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Formation and Development of Corporate Governance in Kazakhstan and Its Distinctive Features

ABSTRACT. This article examines current issues in the formation and development of corporate governance in Kazakhstan. Its primary aim is to identify the specific conditions and distinctive features of this process and to examine the factors that have influenced the formation of the national model of corporate governance. To this end, the article presents the principal models and principles of corporate governance established in international practice and considers their applicability to the conditions of Kazakhstan. It identifies the main characteristics of Kazakhstan's national model of corporate governance and the principal stages in the development of legislation on joint-stock companies. Particular attention is paid to the principles of transparency and disclosure as important elements of effective corporate governance. A case study of a particular corporation illustrates the implementation of these principles, which enables an assessment of the company's current position and development prospects. The article analyzes the main indicators of corporate governance effectiveness in domestic enterprises and identifies the principal areas in which governance practices can be improved. Based on the results of the analysis, the article offers suggestions for improving corporate governance that take Kazakhstan's specific conditions and characteristics into account. The findings may contribute to a better understanding of the development and practical implementation of corporate governance mechanisms in Kazakhstan.

KEYWORDS: corporate governance, principles, Kazakhstani model, formation and development, conditions and distinctive features, effectiveness indicators.

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Қазақстанда корпоративтік басқарудың қалыптасуы мен дамуы және оның ерекшеліктері

АҢДАТПА. Бұл мақалада Қазақстандағы корпоративтік басқарудың қалыптасуы мен дамуының өзекті мәселелері қарастырылады. Мақаланың негізгі мақсаты – осы үдерістің өзіндік жағдайлары мен ерекшеліктерін анықтау, сондай-ақ корпоративтік басқарудың ұлттық моделінің қалыптасуына әсер еткен факторларды қарастыру. Осы мақсатта мақалада халықаралық тәжірибеде қалыптасқан корпоративтік басқарудың негізгі модельдері мен қағидаттары ұсынылып, олардың Қазақстан жағдайында қолданылу мүмкіндігі қарастырылады. Қазақстанның корпоративтік басқарудың ұлттық моделінің негізгі сипаттамалары және компаниялардың қызметі мен корпоративтік қатынастарды реттейтін акционерлік қоғамдар туралы заңнаманың дамуының негізгі кезеңдері анықталады. Тиімді корпоративтік басқарудың маңызды элементтері және компания қызметін бағалауға қажетті шарттар ретінде ашықтық пен ақпаратты ашу қағидаттарына ерекше назар аударылады. Белгілі бір корпорацияның мысалында осы қағидаттардың іске асырылуы қарастырылады, бұл компанияның қазіргі жағдайын, қолданылатын басқару тетіктерінің тиімділігін және оның одан әрі даму перспективаларын бағалауға мүмкіндік береді. Мақалада отандық кәсіпорындардағы корпоративтік басқару тиімділігінің негізгі көрсеткіштері талданып, қолданыстағы басқару тәжірибесін жетілдірудің негізгі бағыттары анықталады. Талдау нәтижелері негізінде Қазақстанның өзіндік жағдайлары, заңнамасының ерекшеліктері және экономикалық ортасы ескеріле отырып, корпоративтік басқаруды жетілдіру бойынша ұсыныстар беріледі. Зерттеу нәтижелері Қазақстандағы корпоративтік басқару тетіктерінің дамуы мен практикалық іске асырылуын жақсырақ түсінуге ықпал етуі мүмкін.

ТҮЙІН СӨЗДЕР: корпоративтік басқару, қағидаттар, қазақстандық модель, қалыптасуы мен дамуы, жағдайлар мен ерекшеліктер, тиімділік көрсеткіштері.

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Формирование и развитие корпоративного управления в Казахстане и его особенности

АННОТАЦИЯ. В статье рассматриваются актуальные вопросы формирования и развития корпоративного управления в Казахстане. Основная цель статьи заключается в выявлении специфических условий и отличительных особенностей данного процесса, а также в рассмотрении факторов, повлиявших на формирование национальной модели корпоративного управления. Для этого в статье представлены основные модели и принципы корпоративного управления, сформированные в международной практике, и рассматривается их применимость к условиям Казахстана. Определяются основные характеристики национальной модели корпоративного управления Казахстана и основные этапы развития законодательства об акционерных обществах, регулирующего деятельность компаний и корпоративные отношения. Особое внимание уделяется принципам прозрачности и раскрытия информации как важным элементам эффективного корпоративного управления и необходимым условиям для оценки деятельности компании. На примере конкретной корпорации рассматривается реализация данных принципов, что позволяет оценить текущее положение компании, эффективность применяемых механизмов управления и перспективы её дальнейшего развития. В статье анализируются основные показатели эффективности корпоративного управления на отечественных предприятиях и определяются основные направления, в которых существующая практика управления может быть улучшена. На основе результатов анализа предлагаются рекомендации по совершенствованию корпоративного управления с учётом специфических условий, особенностей законодательства и экономической среды Казахстана. Полученные результаты могут способствовать лучшему пониманию развития и практического применения механизмов корпоративного управления в Казахстане.

КЛЮЧЕВЫЕ СЛОВА: корпоративное управление, принципы, казахстанская модель, формирование и развитие, условия и отличительные особенности, показатели эффективности.

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INTRODUCTION

Corporations form the backbone of Kazakhstan's real economy. In the east of the country, these include major mining, metallurgical and other enterprises, such as Kazzinc LLP, Ust-Kamenogorsk Titanium and Magnesium Plant JSC (UKTMP), Ulba Metallurgical Plant JSC (UMP), Vostoktsvetmet LLP, Ust-Kamenogorsk Industrial Valves Plant JSC, Bukhtarma Cement Company JSC, and United Energy Service Company JSC (UESC).

This role reflects the well-known advantages of corporations over other forms of business organization: a substantial increase in the amount of invested capital; shareholders' limited liability for corporate obligations; continuity of existence, organizational stability and management succession; and greater operational efficiency through the appointment of professional managers.

Corporate performance is determined primarily by the system of governance. This makes it particularly relevant to study corporate governance, the distinctive features of its models in different countries, including Kazakhstan, and opportunities for its development and improvement under present-day conditions.

The purpose of this article is to examine the distinctive features of the emergence of corporate governance in Kazakhstani enterprises and identify opportunities for its further improvement.

To achieve this purpose, the following objectives must be addressed:

– to examine the nature and principles of corporate governance in enterprises;

– to describe the principal national models of corporate governance abroad;

– to identify the stages in the formation and development of Kazakhstan's corporate governance model;

– to highlight the key features of the emergence of this model;

– to characterize indicators of corporate governance effectiveness in domestic enterprises;

– to propose opportunities for more comprehensive implementation of selected corporate governance principles in major enterprises in the East Kazakhstan Region.

LITERATURE REVIEW

In the international economic literature, the Americans A. Berle and G. Means, who described the separation of ownership (shareholders) and control (managers) in 1932, are generally regarded as the pioneers of corporate governance research.

Corporate governance studies by M. Aoki, Y. Arikawa, L. Bebchuk, A. Cadbury, L. Enriques, E. Fama, A. Hatchuel, M. Jensen, C. Mayer, W. Meckling, H. Miyajima, T. Okazaki, M. Porter, H. Schmalen, M. Stiglbauer, P. Velte, A. von Werder, A. Zattoni and many other authors from the United States, Germany, Japan and other countries have gained widespread recognition.

The general theory of corporate governance has now been developed comprehensively and in considerable depth, forming a coherent body of knowledge reflected in textbooks. These systematically describe the nature and scope of corporate governance, its principles and models, its main governing bodies and participants, its mechanisms and standards, forms of corporate control, corporate social responsibility, and related issues. Numerous publications also examine corporate governance in particular countries.

Such publications have also appeared in Kazakhstan, especially over the past two decades.

For example, the article "Theory and Practice of Implementing a Corporate Governance Strategy in Kazakhstan" by G. Zh. Baybosynova, B. O. Kazybayev, A. A. Adeshova, S. A. Abildakhanova and A. R. Kalymbetova discusses the foundations of Kazakhstan's corporate governance legislation and practical experience in the country. It identifies several problems in the governance of joint-stock companies, as well as the key factors affecting the emergence of corporate governance in Kazakhstan (Baybosynova et al., 2022).

Zh. Bekpayeva and her co-authors examine the main trends in corporate governance development through the prism of domestic and international experience. They also trace the history of corporate governance in Kazakhstan and assess its impact on company performance (Bekpayeva et al., 2022).

In “Analysis of National Corporate Governance Models from a Value Approach,” R. Ashimova and E. Nessipbekov describe the principal corporate governance models known worldwide, identify the strengths and weaknesses of the Kazakhstani model, and outline its development prospects (Ashimova & Nessipbekov, 2022).

A. Musina also focuses on the emergence of Kazakhstan’s contemporary national model of corporate governance. Her study identifies problems in the governance of joint-stock companies in Kazakhstan and the main factors influencing the formation of the national corporate governance model (Musina, 2022).

G. Tlegenova and A. Kizdarbekova examine the implementation of corporate governance principles in Kazakhstani business. In particular, their article describes the National Corporate Governance Code, identifies several problems in corporate governance in Kazakhstan, and offers recommendations for addressing them (Tlegenova & Kizdarbekova, 2025).

L. Yedrissova conducts a comparative analysis of the evolution of corporate legislation in the Republic of Kazakhstan and the Russian Federation from the 1990s to the present. She makes an interesting attempt to identify the main periods in its development in Kazakhstan and offers proposals for improving the relevant domestic legislation (Yedrissova, 2026).

E. Beisengaliev and his co-authors analyze the distinctive features of corporate governance transformation in the context of the digitalization of the modern economy. Using examples from oil and gas companies, they compare Kazakhstani and international practices and substantiate the need to consider national characteristics of corporate governance (Beisengaliev et al., 2025).

U. Shukeyev’s article describes the history of the formation and development of corporate governance in Kazakhstan, primarily through the example of the Samruk-Kazyna Sovereign Wealth Fund. It examines the operating mechanisms and effectiveness of the corporate governance system of a particular enterprise (Shukeyev, 2023).

Nevertheless, in our view, the distinctive features of the formation and development of corporate governance in Kazakhstan require a more detailed and systematic examination.

The scientific novelty of this study lies in its attempt to independently identify the principal stages in the emergence of corporate governance in the country, distinguish and systematize the key features of this process, and examine the implementation of selected corporate governance principles in leading enterprises in East Kazakhstan. Its practical significance lies in the opportunities it identifies for improving corporate governance in the country while taking into account its specific conditions and the distinctive features of Kazakhstan’s national corporate governance model.

MATERIALS AND METHODS

Research by Kazakhstani scholars in the field of corporate governance provides the methodological and theoretical foundation for this article.

The study of the formation and development of corporate governance in Kazakhstan primarily employs general scientific methods, including analysis and synthesis, induction and deduction. A comparative analysis of the principal corporate governance models used worldwide is conducted, together with a comparison of Kazakhstan’s national model against the corporate governance principles adopted by the Organisation for Economic Co-operation and Development (OECD). Historical and logical methods are used to analyze the development of Kazakhstan’s legislation on joint-stock companies and identify the stages of this process.

Methods of scientific abstraction are used to identify the distinctive features of the formation and development of corporate governance in Kazakhstan.

The method of concretization is applied through the case of UESC JSC, a major corporation in East Kazakhstan. Its corporate governance effectiveness indicators are assessed through the collection, analysis and synthesis of statistical reporting data for a five-year period (2020–2024). Trends in these indicators are illustrated in tables and graphs.

Corporate governance was initially understood as a system of rules, processes and measures through which an enterprise was managed by professional managers and controlled by its owners.

Over time, the concept has expanded considerably. In its contemporary sense, corporate governance is a tool for establishing effective interaction not only between owners (shareholders) and managers, but also with other participants in corporate relationships: stakeholders. These generally include "key actors with an 'interest' in the company: the state; management (the owner and the regulatory body); employees; investors (creditors); and customers" (Baybosynova et al., 2022, p. 265).

It is also widely recognized that corporate governance now facilitates effective strategic and day-to-day operational decision-making, sustainable corporate development, risk reduction, broader access to capital markets and investment on more favorable terms, and an improved corporate reputation.

Despite differences and country-specific characteristics in corporate governance, researchers generally distinguish several principal models in contemporary international practice. The most frequently identified are, first, the American (Anglo-Saxon or shareholder) model; second, the German (European or continental) model; and third, the Japanese (collectivist) model (Ashimova & Nessipbekov, 2022, p. 108).

The American corporate governance model is used primarily in the United States, the United Kingdom, Australia and Canada. The German model is applied principally in Germany, as well as in other European countries, including Austria, the Czech Republic, the Netherlands and Denmark. The Japanese corporate governance model, which emerged after the American and German models, is widespread in Southeast Asian countries.

The most important characteristics of these corporate governance models and the differences between them are presented in Table 1.

Table 1. Key Differences between the Principal Corporate Governance Models

Criterion	American model	German model	Japanese model
Ownership	Dispersed	Concentrated	Cross-shareholdings within financial-industrial groups (keiretsu)
Orientation	Shareholders (shareholder value), including minority shareholders	All stakeholders	Group stakeholders (keiretsu)
Interaction	Between corporations and small investors	Between corporations and banks	Between corporations
Banks	Creditors	Major shareholders	Main relationship bank
Role of the state	Strict statutory regulation of corporate activities	Statutory protection of the interests of large and medium-sized shareholders and company employees	The state acts as the principal coordinator of group strategy (keiretsu)
Information disclosure (to investors)	High level	Relatively low transparency	Substantial restrictions on disclosure
Note – compiled by authors			

Even a comparison of the three principal corporate governance models demonstrates that the same instrument can be implemented in diverse ways. International experience shows that each country has its own national corporate governance model. As a rule, however, it incorporates mechanisms and elements of the American, German and Japanese models, often in a unique combination.

Kazakhstan is developing its own national corporate governance model, taking into account the country's economic, social, legal, cultural, political and other characteristics. It is not, and should not be, a simple copy of the American, German, Japanese or any other model developed under different conditions. Certain elements and mechanisms of these models can, of course, be used in Kazakhstan

and are already being applied, since the foundations of corporate governance are common to all countries.

Kazakhstan's first Law "On Business Partnerships and Joint-Stock Companies" was adopted in 1991, when the country was still the Kazakh SSR. In particular, it laid the foundations of joint-stock company law by defining joint-stock companies, regulating their operations, and establishing procedures for the formation of charter capital, shareholder liability and related matters.

This was followed in 1995 by the Decree of the President of the Republic of Kazakhstan "On Business Partnerships," which also regulated joint-stock companies, still treated at that time as a type of business partnership.

In 1998, the Law of the Republic of Kazakhstan "On Joint Stock Companies" was adopted. It separated joint-stock companies from the various forms of partnership and recognized them for the first time as a distinct legal category.

These legislative acts effectively laid the foundation for corporate governance in Kazakhstan.

The emergence of contemporary corporate governance is associated primarily with the adoption in 2003 of the new Law of the Republic of Kazakhstan "On Joint Stock Companies" (Law of the Republic of Kazakhstan, 2003).

This law, which remains in force, defines the legal status and characteristics of a joint-stock company, including its charter capital and constituent documents; shareholders' rights to participate in governance, receive dividends and obtain information; the governance structure (the general meeting of shareholders, the board of directors and the executive body); and the protection of shareholders' rights and their exercise of oversight.

The law has been amended and supplemented repeatedly, as needed, to improve corporate governance in the country's enterprises. It thus provides the legal framework for the operation and development of companies, generally large ones, and contributes to strengthening Kazakhstan's economy.

The Kazakhstani corporate governance model that has emerged to date has both positive aspects (strengths) and negative aspects (weaknesses). These have been described by several domestic authors, particularly R. Ashimova and E. Nessipbekov.

In their view, its positive aspects include the following:

– the state "insures" corporations against the most significant risks;

– a relatively simple system of oversight of corporate activities has been established;

– there is substantial potential to mobilize private savings through shares, banks and other channels for subsequent use in the corporate sector of the economy.

The negative aspects of Kazakhstan's corporate governance model include:

– high concentration of capital;

– insufficient use of private investment;

– the state's role as the principal risk bearer;

– ineffective mechanisms for the redistribution of ownership;

– a high proportion of affiliated parties among owners;

– low transparency of information on corporate activities. (Ashimova & Nessipbekov, 2022, p. 112)

Corporate governance in any modern company rests on fundamental principles developed through international practice. These were first formalized and adopted by the OECD in 1999 as the "OECD Principles of Corporate Governance" (OECD, 1999). The principles are intended to help companies develop effective corporate governance and are advisory in nature. They include:

1. Fairness. Corporate governance should protect shareholders' rights and ensure equitable treatment of all shareholders, including minority and foreign shareholders.

2. Responsibility. Corporate governance should recognize legally established rights and encourage active cooperation between the company and its stakeholders to create jobs and ensure corporate sustainability.

3. Transparency. Corporate governance should ensure the timely and simultaneous disclosure of reliable information on all material matters concerning the company, including its financial position, performance, ownership and governance structure.

4. Accountability. Corporate governance should ensure strategic guidance of the company, effective monitoring of management by the board of directors, and the board's accountability to shareholders (Lozik et al., 2019, pp. 149–150).

In subsequent years, the OECD Principles of Corporate Governance have been revised repeatedly in response to global developments. For example, the latest edition (2023) takes into account the impact of climate risks, digitalization and the role of large investment funds (OECD, 2023).

Accordingly, the document introduces new emphases and distinctive provisions:

– Sustainable development and ESG (Environmental, Social and Governance).

A sustainability principle has been introduced. Accordingly, corporate governing bodies are now required to consider the environmental and social impact of business when managing risks. Companies should disclose climate-related information as well as financial information.

– Protection of stakeholder interests.

The role of stakeholders has been expanded. A recommendation has been introduced to protect workers' rights to freedom of association and participation in enterprise governance. Mechanisms have been introduced to protect whistleblowers–people who report misconduct within a company.

– Digitalization and cybersecurity.

The board of directors is required to consider cyber risks and oversee the company's digital security. Standards for holding virtual (online) shareholder meetings have also been established.

– The role of institutional investors.

Investment funds have also become shareholders and have begun to engage in company affairs, disclose their stewardship policies and participate actively in voting. Proxy advisers, who advise these funds on how to vote, have also appeared in the governance arrangements of many companies.

– Ownership structures and company groups.

Significantly greater attention is paid to the transparency of ownership chains, with the aim of preventing the concealment of beneficial owners through complex corporate structures or offshore entities.

Particular attention should be paid to the use of artificial intelligence, which has become an increasingly relevant trend in the implementation of corporate governance principles in recent years.

Thus, under present-day conditions, corporate governance is implemented in accordance with principles that are continually changing and developing.

RESULTS AND DISCUSSION

The emergence and formation of corporations and, consequently, of a national corporate governance model in Kazakhstan took place under specific conditions that differed substantially from those in the United States, Europe, Japan and elsewhere.

First, corporations emerged after Kazakhstan gained independence, during the transition from a centrally planned economy to a market economy through the reduction of state ownership and the mass privatization of state-owned enterprises, which had completely dominated the Soviet economy. Kazakhstan lacked both the necessary practical experience of such transformations and practitioners with the relevant expertise.

In the developed economies, these processes unfolded through a natural "evolutionary" path under market conditions.

Second, Kazakhstan's corporate sector was effectively created at an accelerated pace within a historically short period. Even now, as corporations continue to develop, the history of corporate governance in the country spans only about 35 years.

By comparison, corporations (joint-stock companies) have existed in Europe since the seventeenth century, in the United States since the early nineteenth century, and in Japan since the late nineteenth century.

Third, the need to establish corporations in Kazakhstan was driven not only by the interests of the state and domestic capital, but also by external factors. Foreign investors entered the country's key industries, attracted by highly profitable mineral extraction, particularly oil production, metal production and related activities. An agreement to establish Tengizchevroil was signed with foreign investors in 1993, followed by agreements on Karachaganak and Kashagan in 1997, among others. Major foreign shareholders acquired stakes in Kazzinc LLP and UKTMP JSC, two key enterprises in the East Kazakhstan Region, in 1997–1998. Accordingly, these investors undertook corporate institution-building in Kazakhstan, with all the associated implications for profit sharing, staffing, the environment and other matters.

In the United States, Japan and European countries, corporations were established on the basis of domestic capital and personnel.

Fourth, the late emergence of corporations in Kazakhstan and the substantial role of foreign capital in several sectors of its economy created broad opportunities to draw on international experience in corporate legislation, enterprise governance and the training of relevant professionals.

Moreover, various projects to promote the wider adoption and use of corporate governance were implemented in Kazakhstan with the participation of international organizations. These included projects by the Center for International Private Enterprise (2001–2002) and the International Finance Corporation (IFC) on corporate governance in Central Asia and Kazakhstan (2006–2009) (Shukeyev, 2023, p. 350). They provided additional impetus for the complex transformations underway.

Overall, in our view, the formation and development of corporate governance in Kazakhstan can be broadly divided into two periods from a legislative perspective:

The first period, 1991–2002: the emergence and formation of joint-stock company law in Kazakhstan, including provisions on corporate governance.

The second period, from 2003 to the present: the adoption and refinement of the Law of the Republic of Kazakhstan "On Joint Stock Companies," and the development of corporate governance in the country's enterprises.

The specific conditions under which corporate governance emerged in Kazakhstan, in turn, shaped several of its distinctive features. We addressed some of these at the XII International Scientific and Technical Conference of Students, Master's Students, Doctoral Candidates, and Young Scientists, held at D. Serikbayev East Kazakhstan Technical University in 2026, and discussed them in the corresponding article (Devyatkin & Bystrov, 2020).

As noted, these distinctive features include the following:

1. Distinctive sources of investment for a substantial proportion of Kazakhstani corporations.

Given the specific conditions that have developed, the state is their principal investor in Kazakhstan. By contrast, funding sources traditionally important in developed countries–private investment, bank financing, other institutional investors such as insurance companies and pension funds, and the stock market–play a substantially smaller role.

In the United States, Germany and Japan, for example, the structure of corporate investment sources is fundamentally different, effectively the reverse.

This affects both corporate activities as a whole and corporate governance.

2. The distinctive role of the state in relation to corporations.

Kazakhstan has a large number of state-owned and quasi-state corporations. The state also often holds substantial equity stakes in other corporations. This corporate sector interacts closely with, and is intertwined with, other state-owned enterprises. The Samruk-Kazyna Sovereign Wealth Fund plays an important role in its governance.

In developed countries, by contrast, the state's role in relation to corporations is relatively limited and generally consists primarily of statutory regulation of corporate activities.

3. The important role of managers with civil service backgrounds in Kazakhstani corporations.

Since corporations first emerged in Kazakhstan, managers recruited from the civil service have played a major role in their governance. These managers have extensive and enduring ties with government officials, including those responsible for personnel decisions, the allocation of funds and related matters. In practice, such managers and officials may prioritize their personal interests over

corporate and state interests. This creates “hidden” conflicts of interest that result in inefficient managerial decisions and may even harm Kazakhstani corporations. Such practices are difficult to counter.

Similar situations also occur in the United States, European countries, Japan and other developed economies, but on a different scale; they are strictly regulated by law and generally disapproved of by society.

4. Distinctive patterns of share distribution and ownership in Kazakhstani corporations.

The previously noted characteristics of initial capital accumulation–the transfer of state-owned enterprises to private owners during privatization and the involvement of government bodies in establishing corporations–led to the concentration of shares among a small number of major owners, including the state. In other words, capital concentration in Kazakhstan is very high, while the number of shareholders is small.

In developed countries, particularly the United States, by contrast, there are many shareholders, including minority shareholders whose rights are protected.

5. A high degree of centralization in corporate governance.

This feature is reflected in a relatively rigid hierarchy among corporate governing bodies at different levels and the comparatively limited autonomy of company divisions. It can amplify the adverse consequences of senior managers’ errors and reduce the effectiveness of corporate governance (Linok & Linok, 2026, p. 309).

Thus, corporations and corporate governance in Kazakhstan have distinctive features arising from the particular conditions that have developed in the country.

These features must be considered when improving corporate governance in domestic companies. At the same time, such improvements should draw on international experience in implementing contemporary corporate governance principles.

Efforts to improve corporate governance in Kazakhstani enterprises take into account both its current state and problems, and changes in the global economy, including the evolution of corporate governance principles. Considerable attention is paid to transparency and disclosure, accountability, digitalization, compliance with ESG standards, and related issues.

In particular, Kazakhstan has made substantial progress in disclosing information about domestic and foreign companies, ensuring a relatively high overall level of transparency concerning their activities and results. For example, the websites of major enterprises in East Kazakhstan–UKTMP JSC, Kazzinc LLP, UMP JSC, Vostoktsvetmet LLP, Ust-Kamenogorsk Industrial Valves Plant JSC and others–provide general information about the company, its mission and priorities, its principal activities and key performance indicators, together with sections such as “Customers” and “Procurement.”

As a rule, there is also a separate “Corporate Governance” section containing items such as “Shareholder,” “Board of Directors,” “Management Board” and “Annual Reports.”

This enables any stakeholder to make a reasonably objective assessment of a company’s position and performance, including the effectiveness of its corporate governance. For example, the “Corporate Governance” section of the website of United Energy Service Company JSC, one of the key energy enterprises in East Kazakhstan, provides publicly available information on revenue, cost of sales, profit and other important economic indicators.

As a practical example, Table 2 presents actual data on UESC JSC’s gross profit for 2020–2024, taken from the annual reports published on its website (United Energy Service Company JSC, n.d.). The figures are expressed in current prices and have not been adjusted for inflation.

Table 2. Gross Profit of UESC JSC, 2020–2024

Indicator	Years				
	2020	2021	2022	2023	2024
Gross profit, KZT million	3712.9	4991.6	7504.4	8569.3	13464.8

Analysis of the data shows the following:

The company's gross profit increased steadily over 2020–2024, from KZT 3,713 million in 2020 to KZT 13,465 million in 2024. The increase in 2024 compared with 2020 amounted to KZT 9,752 million, or 262.6%. Thus, UESC JSC's gross profit rose to more than 3.6 times its initial level over the five-year period.

The growth in the company's profit is illustrated in Figure 1.

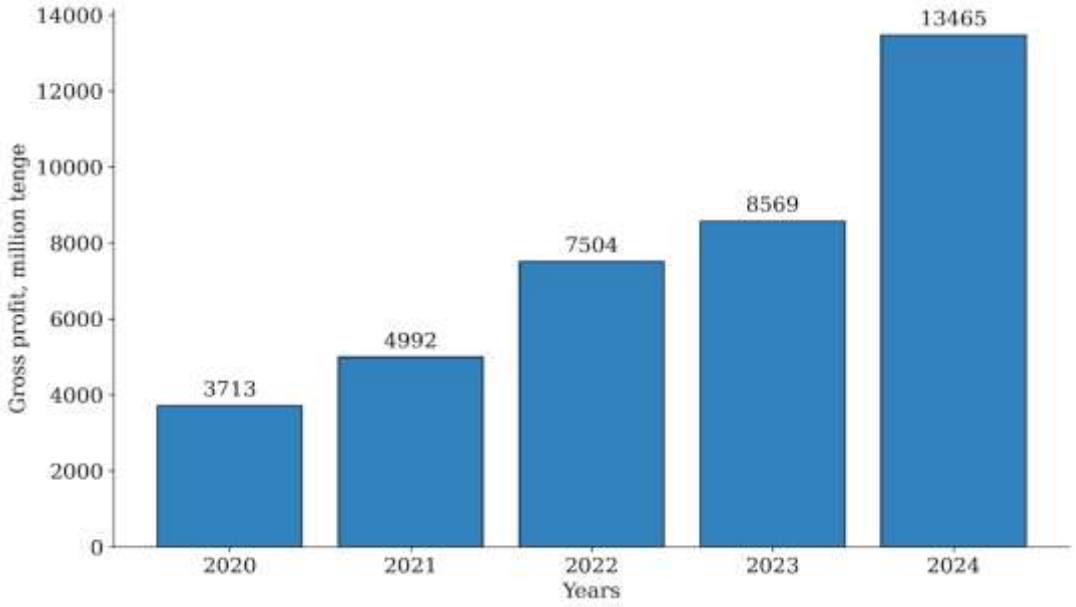


Figure 1. Growth in UESC JSC's Profit (2020–2024)

Overall, the substantial and sustained growth in profit over this period indicates a highly effective corporate governance system at the company.

The literature offers various approaches to assessing corporate governance effectiveness in enterprises (Syue & Li, 2024). In practice, it is usually assessed using resource productivity indicators, which measure the output obtained from a particular resource relative to the associated input (Devyatkin & Bystrov, 2020, p. 548). These indicators are understandable, convenient to calculate and analyze, reasonably objective, and familiar to practitioners in production enterprises.

Accordingly, other important indicators of the performance of UESC JSC and its corporate governance system include fixed asset turnover, average annual output per employee, and return on sales.

Table 3 presents the calculated values of these indicators for 2020–2024. They are also expressed in current prices. Monetary values are likewise used in calculating profitability.

Table 3. Key Performance Indicators of UESC JSC, 2020–2024

Indicators	Years				
	2020	2021	2022	2023	2024
Fixed asset turnover, KZT million	0.74	0.71	0.60	0.64	0.81
Average annual output per employee, KZT million	7.59	9.44	10.67	12.13	15.97
Return on sales, %	16.60	17.75	23.67	23.71	27.18

First, analysis of the calculated data shows the following:

During 2020-2024, fixed asset turnover initially declined from KZT 0.74 million in 2020 to KZT 0.71 million in 2021 and KZT 0.60 million in 2022. It then increased from KZT 0.60 million in 2022 to KZT 0.64 million in 2023 and KZT 0.81 million in 2024. Overall, fixed asset turnover in 2024 was KZT 0.07 million higher than in 2020.

Changes in fixed asset turnover as an indicator of company performance are illustrated in Figure 2.

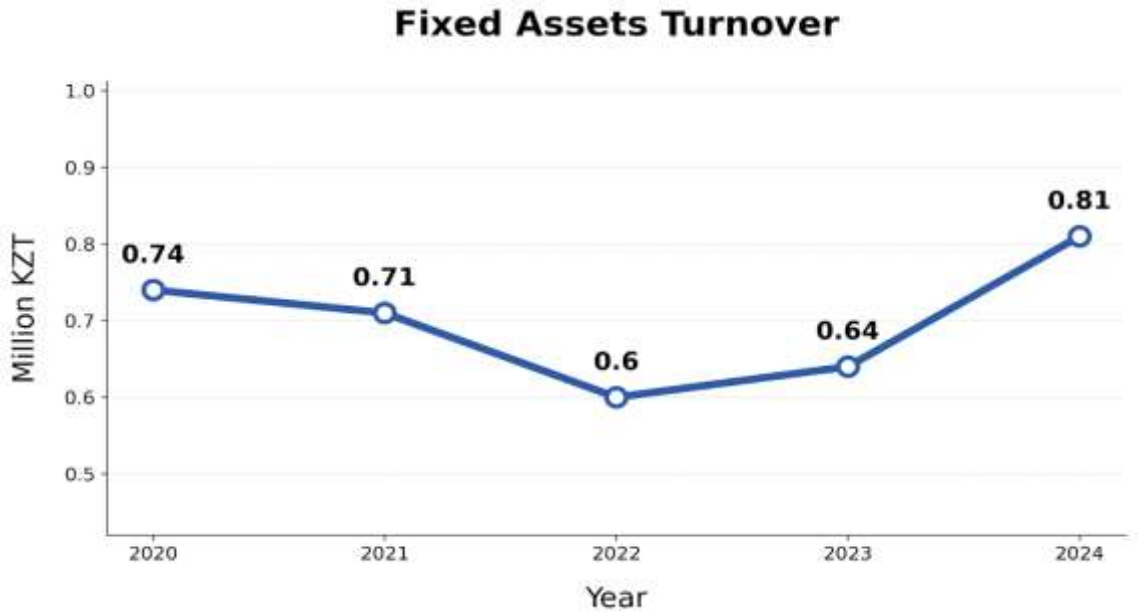


Figure 2. Changes in Fixed Asset Turnover

Second, average annual output per employee increased every year during this period, from KZT 7.59 million in 2020 to KZT 15.97 million in 2024. Labor productivity increased by KZT 8.38 million, reaching more than 2.1 times its initial level. This represents a very high level of performance improvement.

Changes in average annual output per employee are illustrated in Figure 3.

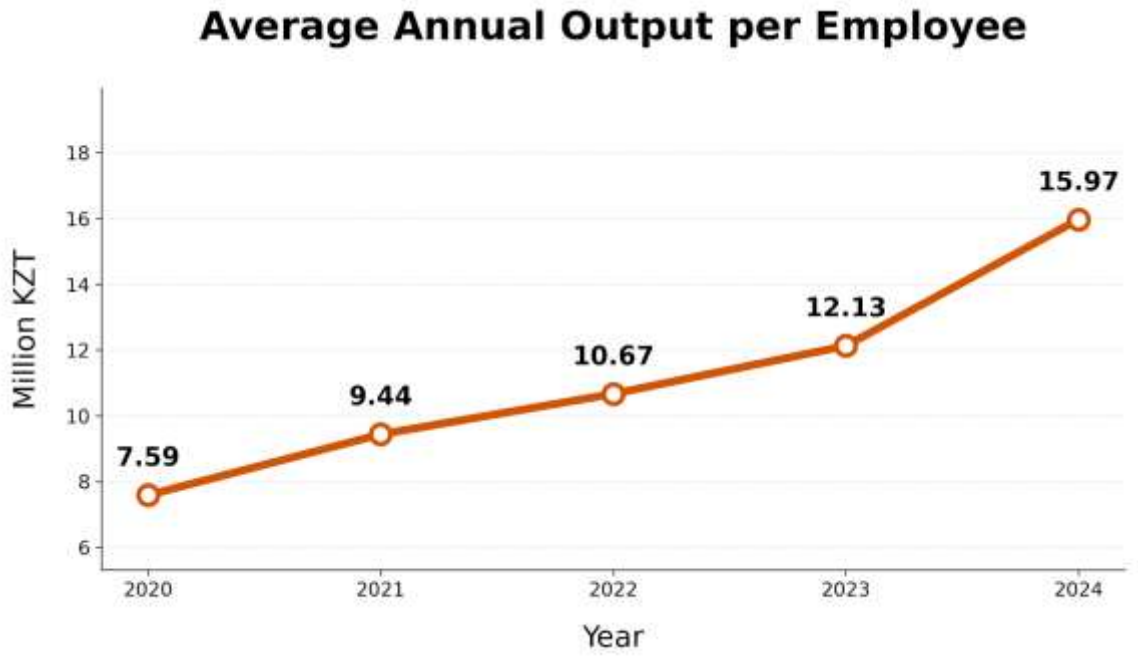


Figure 3. Changes in Average Annual Output per Employee

Third, return on sales based on gross profit (gross profit margin) showed a positive trend in 2020-2024. The indicator increased steadily from 16.60% in 2020 to 27.18% in 2024. The total increase in profitability over these years was 10.58%.

Figure 4 illustrates changes in this indicator.

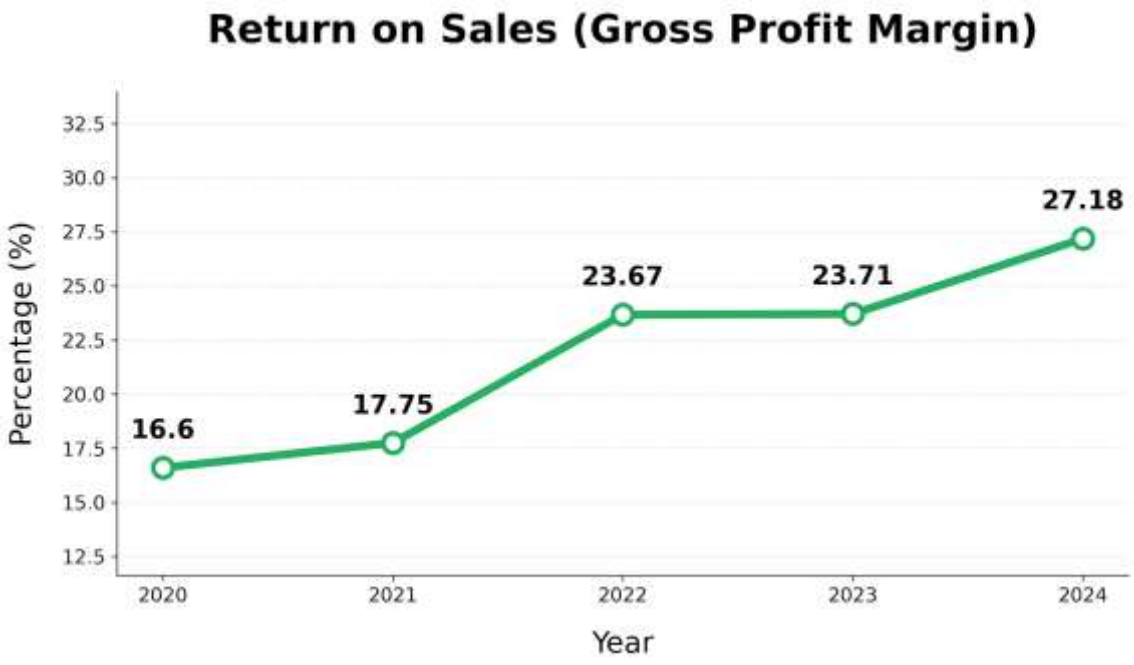


Figure 4. Changes in Return on Sales

Thus, this specific example demonstrates a sufficient degree of openness among Kazakhstani companies and shows that their key economic performance indicators can be analyzed.

In our view, to improve corporate transparency and disclosure, it would be advisable to standardize, expand and provide greater detail in the "Corporate Governance" section of company websites.

Drawing on domestic and international experience, the following items could be included or expanded in the "Corporate Governance" section:

– "Shareholders" ("Sole Shareholder").
– "Board of Directors."
– "Board of Directors Meetings."
– "Corporate Secretary."
– "Internal Audit Service."
– "Security Service."
– "Management Board."
– "Annual Reports."

Where appropriate, the following items could also be added to this section:

– "Management Board Meetings."
– "Corporate Events."
– "Corporate Documents."

To ensure transparency and disclosure of company information, it is also important that the company's strategic planning documents be publicly available on its website.

A similar approach, taking into account both Kazakhstan's specific characteristics and international experience, should be applied to the other principles of corporate governance.

CONCLUSION

Corporations form the backbone of Kazakhstan's real economy. Their performance is determined primarily by their corporate governance systems.

Kazakhstan has progressively developed its own national corporate governance model, with certain strengths and weaknesses.

Corporate governance in the country's enterprises emerged under specific conditions. These gave rise to a number of distinctive features, including those associated with the substantial role of the state in Kazakhstan's corporate sector.

Kazakhstani companies now devote considerable attention to implementing contemporary corporate governance principles. For example, corporate governance effectiveness indicators are used to support transparency and disclosure concerning corporate activities.

Efforts to improve corporate governance in domestic enterprises should take into account both global trends and Kazakhstan's specific conditions and distinctive characteristics.

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