

KAZAKHSTAN STOCK EXCHANGE

A p p r o v e d

by a decision of Kazakhstan Stock Exchange
Board of Directors

(meeting minutes No. 23
of October 8, 2015)

E f f e c t i v e

as of October 9, 2015

NOTICE

The Regulations in English have been translated by employees of Kazakhstan Stock Exchange for information purposes only. In case of any incompliance of this translation with the Regulations original version in Russian, the latter prevails.

REGULATIONS on the internal audit service

Almaty

2015

These Regulations have been developed in accordance with the legislation of Republic of Kazakhstan, the charter of Kazakhstan Stock Exchange JSC (hereinafter – the Exchange) and other internal documents of the Exchange.

Chapter 1. GENERAL PROVISIONS

1. The internal audit service of the Exchange (hereinafter – the Service) is set up to solve issues emerging in the course of the Exchange Board of Directors (hereinafter – the Board of Directors) executing functions on maintaining a reliable internal control system, by assessing the efficiency and successfulness for purposes of its permanent improvement.
2. In accordance with the international professional standards of internal audit (hereinafter – the Standards) the Service's mission is in maintaining and increasing the Exchange's value by way of conducting objective internal audit checks based on the risk-oriented approach, provision of recommendations regarding improvement of quality of internal control and exchange of knowledge for purposes of increasing the qualification of employees of the Exchange.

The Service conducts assessment and facilitates improvement of processes of corporate government, risk management and control, using a systematized and consecutive approach.

3. In the course of executing its activities the Service is guided by the legislation of Republic of Kazakhstan, the charter of Exchange, decisions of bodies of the Exchange, these Regulations, other internal documents of the Exchange, as well as the Code of ethics of internal auditors and the Standards.
4. The structure and number of staff of the Service are determined by decisions of the Board of Directors and list of employees approved by the Management Board of Exchange. Appointment and dismissal of the Service employees from occupied positions are carried out by the Board of Directors.
5. Functions, liabilities, rights and responsibility of employees of the Service are determined by internal documents of the Exchange, these Regulations, individual labor agreements, as well as professional duties.
6. The Service assesses risks and adequacy and efficiency of risk control in the corporate governance sphere, operating activities of the Exchange and its information systems in part of:
 - 1) achieving strategic goals of the Exchange;
 - 2) reliability and integrity of information on financial and operating activities of the Exchange;
 - 3) efficiency and successfulness of the Exchange activities and development plans;
 - 4) safety of the Exchange assets;
 - 5) compliance with requirements of the legislation of Republic of Kazakhstan;
 - 6) the charter of the Exchange, internal documents of the Exchange, decisions of the Exchange bodies;
 - 7) assessment of the quality and compliance of all operating systems, processes and procedures of the Exchange, its organizational structure, quality and sufficiency of its resources for ensuring the operation and achievement of goals of the Exchange;
 - 8) assessment of the quality of safety (security) of the Exchange's information systems, their expediency and efficiency of use.
7. Definition of the efficiency of risk management processes is based on the opinion of employees of the Exchange, generated based on results of assessment of the following categories:
 - 1) goals of the organization are in line with its mission;

- 2) substantial risks are detected and evaluated;
 - 3) such measures of responding to risks are chosen, which allow keeping risks within the "risk appetite" of the organization;
 - 4) information related to risks is timely collected and handed over within the organization which allows employees, Management Board of the Exchange (hereinafter – Management Board) and Board of Directors to perform their duties.
8. For justification of the evaluation of efficiency of risk management processes the Service may collect information within several tasks. The complex analysis of such tasks provides an idea of the character and efficiency of risk management processes. Monitoring of risk management systems is carried out as part of current activities and/or by using special assessments.
 9. The Service may advise the Board of Directors and members of Management Board on issues of corporate governance, risk management and internal control. The character, volumes, deadlines and forma of reporting on each advice task are agreed upon by the Service with the client and the Exchange's Board of Directors Committee on internal audit (hereinafter – the Committee on audit) separately taking account the annual work plan of the Service.

In the course of executing advice tasks, employees of the Service must consider risks in accordance with objectives of the advice task, as well as be prepared for availability of other substantial risks.

10. The Service performs its activities in accordance with the work plan for the respective year approved by the Board of Directors, if not otherwise specified by the legislation of Republic of Kazakhstan, as well as performs extraordinary tasks on behalf of the Board of Directors, chairman of the Committee on audit and/or Chairman of Management Board of the Exchange.

In case of emergence of extraordinary and emergency situations requiring an immediate investigation, an audit task may be initiated by an order of Chairman of Management Board of the Exchange with a simultaneous written notification of the chairman of Committee on audit and with the following consideration by the Committee on audit, if not otherwise stated by the legislation of Republic of Kazakhstan, of the issue on making adjustments to the annual plan of checks by the Service.

Chapter 2. ORGANIZATIONAL STATUS OF THE SERVICE

11. The Service is a structural unit of the Exchange immediately responsible and accountable to the Board of Directors, and it acts as part of the Exchange's internal control system. Interaction with the Board of Directors is ensured by the chairman of Committee on audit.
12. The Committee on audit carries out surveillance of the Service, including provision to the Board of Directors of recommendations on issues of appointment of employees of the Service, remuneration and dismissal.
13. For purposes of due fulfillment/execution of tasks and functions assigned to the Service and ensuring of objective and unbiased opinions the Service must be independent from influence of the Management Board and other bodies of the Exchange, except for the Board of Directors and Committee on audit. Also, there must be no intervention in the processes of defining the object and volume of audit, audit conducting and provision of reports on its results.
14. Independence of the Service is achieved by its organizational service ensured by the Board of Directors, and objective position of employees of the Service when they are performing their work duties.
15. For purposes of observing principles of independence and objectivity in the course of performing their duties employees of the Service must not be involved in any types of activities which may lead to a conflict of interests during performance by the Service of its main duties. Threats to the

independence must be controlled at levels of employees of the Service, the auditing task, functional and organizational levels.

Chapter 3. OBJECTIVES, TASKS AND FUNCTIONS OF THE SERVICE

16. The main purpose of activities of the Service is provision to the Board of Directors and Committee on audit of independent and objective assessments and advice aimed at improvement of the Exchange's activities, and provision of an independent opinion designed for improvement of efficiency of the Exchange management, including with systems of risk management, internal control and corporate governance, in accordance with authorities specified by the Board of Directors and these Regulations.
17. Main tasks and functions of the Service are as follows:
 - 1) audit of efficiency and successfulness of the Exchange activities;
 - 2) audit of reliability and efficiency of accounting systems and financial statements of the Exchange drawn up on their basis;
 - 3) audit of reliability and efficiency of the Exchange's risk management system allowing systematic detection, assessment and control of risks for ensuring reasonable confidence in the Exchange reaching its objectives;
 - 4) audit of reliability and efficiency of the Exchange's internal control system;
 - 5) audit of efficiency of use of resources by the Exchange and safety of the Exchange's assets;
 - 6) audit of processes of the Exchange's corporate governance;
 - 7) audit of availability of adequate means of internal control for protection of the integrity, accessibility and confidentiality of data of the Exchange;
 - 8) audit of compliance with requirements of the legislation of Republic of Kazakhstan, internal normative documents of the Exchange;
 - 9) audit of compliance with ethical standards and values of the Exchange;
 - 10) audit of efficiency of interaction and flow of information between managing bodies and structural units of the Exchange on issues related to management of risks, internal control and corporate governance;
 - 11) audit of efficiency of interaction and flow of information between the Board of Directors, Management Board, external auditor and the Service;
 - 12) audit of subsidiaries of the Exchange;
 - 13) audit of the timeliness of fulfillment of recommendations made by regulating and surveillance bodies, external auditor and the Service based on results of inspections and audits of the Exchange;
 - 14) advice to the Board of Directors, Management Board and Chairman of Management Board on issues of organization of systems of internal control, risk management and corporate governance of the Exchange;
 - 15) evaluation of the possibility of fraud by employees and executives of the Exchange and how the Exchange manages the risk of fraud;
 - 16) bringing to knowledge of the Board of Directors of information on repeating substantial risks (detected within more than one audit and/or advice task within a year), capable of affecting the objectives, activities or resources of the Exchange;

- 17) coordination of interaction with the external auditor for purposes of avoidance of duplication of efforts and minimization of costs on conducting audit of the Exchange;
- 18) improvement by employees of the Exchange of knowledge, skills and other competencies by way of continuous professional development, including by way of undergoing certifications, attendance of seminars and qualification improvement courses which are paid by the Exchange;
- 19) execution of other functions assigned to the Service by the Board of Directors as part of responsibilities defined by the Board of Directors and these Regulations.

Chapter 4. RIGHTS OF THE SERVICE

18. The Service for implementing of its main tasks and performing of functions as part of conducted audit checks and provision of advice has the right:
 - 1) of access to all employees of the Exchange and its subsidiaries for conducting interview and obtaining of necessary information;
 - 2) access to all documentation and any other information, including to data and information representing commercial and official secrets of the Exchange and its subsidiaries;
 - 3) access to all information and accounting data bases of the Exchange and its subsidiaries on a permanent basis in the view mode without the right to correct the data;
 - 4) make suggestions to the Board of Directors on improvement of procedures and methods of conducting internal audit, as well as draw up recommendations aimed at increasing the efficiency of systems of internal control, risk management and corporate governance of the Exchange;
 - 5) when necessary, to make suggestions to chairman of the Committee on audit and/or Chairman of Management Board related to drawing third parties for execution of internal audit procedures in the Exchange's activity fields requiring special knowledge.

Chapter 5. RESPONSIBILITY OF THE SERVICE

19. Employees of the Service according to a specified procedure carry personal liability for the quality and timeliness of execution of duties and fulfillment of tasks assigned to the Service, in accordance with the legislation of Republic of Kazakhstan, the Standards, these Regulations, individual work agreements, job instructions and other internal documents of the Exchange.
20. Employees of the Service must observe requirements of confidentiality with regard to information they receive in accordance with work agreements and internal documents of the Exchange.

Chapter 6. AUTHORITIES AND RESPONSIBILITIES OF EMPLOYEES OF THE SERVICE

21. Employees of the Service according to a specified procedure:
 - 1) are authorized to have access to the Board of Directors and Committee on audit;
 - 2) maintain an open and efficient process of communication and interaction with members of the Board of Directors and Management Board;

- 3) timely inform the Board of Directors and/or Committee on audit on restrictions in the work, detected violations, unlawful actions, interest conflicts, drawbacks in the internal control system and other important aspects of activities of the Exchange and its subsidiaries;
- 4) put up for consideration by the Board of Directors suggestions on lines of organization of work, development and increasing the efficiency of activities of the Exchange;
- 5) ensure drawing up of the annual work plan and check plan of the Service, present them for approval to the Board of Directors, if not otherwise specified by the legislation of Republic of Kazakhstan, and control their implementation;
- 6) carries out development of internal documents of the Exchange related to activities of the Exchange, and put up for consideration by the Board of Directors;
- 7) ensure following of the Service of these Regulations, internal documents of the Exchange, related to activities of the Service, and the standards;
- 8) ensure provision to the Board of Directors and Committee on audit of reports on activities of the service in forms and timeframe specified by the Committee on audit, if not otherwise specified by the legislation of the Republic of Kazakhstan, including:
 - on accomplishment or failure to accomplish the approved annual work plan and check plan of the Service;
 - on detected risks and drawbacks of the systems of internal control, risk management and corporate governance of the Exchange and its subsidiaries;
 - on respective plans of the Management Board and management of subsidiaries of the Exchange on correction of detected drawbacks based on results of conducted audit checks;
 - on substantial restrictions impeding the Service's efficient handling of specified tasks;
 - on other important aspects of activities of the Exchange;
- 9) put up for consideration and approval by the Board of Directors suggestions on the number and composition of the Service, as well as on labor conditions and bonuses to employees of the Service;
- 10) ensure periodical assessments of the tasks and functions of the Service;
- 11) carry out other responsibilities assigned to the Service by the Board of Directors and Committee on audit.

Chapter 7. EVALUATION OF THE SERVICE PERFORMANCE

22. The Service must ensure regular evaluations (external and internal) of its own performance.
23. Internal evaluation (self-evaluation) of the Service's performance is conducted on an annual basis by employees of the Exchange, also the following is evaluated:
 - 1) compliance of the Service's work with the legislation of Republic of Kazakhstan, the Standards, these Regulations and Rules of work of the Internal audit service;
 - 2) successfulness and efficiency of the Service from the point of view of various interested parties.
24. External evaluation of the Service's performance must be conducted, as a rule, at least once every five years by a qualified and independent analyst (group of analysts) with a high level of competency and work experience in internal audit, if not otherwise will be specified by the Committee on audit.

Analysts attracted for conducting an external evaluation of the Service's performance must not be employees of the Exchange.

25. Reports on results of conducting internal and external evaluations of the Service's performance are presented to the Board of Directors, Committee on audit, Management Board, and when necessary, to the external audit.

Chapter 8. SALARY AMOUNT AND TERMS OF BONUSES TO THE SERVICE EMPLOYEES

26. Amounts of salaries of employees of the Service are determined by the Board of Directors taking into account professional qualification, work experience, level of compliance with the qualification requirements, timeliness, completeness and quality of fulfillment by employees of the Service of their duties, observance of the work discipline and other requirements specified by internal documents of the Exchange.
27. Amounts of salaries of employees of the Service are determined by a decision of the Board of Directors in the national currency (the tenge) with taxes and other mandatory payments withheld from that amount in accordance with the legislation of Republic of Kazakhstan.

Amounts of salaries of employees of the Service are reviewed by the Board of Directors at evaluation of results of their activities in the previous year, as well as in case of achievement by an employee of the Service of top results in the work, improvement of his qualification.
28. The procedure of payment of salaries to employees of the Service is set by the work agreement.
29. Employees of the Exchange may be paid a bonus upon results of their work in the calendar year, as well as bonus due to holidays in accordance with decisions of the Board of Directors.
30. Amounts of annual bonuses to employees of the Service are defined by decisions of the Board of Directors upon results of the Service performance during the reporting year.
31. Payment of bonuses to employees of the Service based on results of the reporting year is carried out within 10 calendar days after the Board of Directors took a decision on such payment.
32. Decisions on payments stipulated by the legislation of Republic of Kazakhstan (ecological, for work in the night shift, holidays and days-off, work in overtime, payment of leave, days of temporary incapability and other payments), are taken by the Chairman of Management Board.
33. Employees of the Service are provided with annual leaves stipulated by work agreements and internal documents of the Exchange.
34. To apply for a leave, an employee of the Service submits to Chairman of Management Board an application agreed upon with Chairman of Board of Directors.
35. Employees of the Service are covered by the Policy of rendering material, sponsor and welfare aid, and the Board of Directors may take a decision on a one-off payment to employees of the Exchange.
36. In case of concluding an agreement on mandatory and/or voluntary insurance of employees of the Exchange, the insurance covers employees of the Service for the period of their executing their work duties.
37. In case of voluntary insurance of employees of the Service, insurance coverage is carried out with their consent.

Chapter 9. INTERACTION OF THE SERVICE WITH OTHER UNITS OF THE EXCHANGE

38. The Service in the course of implementing of assigned tasks and performing of functions interacts according to the specified procedure with all structural units of the Exchange, its subsidiaries, as well as (within its competencies) with third parties.

Chairman Of Management Board

E. Birtanov