

Approved by the Board of directors  
JSC Kaspi.kz

(Minutes of 23 August 2019)

# **The Audit Committee Terms of Reference JSC Kaspi.kz**



# 1. General provisions

- 1.1. These Terms of Reference for the Audit Committee of the Board of Directors of the Joint Stock Company Kaspi.kz (these “Terms of Reference”) have been prepared in accordance with the existing laws of the Republic of Kazakhstan, the Charter of JSC Kaspi.kz and the regulations for the Board of Directors of JSC Kaspi.kz (the “Company”).
- 1.2. These Terms of Reference define the legal status, objectives and competence, requirements for structure and composition, formation and operation, rights and responsibilities of the members of the Internal Audit Committee of the Board of Directors (the “Committee”).
- 1.3. The Committee was established to assist the Board of Directors (the “Board”) in its oversight responsibilities. These Terms of Reference are intended to define the scope of the function to be undertaken by the Committee and to provide guidance in setting out the procedures to be followed.

## 2. Competence of the Committee

- 2.1. The primary purpose of the Committee is to formulate and make recommendations to the Board on:
  - 2.1.1. establishing an effective system of monitoring the Company’s financial activities (including the completeness and accuracy of financial statements);
  - 2.1.2. monitoring the reliability and effectiveness of the system of internal control, risk management and corporate governance;
  - 2.1.3. monitoring the independence of external and internal audit, as well as the process of compliance with the applicable legislation of the Republic of Kazakhstan;
  - 2.1.4. other matters in accordance with these Terms of Reference.

## 3. Composition of the Committee

- 3.1. Members of the Committee shall be appointed by the Board in consultation with the Chairman of the Committee. The size of the Committee shall be determined by the decision of the Board, and shall not consist of less than three members.

3.2. The majority of the members of the Committee shall be independent directors.

3.3. The Committee shall be constituted from members of the Board.

3.4. The Chairman of the Committee shall be an independent director, chosen by the Board.

3.5. The Chairman of the Board shall not be a member of the Committee.

3.6. The Chief Executive Officer of the Company shall not be the Chairman of the Committee.

3.7. In selecting members and the Chairman of the Committee, the following factors should be taken into account:

3.7.1. at least one member of the Committee must have actual, relevant experience in the area of finance;

3.7.2. at least one member of the Committee must be competent in the area of accounting and/or audit.

#### **4. The term of a Committee member's appointment shall be two years, prolonged for an additional one year, subject to the following conditions:**

4.1.1. the majority of the Committee's members remain independent;

4.1.2. the decision to prolong the term of a member of the Committee is effective for so long as the Committee member continues to meet the requirements for membership on the Committee.

4.2. Requirements for membership on the Committee shall be reviewed by the Board at least annually.

4.3. The Board has the right to terminate the appointment of any Committee member at any time, as well as replace the entire composition of the Committee.

4.4. Changes in the composition of the Committee may be made by the Board in the following cases:

- 4.4.1. election of a new member of the Committee to replace a departing member (by resignation or other circumstances);
- 4.4.2. election of new Committee members in the case of an increase in number of members;
- 4.4.3. early termination of the appointment of a current Committee member and/or election of a new Committee member on the recommendation of any member of the Board.

## **5. Chairman and Secretary of the Committee**

5.1. The Chairman of the Committee shall organize the work of the Committee, and in particular:

- 5.1.1. assign responsibilities among the Committee members;
- 5.1.2. determine the format and the agenda of Committee meetings;
- 5.1.3. make decisions about convening Committee meetings and chairing them;
- 5.1.4. organize discussion of matters at Committee meetings;
- 5.1.5. organize the taking of minutes of the Committee meetings and signing them;
- 5.1.6. represent the Committee, conduct official correspondence of the Committee, sign documents and materials on its behalf;
- 5.1.7. perform other functions in accordance with the rights and responsibilities stipulated for members of the Board.

5.2. The functions of the Secretary of the Committee shall be performed by a person appointed by the Committee. In the absence of a Secretary of the Committee, his functions shall be performed by the Secretary of the Company in agreement with the Chairman of the Committee.

5.3. The Secretary of the Committee shall ensure the preparation and conduct of the Committee meetings, collection and systematization of materials for the meetings, preparation of draft decisions and recommendations of the Committee jointly with the Chairman of the Committee, timely notification to Committee members and invitees

about Committee meetings, the meeting agenda and materials regarding issues on the agenda.

5.4. The Secretary of the Committee shall attend the meetings of the Committee, minute the meetings and store documents and materials on the Committee's activities.

## **6. Duties of the Committee**

6.1. The Committee has the right to:

- 6.1.1. review and consider any issues within its competence under these Terms of Reference on behalf of the Board;
- 6.1.2. participate in monitoring decisions and orders of the Board of directors on matters relating to its activities;
- 6.1.3. use the services of the officers and professionals of the Company on matters within their competence and invite them to their meetings;
- 6.1.4. attract to its work external experts and consultants.

6.2. The Committee shall:

- 6.2.1. fulfill the purpose of the Committee's work in accordance with these Terms of Reference, applicable legislation of the Republic of Kazakhstan, the Company's Charter;
- 6.2.2. perform its activities in the interests of the Company, its shareholders and investors;
- 6.2.3. report to the Board on the results of its work.

6.3. With respect to internal audit, the Committee shall:

- 6.3.1. to monitor the effectiveness of the internal audit programme in the context of the Company's overall risk management system;
- 6.3.2. prior to consideration by the Board, consider and recommend appointment, termination and remuneration of employees of the internal audit staff;
- 6.3.3. review and assess the annual internal audit plan;

- 6.3.4. review reports addressed to the Committee from the internal auditor;
- 6.3.5. review and monitor the responsiveness of the executive and management bodies to the findings and recommendations of the internal auditor;
- 6.3.6. meet with the head of the internal audit staff at least once a year without the presence of the executive and management bodies of the Company to discuss the work of the internal audit and other matters raised by the internal audit;

6.4. With respect to external audit, the Committee shall:

- 6.4.1. review and submit recommendations to the Board regarding the appointment, renewal and termination of the external auditor for further approval by the shareholders;
- 6.4.2. ensure that a tender is held to select the external auditor;
- 6.4.3. evaluate the results of the Company's required separate and consolidated financial statements and agree them with the external auditor, including but not limited to the following:
  - any significant questions and reservations arising from the audit process;
  - key findings on accounting and auditing;
  - the level of errors identified during the audit;
  - effectiveness of the audit.
- 6.4.4. make recommendations to the Board about the remuneration of the external auditor, for audit services and for other services;
- 6.4.5. make recommendations to the Board on the terms of cooperation, including the terms of any letter of engagement letter, received at the beginning of the audit and during the course of the audit process;
- 6.4.6. make recommendations to the Board to assess the independence and objectiveness of the external auditor taking into account the mandatory and professional requirements, as well as the relationship with the auditor as a whole, including the provision of non-audit services;
- 6.4.7. ensure that there are no relationships (such as family, employment, investment, financial or business) between the external auditors and the Group (other than in the ordinary course of business);

- 6.4.8. request, receive and study information on the policies and procedures of the auditor ensuring independence and compliance-monitoring, including the rotation of partners and employees of the auditor;
  - 6.4.9. agree with the Board a policy on the hiring of employees formerly on the staff of the external auditor and monitor compliance with this policy;
  - 6.4.10. to develop and implement a policy on the supply of non-audit services by the external auditors, taking into account any relevant ethical guidance on the matter;
  - 6.4.11. assess the relationship with the external auditor, including the level of skill, resources of the external auditor, and effectiveness of the audit procedures, which should include a report of the external auditor on the quality of their internal procedures;
  - 6.4.12. review and recommend for approval an annual audit plan;
  - 6.4.13. consider any presentation letter to the external auditor before it is signed by an officer of the Company;
  - 6.4.14. review the management letter and the Company's response to the results of the audit.
- 6.5. If the contract with the external auditor is terminated on its initiative, the Committee must review the reasons for such termination of the contract and take a decision about the need for further action.
- 6.6. The Committee has the authority to review the findings of any tax advisors on the activities of the Company.
- 6.7. With respect to financial statements, the Committee:
- 6.7.1. assists the Board to monitor the Company's preparation and integrity of financial statements, including annual and semi-annual accounts, interim management reports, forward-looking statements, audit results, and other official announcements relating to financial performance;
  - 6.7.2. monitors and reports to the Board on significant questions and judgments of the management included in the annual report (reporting);
  - 6.7.3. assists the Board in reviewing interim reports, preliminary announcements, and any material financial information included in documents intended for publication.

6.8. The Committee reviews the Company's annual reports (reporting) prior to its review (and prior approval) by the Board, and, by reviewing the reporting from the Company's executive body and external auditor, assesses (and, if necessary, reviews):

6.8.1. compliance with requirements of the Listing Rules, legislation, authorized authority;

6.8.2. methods used to account for significant or unusual transactions, and the possibility of using other methods;

6.8.3. adequacy of the chosen accounting policies, consistency of its application and any changes in the accounting policy and its application;

6.8.4. whether the Company follows the relevant accounting standards, whether the opinion of the external auditor is taken into account in its assessments and judgments;

6.8.5. adequacy of judgments and assessments used in financial (bookkeeping) accounting;

6.8.6. clarity and completeness of disclosure in the Company's reporting;

6.8.7. significant amendments/changes required by audit results;

6.8.8. assumptions/presumptions/reservations in support of the fact that the Company is regarded as an operating enterprise, and any significant doubts about the ability to treat the Company as an operating enterprise for at least twelve months from the date of approval of the financial statements, as well as for a longer period;

6.8.9. all essential information provided with the reporting.

6.9. If the Committee disagrees with any part of the financial statements, the Committee reports its disagreement to the Board.

6.10. At the request of the Board, the Committee reviews the annual reporting and provides the Board of directors with a conclusion as to whether the reporting is reliable and comprehensive, and provides the information that the shareholders need to assess the Company's position, results, business model and strategy

6.11. With respect to internal control and risk management:

- 6.11.1. the Committee, on behalf of the Board of directors, evaluates the effectiveness of the Company's systems of internal control and risk management (including financial and operational risks), and approves internal control and risk management reports to be included in the annual report.
- 6.12. The Committee has the right:
- 6.12.1. to assess the adequacy and ability of the Company's employees and service providers to report possible violations in the Company's activities. The Committee ensures that such reports are independently verified, taking necessary measures based on the results of the verification, and provides recommendations of procedures to identify violations in activities and protect against such violations;
  - 6.12.2. to monitor the adequacy and effectiveness of the Company's compliance;
  - 6.12.3. to carry out other tasks on behalf of the Board.
- 6.13. Members of the Committee have the right to:
- 6.13.1. request from Company officials and bodies documents, reports, explanations and other information (materials) relating to matters within the competence of the Committee in oral and/or written form;
  - 6.13.2. use the services of external experts and consultants.
- 6.14. Members of the committee shall:
- 6.14.1. participate in the work of the Committee, attend its meetings, take an active part in addressing matters within the competence of the Committee;
  - 6.14.2. study the documents provided before and during the meetings of the Committee and develop a personal position on each issue on the agenda;
  - 6.14.3. maintain the confidentiality of official, commercial and other secrets by law, and not disclose any information coming into his knowledge in connection with the work of the Committee, information containing trade and commercial secrets, insider or other confidential information in accordance with the internal documents of the Company;
  - 6.14.4. execute instructions from the Committee Chairman.

7. Members of the Committee shall have liability in accordance with the laws of the Republic of Kazakhstan “On Joint Stock Companies”, the Charter and regulations on the Board of directors governing responsibility of the Board.

## **8. Meetings of the Committee**

- 8.1. Meetings of the Committee shall be held at least semi-annually, unless a different frequency for certain matters is required by the legislation of the Republic of Kazakhstan and/or in internal regulations of the Company.
- 8.2. The decision to call a meeting, the date, time and place of meeting, the agenda, list of persons invited to participate in the meeting, is taken by the Committee Chairman.
- 8.3. The requirement to hold a meeting of the Committee may be made by the following persons:
  - 8.3.1. the Chairman of the Company’s management board, a member of the Company’s management board, and the head of the Company’s internal audit staff;
  - 8.3.2. senior (main) partners of the external auditor.
- 8.4. Persons invited to participate in a meeting, including members of the Committee, may present their opinions on the issues in the agenda (all or some) in written form or presented orally in the course of the meeting.
- 8.5. At least one time each year the Committee shall invite the external auditor. Such meeting shall be conducted without members of the Board and the management of the Company.
- 8.6. Meetings of the Committee shall be valid (having a quorum) if not less than half the members of the Committee take part in it. The written opinion from a missing Committee member, personally signed and provided to the Secretary of the Committee prior to the meeting shall be taken into consideration when determining quorum and voting results on the issues under consideration. The written opinion of a member of the Committee may contain his vote on all or selected agenda items. Also, see paragraph 8.9.
- 8.7. The Committee Chairman shall chair meetings. In case of his absence at a meeting the members of the Committee shall select a chairman for that meeting from among the present members who are independent directors.

8.8. Notices of the meetings of the Committee shall be prepared by the Committee Secretary, who shall send a notification of the meeting to all Committee members and invited persons not later than five business days in advance of the date of the meeting, or any shorter period as agreed by all members of the Committee. The notice should contain information about the date, place, time of the meeting, and the issues proposed for discussion by the Committee.

8.9. An Audit Committee meeting may consist of a conference between members some or all of whom are in different places provided that each member who participates is able to hear each other participating member addressing the relevant meeting and to address all of the other participating members simultaneously, whether directly, by conference telephone or by any other means of, or equipment for, communications or by a combination of the said means or equipment. A quorum shall be deemed to be present if those conditions are satisfied in respect of at least the number of members required to form a quorum under paragraph 8.6 hereof.

## **9. Decisions of the Committee**

9.1. Decisions of the Committee shall be made by simple majority vote of the total number of Committee members participating in the meeting of the Committee. Persons attending by invitation shall not participate in voting.

9.2. Delegation of the right to vote by Committee members to other persons, including other Committee members, shall be prohibited.

9.3. In the event of a tie vote by Committee members, the Committee Chairman shall have the tiebreaking vote.

9.4. In the event not all Committee members voted for recommendations adopted by majority vote (in the absence of certain Committee members from the meeting, a negative vote or individual opinions), information on the results of the vote and their adoption shall be reported to the members of the Board at the meeting, to which these recommendations are submitted, prior to their announcement and/or consideration.

9.5. No later than 10 (ten) business days after a Committee meeting the Committee Secretary shall prepare minutes of the meeting.

9.6. The Committee minutes of the meeting shall include:

9.6.1. the date, format, place and time of the meeting (or the date of the absentee voting);

- 9.6.2. the list of the Committee members taking part in the consideration of the items on the agenda of the Committee's meeting (indicating the form of participation) as well as a list of others in attendance;
- 9.6.3. the agenda, related documents and presentations;
- 9.6.4. statements by the members of the Committee on the presence/absence of conflicts of interest;
- 9.6.5. views and suggestions of the Committee members on the items in the agenda;
- 9.6.6. results of a vote in the language of the decisions as put to a vote;
- 9.6.7. decisions taken.

9.7. The minutes of a Committee meeting shall be signed by the meeting's chairman who shall have responsibility for the accuracy of the minutes by the Secretary.

## **10. Reporting by the Committee to the Board**

- 10.1. The Committee shall submit to the Board at its request a report on its work for the required period. The timing of the preparation and submission of such report shall be determined by a decision of the Board.
- 10.2. The Committee report shall be submitted to the Board by the Chairman of the Committee.
- 10.3. The Committee has the right to advise the Board of the Company about its recommendations on any matter of its activities, and, in cases described in these Terms of Reference shall prepare an opinion for the Board of directors of the Company.
- 10.4. Consideration whether to accept the Committee's recommendations shall be decided by the Board.

## **11. Concluding matters**

- 11.1. If, as a result of changes to the legislation of the Republic of Kazakhstan, certain provisions of these Terms of Reference are in conflict with them, such provisions shall be invalid and, until amendments are introduced to these Terms of Reference, the Committee members shall be guided by the legislation of the Republic of Kazakhstan.

- 11.2. The Committee is not a management body of JSC Kaspi.kz (the “Company”) and cannot act on behalf of the Company or the Board. Decisions of the Committee will be recommendations for the Board and other bodies of management and administration of the Company. The Committee in its activities reports to the Board.
- 11.3. The Committee acts within the powers granted to it by the Board in accordance with the these Terms of Reference, and their activities are governed by the rules and regulations of the Republic of Kazakhstan, the Company’s Charter and regulations for the Board of directors, decisions of shareholders and the Board.
- 11.4. The Committee is authorised by the Board to obtain outside legal or other independent professional advice with relevant experience and expertise if it considers this necessary. The Chairman of the Committee will obtain approval for any such expenditure from the Board.
- 11.5. Issues not governed by these Terms of Reference shall be resolved in accordance with the legislation of the Republic of Kazakhstan and internal regulations of the Company.

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