KAZAKHSTAN STOCK EXCHANGE

Approved

by a decision of the Board of Directors
of Kazakhstan Stock Exchange
(minutes No.14
dated March 10, 2021)

Effective as of

March 11, 2021

REGULATIONS

on the Committee of the Board of Directors of Kazakhstan Stock Exchange JSC for the audit of issuers

Almaty

2021

This Regulation has been developed in accordance with the legislation of the Republic of Kazakhstan on the securities market and determines the procedure for the activities of the Committee of the Board of Directors of Kazakhstan Stock Exchange JSC (hereinafter referred to as the Exchange) for the audit of issuers (hereinafter referred to as the Committee).

Article 1. Main concepts, designations and abbreviations

1. The concepts used in this Regulation mean the following:
   1) **an accredited professional audit organization (hereinafter - PJSC) -** a non-profit organization that unites auditors and audit organizations;
   2) **Listing Department -** a structural division of the Exchange, the main function of which is to provide procedures related to the formation of lists of securities of the Exchange, in accordance with the legislation of the Republic of Kazakhstan and internal documents of the Exchange;
   3) **Monitoring Department -** a structural division of the Exchange, one of the main functions of which is monitoring information provided by admittance initiators of listed companies;
   4) **ISA -** International Standards on Auditing and related procedures developed by the International Standards on Auditing Board, and confirmation of the accuracy of the information;
   5) **IFRS -** international accounting and financial reporting standards developed by the International Accounting Standards Board;
   6) **US GAAP -** Generally Accepted Accounting Standards and preparation of financial statements developed by the Financial Accounting Standards Board in the United States of America;
   7) **List -** a list of audit organizations recognized by the Exchange for the purpose of reviewing the financial statements of the issuer, whose securities are included in the official list of the Exchange or are supposed to be included in the official list of the Exchange, for compliance with its requirements of IFRS or US GAAP and the audit report issued on these financial statements for compliance with ISA requirements;
   8) **Requirements** - the Exchange's requirements for audit organizations established by these Regulations, used for the purpose of their inclusion and being in the List;
   9) **expert auditor -** an employee of the Exchange, whose functions include checking the audit organization for compliance with the Requirements in order to include and presence of the audit organization in the List, as well as monitoring the financial statements of the issuer, whose securities are included in the official list of the Exchange or are supposed to be included in the official list Exchange for compliance with IFRS or US GAAP and the audit report issued on these financial statements for compliance with ISA;
   10) **authorized body -** the state body of the Republic of Kazakhstan, exercising state regulation, control and supervision of the financial market and financial organizations.
2. Other concepts and designations used in these Regulations are identical to the concepts and conventions defined by the legislation of the Republic of Kazakhstan and other internal documents of the Exchange.

Article 2. Committee members

1. The number of members of the Committee is at least five people.
2. The Committee includes:

1) representative of the authorized body;

2) member of the Board of Directors of the Exchange;

3) a member of the Management Board of the Exchange;

4) the head of the Monitoring Department;

5) Head of the Listing Department..

3. The composition of the Committee, including the Chairperson of the Committee, and persons replacing them, are approved by the decision of the Board of Directors of the Exchange. The member of the Committee from the authorized body is determined by the authorized body independently in the manner prescribed by it.

4. Persons elected to the Committee can be re-elected an unlimited number of times.

5. The Chairperson of the Committee is a member of the Committee elected from the Board of Directors of the Exchange.

Article 3. Terms of office of members of the Committee

1. Terms of office of members of the Committee, as well as persons replacing them:

   1) from the authorized body are determined by the authorized body;

   2) from the Board of Directors and the Management Board of the Exchange expire simultaneously with the expiration of their terms of office as part of the Board of Directors / Management Board of the Exchange or in case of early termination of their powers by decision of the authorized body of the Exchange.

2. The Board of Directors of the Exchange may at any time early terminate the powers of the members of the Committee and its chairperson, as well as persons replacing them, and elect new candidates to the Committee.

3. The Secretary of the Committee and the person replacing him are elected by the Committee at one of its meetings from among the employees of the Exchange.

Article 4. Functions of the members of the Committee and the procedure for holding meetings of the Committee

1. The Committee is a permanent body of the Exchange, the main functions of which are:

   1) inclusion of the audit organization in the List, transfer of the audit organization from one level of the List to another, as well as exclusion of the audit organization from the List;

   2) consideration of the financial statements of the issuer, whose securities are included in the official list of the Exchange or are supposed to be included in the official list of the Exchange, for compliance of the issuer's financial statements with the requirements of IFRS or US GAAP and the auditor's report to financial statements, for compliance with the requirements of ISA;

   3) other functions determined by these Regulations and other internal documents of the Exchange.

2. The Committee has the right to consider issues included in the agenda of its meeting and make decisions on them if at least two thirds of the total number of Committee members, including a member of the Committee from the authorized body, takes part in the Committee meeting (including via videoconference).

3. The meeting of the Committee, both in person and in absentia, is held only if the meeting is attended by a member of the Committee - a representative from the authorized body.

4. Decisions on each issue on the agenda of a meeting of the Committee are made by a simple majority of the total number of votes of the members of the Committee participating in this meeting and who have the right to vote when making these decisions in accordance with the legislation of the Republic of Kazakhstan.

   In case of equality of votes, the vote of a member of the Committee - a representative from the authorized body is decisive.

5. Voting of the Committee on the issues specified in subparagraphs 1) and 2) of paragraph 1 of this article shall be carried out by voting on individual ballots for each issue, while the members of the Committee have the right to vote only on the options "for" and "against" and have no right to refuse (refrain) from voting.

   The form of voting on the issues specified in subparagraph 3) of paragraph 1 of this article, the agenda of the meeting of the Committee is determined by the Committee.

6. Meetings of the Committee are held as required in person or in absentia. When holding a meeting of the Committee in person, the meeting can be held by videoconference, including if any member of the Committee is on labor leave or on a business trip. Such participation is allowed if the video communication allows to unambiguously identify the members of the Committee and reliably perceive their statements and judgments, as well as the decisions they make.

   The decisions of the Committee, which were taken in person, are drawn up in the minutes. The decision of the Committee, which was taken in absentia, is drawn up for each issue as a separate document, named as the "decision of the Committee".

7. The meeting of the Committee is held only in person in cases where the issue of including the audit organization in the List is being considered, as well as the exclusion of the audit organization from the List, if the basis established by article 7 of the internal document of the Exchange "Procedure for the formation of the list of auditing organizations recognized by Kazakhstan Stock Exchange JSC arise".

8. For the purpose of holding a meeting of the Committee, the Secretary of the Committee:

   1) forms the proposed agenda of the meeting of the Committee;

   2) agrees with the members of the Committee or persons replacing them, the date and time of the meeting of the Committee, as well as the form of the meeting of the Committee (in person or in absentia), as well as the existence of the basis established by paragraphs 16 and 17 of this article;

   3) sends to the members of the Committee or persons replacing them, by corporate e-mail, a notification of the holding of a meeting of the Committee, indicating the form of the meeting and the proposed agenda;

   4) keeps records of the quorum of the meeting, counts the votes of the members of the Committee on decisions put to the vote by the members of the Committee, and sums up the voting results, draws up the minutes of the meeting (in case of an in-person meeting) or a decision (in case of absentee meeting) of the Committee;

   5) keeps minutes of the meeting and decisions of the Committee;

   6) performs other functions in accordance with these Regulations and decisions of the Committee.

9. For the purpose of holding a meeting of the Committee, the expert-auditor posts for the members of the Committee documents, materials and other information on the agenda items of the meeting of the Committee on a special Internet resource of the Exchange.

10. When holding a meeting of the Committee in person:

1) representatives of the audit organization and / or representatives of other organizations related to the issue under consideration are invited to answer questions from members of the Committee, while the absence of these representatives at the meeting of the Committee is not a reason to postpone the date and time of the meeting of the Committee;

2) if necessary, the agenda of a meeting of the Committee may include additional issues that are not specified in the notice of the meeting of the Committee, adopted by a simple majority of the total number of votes of the members of the Committee participating in this meeting;

3) members of the Committee give the secretary of the Committee the originals of the ballots signed by them, or send ballots in the form of scanned copies with further provision of the original ballots in hard copy, if the meeting of the Committee was held in person using videoconference.

11. When holding a meeting of the Committee in absentia:

1) members of the Committee are provided with three working days for voting, not including the day of sending the notification of the meeting of the Committee;

2) members of the Committee give the secretary of the Committee the originals of the ballots signed by them for absentee voting or send them these ballots in the form of scanned copies with further provision of the originals of the ballots in hard copy;

3) the decision formulated in the ballots for absentee voting shall be considered adopted if by 4 pm Almaty time on the third working day after the day of sending the said notification a simple majority of the total number of votes of the Committee members voted for this decision;

4) it is allowed to count the votes of the Committee members before the time specified in subparagraph 3) of this paragraph, if the Exchange received ballots for absentee voting signed by all members of the Committee or persons replacing them. The fact of early counting shall be reflected in the decision of the Committee adopted by absentee voting.

12. The audit organization is included in the List, transferred from one level of the List to another, and is also excluded from the List, on the next business day after the adoption of the relevant decision, unless another period is established by the Committee when making this decision.

13. The results of the consideration by the Financial Reporting Committee of the issuer, whose securities are included in the official list of the Exchange or are supposed to be included in the official list of the Exchange, for compliance of the financial statements with the requirements of IFRS / US GAAP and the auditor's report for financial statements, for compliance with the requirements of ISA, are considered by the Listing Commission of the Exchange for the purposes of inclusion and finding of the issuer's securities in the official list of the Exchange.

14. The committee on the issues specified in subparagraphs 1) and 2) of paragraph 1 of this article shall have the right:

1) postpone consideration of the issue until certain events occur and / or until certain conditions are met, as well as instruct the Exchange to further study the issue included in the agenda;

2) has the right to recommend that the Exchange apply to the PJSC, of which the considered audit organization is a member, to conduct external quality control of audit services of this audit organization, while the period for external quality control is set by the PJSC independently.

15. The procedure for the Committee to carry out the functions specified in subparagraph 3) of paragraph 1 of this article is established by the Committee

independently in accordance with applicable law, this Regulation and other internal documents of the Exchange.

16. When the Committee considers the issues specified in subparagraph 1) of paragraph 1 of this article, a conflict of interest is a situation in which a member of the Committee does not have the right to vote if he is a major shareholder / major participant, official, employee or affiliate of an audit organization.

17. When considering the issue specified in subparagraph 2) of paragraph 1 of this article, a member of the Committee does not have the right to vote if he is a major shareholder / major participant, official, employee or affiliate:

    1) an issuer whose securities are included in the official list of the Exchange or are supposed to be included in the official list of the Exchange;

    2) financial advisor and / or underwriter and / or market maker of the issuer, whose securities are included in the official list of the Exchange or are supposed to be included in the official list of the Exchange;

    3) an audit organization that has prepared an audit report on the financial statements of the issuer, whose securities are included in the official list of the Exchange or are supposed to be included in the official list of the Exchange, or reviewed the interim financial statements.

Article 5. Documenting decisions of the Committee

1. Voting ballots are drawn up separately for each issue and must contain:
   1) surname and initials of the member of the Committee;
   2) the date of the meeting of the Committee - in case of in-person voting or the date of sending the ballot - in case of absentee voting;
   3) the wording of the decision that is put to a vote;
   4) voting options expressed by the words "for" and "against";
   5) the column for indicating the date of signing the ballot by a member of the Committee - in case of absentee voting.
2. The minutes of the Committee meeting are signed by the Chairperson of the Committee and the Secretary of the Committee (persons replacing them) as they prepare, but no later than 10 working days from the date following the date of the Committee meeting.

   If a member of the Committee participates in a meeting of the Committee held in person by videoconference, such participation must be recorded in the minutes of the meeting of the Committee

Article 6. Obligations of the members of the Committee

1. Members of the Committee and persons replacing them are obliged:
   1) comply with the requirements established by the legislation of the Republic of Kazakhstan, these Regulations and other internal documents of the Exchange for the procedure for carrying out the activities of the Committee;
   2) be independent and objective by participating in the activities of the Committee;
   3) ensure the confidentiality of documents (information, data) received by them in the course of exercising their powers as a member of the Committee;
   4) perform other duties in accordance with the legislation of the Republic of Kazakhstan, these Regulations and other internal documents of the Exchange;
   5) inform the secretary of the Committee about the existence of facts established by paragraphs 16 and 17 of article 4 of these Regulations, in which they are not entitled to vote.
2. In the case of three or more times within 12 consecutive calendar months of absence from the Committee meetings for an unjustified reason:
   1) a member of the Committee from the authorized body - the Exchange notifies the authorized body by an official letter of the need to admit another candidate to the Committee;
   2) a member of the Committee from the Board of Directors or the Management Board of the Exchange submits a question to the Board of Directors of the Exchange on the re-election of such a member of the Committee.

Article 7. Exchange requirements for audit organizations for the purpose of including and presence of audit organizations in the List

1. The list consists of two levels:
   - first level;
   - second level.
2. Requirements are differentiated for inclusion and presence of an audit firm in the List at the first or second level.
3. The Exchange recognizes the financial statements of the issuer, whose securities are included or are supposed to be included in the official list of the Exchange, confirmed by an audit report:
   - an audit organization included in the List on the first level, in order to include and find the issuer's securities in the official list of the Exchange on the "Main", "Alternative" or "Mixed" markets;
   - an audit organization included in the List at the second level, in order to include and keeping the issuer's securities in the official list of the Exchange on the "Alternative" or "Mixed" platforms.
4. To be included in the List at the first level, the audit organization must:
   1) carry out audit activities on the basis of an audit activity license issued by the Internal State Audit Committee of the Ministry of Finance of the Republic of Kazakhstan for at least three years;
   2) to have, based on the results of the external quality control of auditing activities carried out by PJSC, confirmation of the audit organization's compliance with the ISA and the Code of Ethics of the International Federation of Accountants, an "excellent" grade;
   3) have a valid insurance policy confirming compulsory civil liability insurance of an audit organization, and provide an insurance policy to the Exchange every subsequent calendar year;
   4) have at least three auditors on staff, each of whom has a qualification certificate of an auditor of the Republic of Kazakhstan, and also has:
      - an Associate / Fellow Chartered Certified Accountant (ACCA / FCCA) qualification from the Association of Chartered Certified Accountants (ACCA), and / or
      - Certified Public Accountant (CPA) license issued by one of the licensed member organizations of the American Institute of Certified Public Accountants;
   5) financial statements and audit reports issued on them by an audit organization submitted to the Exchange for the purpose of considering the issue of including it in the List, as well as being in the List, must reliably reflect, in all material aspects, the financial position, financial results and cash flow of the audited organization as of the specified date in accordance with the requirements of IFRS / US GAAP, and the auditor's report for these financial statements must comply with the standards established by ISA.
5. To be included in the List at the second level, the audit organization must:
   1) carry out audit activities on the basis of an audit activity license issued by the Internal State Audit Committee of the Ministry of Finance of the Republic of Kazakhstan, for at least two years;
   2) to have, based on the results of the external quality control of auditing activities carried out by PJSC, confirmation of the compliance of the auditing organization with ISA and the Code of Ethics of the International Federation of Accountants with an "excellent" or "good" grade;

3) have a valid insurance policy confirming compulsory civil liability insurance of the audit organization, and provide the Exchange with an insurance policy every subsequent calendar year;

4) have at least two auditors on staff, each of whom has a qualification certificate of an auditor of the Republic of Kazakhstan, and also has:

– an Associate / Fellow Chartered Certified Accountant (ACCA / FCCA) qualification from the Association of Chartered Certified Accountants (ACCA), and / or

– Certified Public Accountant (CPA) license issued by one of the licensed member organizations of the American Institute of Certified Public Accountants; and / or

– Diploma in the International Financial Reporting from the UK Association of Chartered Certified Accountants (Diploma in the International Financial Reporting, DipIFR ACCA); and / or

– Certified International Professional Accountant (CIPA) certificate issued by one of the accredited organizations - members of the International Federation of Accountants;

5) the financial statements and audit reports issued by the audit organization submitted to the Exchange for the purpose of considering the issue of including it in the List, as well as being in the List, must reliably reflect, in all material aspects, the financial position, financial results and cash flow of the audited organization as of the specified date in in accordance with the requirements of IFRS / US GAAP, and the auditor's report for these financial statements must comply with the standards set out in ISA.

6. If the national / international qualifications / license of the employee of the audit organization is different from those listed in subparagraph 4) of paragraph 4 and subparagraph 4) of paragraph 5 of this article, then their suitability for the purpose of compliance of the audit organization with the Requirements is considered by the Committee on an individual basis.

Examples of other licenses:

– Chartered Professional Accountant of Canada (CPA Canada) license;

– Certified Practicing Accountant of the Commonwealth of Australia (CPA Australia).

7. Procedures for the inclusion of an audit organization in the List, transfer of an audit organization from one level of the List to another, exclusion of an audit organization from the List, as well as monitoring audit organizations for compliance with the Exchange requirements to their presence in the List and monitoring the financial statements of an issuer whose securities are included in the official list The Exchange or are supposed to be included in the official list of the Exchange, for compliance with its requirements of IFRS or US GAAP and the audit report to financial statements, for compliance with the requirements of ISA, are determined by a separate internal document of the Exchange approved by the Exchange Board.

Article 8. Final provisions

1. These Regulations are subject to publication on the Exchange's Internet resource.

2. This Regulation is subject to updating as necessary, but at least once every three years, calculated from the date of entry into force of this Regulation.

Chairperson of the Board A. Aldambergen