts, managing finances and personnel, and ensuring compliance with the law. The executive body acts on behalf of the Partnership and is liable to the participants for its decisions.

**The Supervisory Board (if provided for by the charter)** is an additional control body that may be introduced into the management structure of the Partnership. It is not engaged in operational management but provides oversight over the activities of the executive body, monitors compliance with the interests of the participants, analyses financial performance and strategic development of the business. In the absence of an audit committee, the Partnership's supervisory board has all the rights that belong to the audit committee.

**The Audit Commission (auditor)** is the body responsible for control over the financial and economic activities of the LLP. Its establishment is not mandatory but may be provided for by the charter to enhance corporate transparency.

**Other elements of corporate governance** – mechanisms such as internal audit, etc. can be introduced in LLPs. These tools help to ensure the transparency of the Partnership's work, protect the rights of participants and minimize financial and legal risks.

Thus, the management of an LLP is based on the interaction of different bodies, each of which fulfils its own tasks and has certain responsibilities. In the following chapters, we will examine each of them in detail: their functions, powers and role in the development of the LLP.

It should be taken into account that the competence of the LLP bodies, the procedure for decision-making and acting on behalf of the LLP are determined by the charter of the Partnership.

## 4. GENERAL MEETING OF PARTICIPANTS OR THE SOLE PARTICIPANT OF A LIMITED LIABILITY COMPANY

As stated earlier, a Partnership may have one or more participants. If the LLP has only one participant, the supreme body of the LLP will be the sole participant, and all decisions will be made by the sole participant and will be in writing.

In turn, if the Partnership has several participants, the supreme body of the LLP will be the general meeting of participants. Due to the fact that, in practice, partnerships with foreign participation mostly have several participants, in this Guide we will consider the general meeting of participants as the supreme body of the LLP.

The General Meeting of the Participants plays a key role in making strategic decisions. It is at this level that the Partnership's corporate policy is formed, its development direction is determined, financial results are distributed, and the work of the executive body is controlled.

Any investor interested in managing or protecting its interests in an LLP should understand how a general meeting of participants works, what its powers are and how decisions are made. Kazakhstan law clearly regulates the procedures of the general meeting and guarantees the rights of participants to participate in the management of the Partnership.

To top it all off, it is important for participants to be aware of their rights under the LLP Act, namely, participants of the Partnership are entitled to:

1. participate in the management of the Partnership's affairs in accordance with the procedure provided for by the Law and the Charter of the Partnership.
2. receive information on the activities of the Partnership and familiarize themselves with its accounting and other documentation in accordance with the procedure provided for by the Charter of the Partnership;
3. receive income from the activities of the Partnership in accordance with the Law, constituent documents of the Partnership and decisions of the general meeting of participants;
4. to receive, in the event of liquidation of the Partnership, the value of a part of the property remaining after settlements with creditors or, by agreement of all participants of the Partnership, a part of this property in kind;
5. to terminate participation in the Partnership by alienating its share in the manner prescribed by the Law;
6. to challenge in court the decisions of the bodies of the Partnership that violate their rights provided by the Law and (or) the Charter of the Partnership;
7. participants of the Partnership may also have other rights provided for by the legislation and constituent documents.



## 4.1 Powers of the general meeting of participants

The General Meeting of the Participants of the LLP has exclusive competence, i.e. matters within its authority cannot be delegated to other management bodies.

According to Section 43 of the LLP Act, the general meeting of the participants decides on the following key issues:

1. changing the charter of the LLP, including changing the amount of its charter capital, location and company name, or approving a new version of the LLP charter;
2. formation of the executive body of the partnership and early termination of its powers or the powers of an individual member of the executive body, as well as making a decision on transferring the LLP or its property into trust management and determining the terms of such transfer;
3. election and early termination of the powers of the Supervisory Board and (or) Audit Commission (Auditor) of the LLP, as well as approval of reports and conclusions of the Audit Commission (Auditor) of the LLP;
4. approval of the financial statements and distribution of net income;
5. approval of internal rules, the procedure for their adoption and other documents regulating the internal activities of the LLP, except for documents the approval of which is the competence of other bodies of the LLP under the LLP's charter;
6. decision on the LLP's participation in other business partnerships and non-profit organisations;
7. decision on the reorganisation or liquidation of the LLP;
8. Appointment of a liquidation commission and approval of liquidation balance sheets;
9. a decision to compulsorily buy out a share from a LLP participant;
10. decision to pledge all the property of the LLP;
11. decision on making additional contributions to the property of the LLP;
12. approval of the procedure and terms for providing LLP participants and acquirers of shares with information on LLP activities;
13. decision to approve the conclusion by the LLP of a transaction or a set of interrelated transactions, as a result of which the LLP alienates (may alienate) property, the value of which is fifty-one per cent or more of the total book value of the LLP's assets.

In addition to this, the general meeting of participants may consider any issues related to the activities of the Partnership, even if they do not fall within its exclusive competence. Moreover, based on the exclusive competence, the general meeting of participants, the executive body, the Supervisory Board and other possible bodies of the Partnership are appointed by the resolution of the general meeting of participants.

This allows participants to control important aspects of the business and prevent the executive from making decisions without their approval.

## 4.2 Holding a general meeting

Legislation provides for two main formats for holding a general meeting of participants:

- A face-to-face meeting is a traditional format in which participants gather and discuss the agenda in real time.
- Absentee voting – if the Charter provide for this possibility, participants may vote without being physically present, by signing written resolutions.

For foreign investors, absentee voting can be a convenient tool allowing them to manage the Partnership remotely without having to visit Kazakhstan in person.

The convening of a general meeting of participants may be:

- Regular – held at the time established by the charter, but at least once a year (usually to approve financial statements and distribute profits).
- Extraordinary – may be convened at any time at the request of the participants, the executive body or the Supervisory Board.

The right to convene an extraordinary general meeting of participants shall have:

- Executive Body (General Director).
- Supervisory Board (if established).
- Participants holding at least 10% of the charter capital.

In practice, the general meeting of participants is convened by the executive body; however, if for some reason the executive body is unable or unwilling to convene the general meeting, the participants may convene the general meeting of participants on their own. This is an important safeguard for the participants, as it allows the meeting to be initiated even if there is a conflict with the executive body of the Partnership.

### 4.3 Decision-making by the general meeting of participants

Each participant of the LLP has the following rights guaranteed by law:

- Attend the meeting and participate in the discussion of issues.
- To vote when making decisions (the number of votes of each participant is established by the constituent documents).
- To make suggestions for the agenda.
- To receive information on the activities of the LLP, including financial statements.
- Challenge unlawful decisions of the general meeting of participants in court.

Any restrictions on these rights established by the Charter or other internal documents of the Partnership shall be recognized as invalid.

Usually, in the voting process, the number of votes of a participant corresponds to the share in the charter capital of the Partnership. At the same time, the constituent documents may establish a different procedure for the distribution of votes. For example, it is possible that regardless of the share in the charter capital, each participant has an equal number of votes.

If there are foreign investors among the LLP participants who are unable to attend the general meeting in person, it is possible to represent their interests through consultants on the basis of a power of attorney. This practice helps to protect the interests of foreign participants and minimize potential legal risks.

### 4.4 Challenging decisions of the general meeting of participants

It is important to note that decisions of a general meeting may be invalidated if:

- They were adopted in violation of the procedure for convening and holding the meeting.
- Violate the requirements of the law or statute.
- Adopted without a quorum or in violation of the voting procedure.
- Violate the rights of individual participants.

It is important to follow the procedural procedure in order to challenge, in particular, decisions can only be challenged in court within six months from the date on which the participant became aware of the infringement.

Thus, for example, if the constituent documents establish that a unanimous decision is required on some issues, and such a decision was not taken, the participant whose rights have been violated has the right to challenge the decisions of the general meeting of participants.

## 4.5 Responsibility of participants

As described above, the participants of the Partnership bear the risk of losses related to the activities of the Partnership only to the extent of the value of their contributions to the charter capital. That is, they are mainly limited in their liability to the amount of their contribution, but in certain cases their liability may be extended. Such as for example:

1. In case a participant has not fully contributed to the charter capital, he is jointly and severally liable for the obligations of the Partnership to the extent of the unpaid part of the contribution;
2. If a participant wilfully brings the Partnership into bankruptcy, he may be held subsidiary liable to creditors, third parties and the state;
3. If a participant violates his obligations or causes damage to the Partnership and other participants, it is possible to forcibly seize his share on the basis of a court decision.

## 5. EXECUTIVE BODY OF LLP

The executive body of the LLP is the key element of corporate governance responsible for the day-to-day management of the Partnership. It performs operational management of the LLP, implements strategic decisions adopted by the general meeting of participants and is responsible for the results of economic activities. Its competence includes all issues of ensuring the Partnership's activities that do not fall within the competence of the general meeting of participants or supervisory bodies, as defined by the Law, the Partnership's Charter or rules and other documents adopted by the general meeting of participants.

In accordance with the LLP Law of the Republic of Kazakhstan, the executive body may be sole (general director) or collegial (management board, directorate). In addition, the legislation provides that if an LLP has two or more directors (managers, etc.) who are not united in a collegial executive body, each of such directors (managers, etc.) is entitled to act on behalf of the Partnership without a power of attorney.

The procedure for the activity of the executive body of the Partnership and its decision-making is determined by the Charter of the Partnership, as well as rules and other documents adopted by the general meeting of participants. In other words, the choice of the management structure depends on the founding documents, which ensures flexibility in managing the Partnership's activities.



## 5.1 Powers of the executive body

The Executive Body acts on behalf of the LLP without power of attorney and has the following powers:

- **Operational management of the Partnership** – organisation and control of current activities.
- **Representing the interests of LLP** – negotiating and concluding transactions with counterparties.
- **Disposal of property and finance** – management of assets within the limits set by the charter.
- **Interaction with state authorities** – reporting, fulfilment of tax and administrative obligations.
- **Execution of decisions of the general meeting of participants** – implementation of strategic tasks approved by the participants.

The powers of the executive body may be **limited by the charter or decisions of the general meeting of participants**. For example, the charter may require the approval of the general meeting of participants to enter into major transactions or to raise debt financing.

In addition, the executive body is obliged to avoid conflicts of interest and act solely in the interests of the LLP. For example, a director may not participate in transactions in which he or she has a personal interest without the approval of the general meeting of participants.

The executive body is the main unit of the LLP management, on which the efficiency of the Partnership depends. However, a participant of the LLP has the ability to limit its powers or to challenge any decision made by it.

It should also be taken into account that in Kazakhstan the principle of trust of third parties applies, i.e. in relations with third parties the Partnership has no right to refer to the restrictions on the powers of the executive body established by it. However, the Partnership has the right to challenge the validity of a transaction made by its executive body with a third party in violation of the established restrictions, if it proves that at the time of conclusion of the transaction the third party was aware of such restrictions. Thus, for example, if a director, circumventing the restrictions stipulated in the Charter, made a transaction with a third party, and the third party was unaware of such restrictions due to non-disclosure of information thereon and omission of control on the part of the participants / supervisory board, the obligations arising from this transaction will be valid for the Partnership.

## 5.2. Appointment and term of office

The executive body is formed on the basis of the decision of the general meeting of participants.

- The General Director or members of the Management Board are elected by the General Meeting of Participants for the term established by the Charter, but not more than five years
- An authorised person may be dismissed by resolution of the general meeting of participants at any time.
- Only a natural person may be a member of the executive body.
- A director can be either a participant of the LLP or an outsider.

## 5.3. Responsibility of the executive body

The executive body is liable to the participants and third parties for the decisions taken and their consequences. Legislation provides for several levels of liability:

- Civil law – compensation for losses caused to the Partnership due to inefficient management.
- Administrative – fines for violation of tax, labour or antimonopoly legislation.
- Criminal – liability for deliberate bankruptcy, fraud, tax evasion.

According to the laws of Kazakhstan:

1. Members of the executive body of the Partnership may be held liable at the request of any of the participants of the Partnership for damages caused by them to the Partnership. In this case, they are jointly and severally liable for losses caused by their joint improper management of the Partnership.

2. Members of the executive body of the Partnership may be jointly and severally held liable to third parties for losses incurred by such persons as a result of the insolvency (bankruptcy) of the Partnership caused by improper performance of the management of the Partnership by the members of the executive body.

## 5.4. Control over the executive body

As noted earlier, to prevent abuse and protect the interests of the participants, the LLP may provide for various mechanisms to control the activities of the executive body.

The most common tools include:

- Supervisory Board, which provides strategic oversight of the executive body and evaluates its performance.
- The Audit Commission, which checks the financial and economic activities of the Partnership and compliance with corporate procedures.
- External audit, which allows the involvement of independent specialists to assess financial statements and identify possible risks.
- Outsourcing accounting, which gives an additional level of control over the Partnership's financial flows.

In addition, the charter of an LLP may set out additional methods of control that do not require the establishment of the abovementioned bodies. For example, it may be possible to provide for the obligation of the executive body to agree with the general meeting of participants on the signing of certain contracts or to provide the participants of the Partnership with regular reporting on key financial indicators.

### Interim management as a tool for controlling the economic activity of LLP

When managing an LLP in Kazakhstan, foreign investors typically consider two options for appointing an executive body: appointing a local General Director or employing a foreign national, which requires obtaining a visa, work permit and fulfilling tax obligations. However, there is a different approach – interim management.

In this case, a professional consultant is appointed to the position of the executive body and acts solely on the instructions of the parent company. This option avoids the complexities of visas, work permits and mandatory residency, while ensuring transparent and predictable management of the company.

## 6. EXCURSUS – BUSINESS PROCESS OUTSOURCING AS AN ADDITIONAL INSTRUMENT OF CONTROL

Accounting outsourcing is not only a way to optimize operational processes, but also an effective tool of corporate control. By outsourcing financial accounting to an independent professional company, transparency of bank payments, regular monitoring of cash flow and detailed reporting to LLP participants, including the parent company, are ensured. Monthly reports on financial balances and overall account balances allow participants to quickly monitor the financial stability of the business and make informed management decisions.

Moreover, most Kazakhstan banks allow the introduction of a dual control system when signing payments via online banking. Thus, for example, the signatory can be both the executive body of the LLP and the participant, ensuring signing only in case of double approval. At the same time, the formation of the

payment orders themselves is done solely through the accounting department. That is, the outsourced accountant will only prepare the payment order, while the signing and sending for execution of the order will be left to the signatories specified in the bank.

The choice of the optimal control mechanism depends on the structure of the LLP, the interests of the participants and the scale of the business. Implementation of professional financial monitoring, including outsourcing of accounting, allows not only minimizing corporate risks, but also ensuring full transparency of financial flows, protecting investors' assets.

## 7. SUPERVISORY BOARD AND AUDIT COMMITTEE

The LLP's corporate governance system may include a supervisory board and an audit commission, which fulfil the functions of control over the executive body and the financial and economic activities of the Partnership.

These bodies are not mandatory, but their establishment is provided for by law and may be set out in the charter of the LLP if the participants are interested in greater control and transparency of management.

### 7.1 Supervisory Board: functions and powers

**The Supervisory Board** is a body that may be established to supervise the activities of the executive body and to protect the interests of LLP participants.

#### **The main functions of the supervisory board:**

- Supervising the work of the General Director (Management Board).
- Analyzing the financial performance and efficiency of the business.
- Risk assessment and monitoring the implementation of strategic decisions.
- Consideration of issues related to the conclusion of major transactions and related-party transactions.
- Making recommendations to improve corporate governance.

If the Partnership does not have an audit committee, the Supervisory Board shall, in addition to the above functions, also have the powers of an audit committee.

The Supervisory Board acts and organizes its activities on the basis of the charter of the LLP and decisions of the general meeting of participants.

#### Formation and composition of the Supervisory Board

- Members of the Supervisory Board shall be elected by the General Meeting of Participants for the term established by the Charter, but not more than five years.
- Only individuals may be members of the board.
- Members of the executive body may not sit on the supervisory board to avoid conflicts of interest.
- In voting, each board member has one vote, and decisions are made by majority vote.
- Members of the Supervisory Board are not obliged to be employees of the Partnership.

#### Involvement of external consultants in the Supervisory Board

One of the most effective solutions for ensuring transparent management of an LLP and control over the executive body is to include external advisors with expertise in corporate governance, finance and law



on the supervisory board. This approach allows not only to reduce corporate and legal risks, but also to provide a direct reporting line to the parent organization, which is particularly relevant for foreign investors.

Involvement of consultants in the Supervisory Board offers a number of advantages. Firstly, it is professional monitoring of the executive body's activities based on a deep understanding of legislation and corporate governance practices. Secondly, the consultant can promptly identify legal risks and propose mechanisms to minimize them, which reduces the likelihood of corporate conflicts and financial losses. Thirdly, this format of management allows to build a competent system of corporate reporting, whereby the parent company receives detailed and independent reports on the state of business in Kazakhstan.

In addition, it is worth considering that appointing a foreign representative to the supervisory board requires a visa, work permit and other procedural formalities, which entails additional costs and time. On the other hand, hiring a local consultant specializing in corporate law and business support eliminates these difficulties, while maintaining a high level of control and management transparency.

Thus, the inclusion of a professional consultant on the Supervisory Board is a strategically advantageous decision that allows optimizing control functions, reducing legal and financial risks, and establishing effective interaction between the LLP and its foreign participants.

### Responsibilities of members of the supervisory board

Members of the Supervisory Board are liable for improper exercise of control if their inaction or errors have caused losses to the LLP or third parties. They may be held civilly liable in accordance with corporate law.

The members of the Supervisory Board are officers of the Partnership and bear the same responsibility as the executive body.

## 7.2 Audit Commission: control over the LLP's finances

The Audit Commission in an LLP is a body that ensures control over the financial and economic activities of the executive body. Its establishment is possible by decision of the general meeting of participants and is regulated by the charter of the LLP.

The audit commission may include participants of the LLP or their representatives. The number of members of the commission may not exceed five persons, unless the charter provides otherwise. If the participants consider it inexpedient to establish a collegial body, the functions of the audit commission may be vested in a sole auditor, who may be one of the partners of the partnership or its representative.

The Audit Commission (auditor) has the authority to conduct audits of the financial and economic activities of the executive body at any time. To fulfil its functions, it has unrestricted access to all LLP documentation. Members of the executive body shall be obliged to provide explanations and necessary information at the request of the audit commission (auditor), both verbally and in writing.

Prior to approval of the financial statements by the General Meeting of Participants, the Auditing Committee (Auditor) shall be obliged to audit the financial statements. In the absence of the opinion of the Auditing Committee (Auditor) or the audit report, the General Meeting of Participants shall not be entitled to approve the financial statements.

The procedure for the work of the audit commission (auditor) is determined by the charter of the LLP, as well as internal rules and other documents regulating the LLP's activities. These documents may set out the procedures for conducting audits, the commission's decision-making procedure, the duties of commission members and interaction with other management bodies.

## 7.3 External audit

In addition to internal control, the LLP has the right to engage an independent audit organization to review the financial statements and assess the current state of the Partnership. This mechanism allows the participants to ensure the reliability of accounting data, identify possible risks and ensure the transparency of the business.

The audit organization must be independent, i.e. it must not have any proprietary interests in the LLP and must not be affiliated with its executive body, supervisory board or participants. The terms and procedure for conducting an audit are determined by the charter of the LLP.

### Statutory audit

In a number of cases, legislation obliges LLPs to conduct an external audit of annual financial statements. A mandatory audit is carried out if the following conditions are simultaneously fulfilled:

- The participants include persons holding less than 10% of the charter capital.
- The average annual number of employees exceeds 250 and / or the average annual income of the Partnership exceeds 3,000,000 times the monthly calculation index (MCI) established on 1 January of the relevant year.

Where the LLP is a medium-sized enterprise, a participant holding less than 10 per cent of the shareholding is entitled to request an audit at the expense of the LLP.

Additionally, certain types of business activities may be subject to mandatory auditing due to special legislative acts. In such cases, the Partnership must carry out an audit regardless of the number of employees and the amount of income.

### Participant's right to audit

Regardless of whether an audit is mandatory, any participant of the LLP has the right to initiate an audit at its own expense. This right allows investors to obtain objective information on the financial condition of the Partnership and protect their interests.

The audit of the financial statements is considered by the executive body, which organizes the process and submits the results of the audit to the general meeting of participants for approval.

### Appointment of an audit through the court

If the executive body avoids conducting a mandatory audit or fails to fulfil a participant's request to conduct one, an audit may be ordered by a court decision. The relevant application may be filed:

- Any participant of the LLP.
- Other interested party (e.g., creditor or government agency).

This mechanism protects the rights of the participants and ensures that the audit is carried out even in the event of opposition from the management of the Partnership.

## 8. CONCLUSION

Based on the above, the following conclusions can be drawn: corporate governance in LLPs is the most important tool for ensuring transparency, control and protection of investors' interests. The sustainability of the business, efficiency of decision-making and predictability of corporate processes depend on how well the governance structure is built and corporate mechanisms are fixed.

When establishing an LLP, the competence of each management body should be determined in advance. The general meeting of participants should make strategic decisions, the executive body should be responsible for operational management, and the supervisory board and the audit committee should ensure corporate control. If the delineation of powers, decision-making procedures and control mechanisms are legally correct at the initial stage, the future management of the Partnership will be convenient and predictable.

Transparency of financial reporting is of particular importance. Conducting internal and external audits, introducing audit controls and corporate oversight reduces financial and legal risks and increases the confidence of participants in the LLP's activities.

In turn, comprehensive support of corporate processes, including legal administration of the company's activities, maintenance of corporate documentation and control over compliance with legal requirements, is an integral part of corporate maintenance – a service performed for the investor by advisors. Corporate maintenance helps to minimize regulatory risks, ensure timely fulfilment of corporate obligations and simplify interaction with state authorities. The introduction of effective corporate governance mechanisms, taking into account the requirements of the legislation of the Republic of Kazakhstan, contributes to the stable functioning of the company and the protection of investors' interests.

### Proper planning for the establishment of an LLP

Establishing an LLP presents international companies with many opportunities but also challenges. In particular, the complexity of legal, tax and accounting issues can quickly become overwhelming and put companies at odds. In addition, many international companies face cultural sensitivities at the start of their journey, which also need to be taken into account when entering the Kazakhstan market.

In order to successfully cope with these problems, we offer you a workshop before setting up a company. During the one-and-a-half-hour workshop, we will review all the legal, tax and accounting issues related to market entry and develop practical solutions

- Legal issues: there are many legal issues to consider when setting up a company. We can help you choose the form of company, prepare the necessary documents and obtain all the necessary authorizations.
- Tax issues: The tax requirements associated with your market entry can be complex. We will tell you what taxes applicable, what tax rates are apply and how you can fulfil your tax obligations in Kazakhstan.
- Accounting issues: proper bookkeeping is essential for every company. We can help you set up a suitable accounting system and give you advice on how to make bookkeeping efficient and error-free.
- Migration law issues: when entering the Kazakhstan market, it is important for foreign investors and entrepreneurs to take into account the specifics of migration law. We will look at key aspects of obtaining work permits, visas, residence permits, requirements for foreign employees, as well as possible restrictions and risks.

Over 15 years of presence in the Kazakhstan market, we have assembled a real team of experts who speak several languages and have different backgrounds. We are happy to share our experience and the cultural subtleties of doing business in Kazakhstan.

In line with our principle of interdisciplinarity, we ensure that our clients are supported across the full range of legal, tax and accounting matters. Clients benefit from our wide range of services from a single source, eliminating the need to coordinate the work of several service providers.

By taking part in our workshop, you will be well prepared and will be able to successfully prepare for entering the Kazakhstan market.

# Contact



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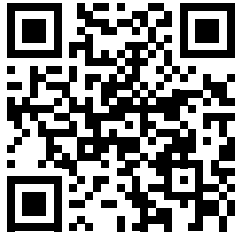
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# About us

Rödl & Partner – The agile caring partner for Mittelstand shaped world market leaders

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